Banca Popolare di Sondrio

ANNUAL REPORT 2023

Banca Popolare
di Sondrio

2023 FINANCIAL
STATEMENTS
153th YEAR

This document, prepared in PDF format to facilitate the reading of the Annual financial statements, does not constitute compliance with the obligations arising from Directive 2004/109/EC (the "Transparency Directive") and Delegated Regulation (EU) 2019/815 (the "ESEF Regulation" - European Single Electronic Format). For these purposes, a special XHTML format has been developed and is available on the institutional website of Banca Popolare di Sondrio https://istituzionale.popso.it/

ORDINARY SHAREHOLDERS’ MEETING 27 APRIL 2024

Banca Popolare di Sondrio S.p.A.
Società per azioni (joint-stock company)
Head Office and General Management: ITALY - 23100 Sondrio (SO) - Piazza Garibaldi 16
Tel. 0342 528.111 - Fax 0342 528.204
Websites: https://www.popso.it – https://istituzionale.popso.it
E-mail info@popso.it - Certified e-mail (PEC): postacertificata@pec.popso.it
Sondrio Companies Register No. 00053810149 - Official List of Banks No. 842
Monetary intermediation by monetary institutions other than central banks
Parent Company of the Banca Popolare di Sondrio Banking Group,
Official List of Banking Groups No. 5696.0 - Member of the Interbank Deposits Protection Fund
Tax code and VAT number: 00053810149
Share capital: 1,360,157,331 euro - Reserves: 1,564,088,615 euro
(Figures approved at the Shareholders' meeting of 27 April 2024)

Rating:

- Rating issued to Banca Popolare di Sondrio by Fitch Ratings on 6 July 2023:
  - Long-term Issuer Default Rating (IDR): BB+
  - Short-term Issuer Default Rating (IDR): B
  - Viability Rating: bb+
  - Government Support Rating: n.a.
  - Long-term Deposit Rating: BBB-
  - Short-term Deposit Rating: F3
  - Senior Preferred Debt: BB+
  - Tier 2 Subordinated Debt: BB-
  - Outlook: Stable

- Rating issued to Banca Popolare di Sondrio by DBRS Morningstar on 13 November 2023:
  - Long-Term Issuer Rating: BBB (low)
  - Short-Term Issuer Rating: R-2 (middle)
  - Intrinsic Assessment: BBB (low)
  - Support Assessment: SA3
  - Long-Term Deposit Rating: BBB
  - Short-Term Deposit Rating: R-2 (high)
  - Long-term Senior Debt: BBB (low)
  - Short-term Debt: R-2 (middle)
  - Subordinated Debt: BB
  - Trend: Positive

- Rating issued to Banca Popolare di Sondrio by Scope Ratings on 14 March 2023:
  - Issuer rating: BBB
  - Outlook: Stable

- Rating issued to Banca Popolare di Sondrio by S&P Global Ratings on 26 February 2024:
  - Stand-alone credit profile: BBB-
  - Long-term Issuer Credit Rating: BBB-
  - Short-Term Issuer Credit Rating: A-3
  - Long-term Resolution Counterparty Rating: BBB
  - Short-term Resolution Counterparty Rating: A-2
  - Outlook: Stable

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THE BANKING GROUP IN

BPS (SUISSE)

Banca Popolare di Sondrio (SUISSE)

OPERATING IN THE SWISS TERRITORY
IT HAS 20 OFFICES IN 8 CANTONS,
AS WELL AS THE REPRESENTATIVE OFFICE IN VERBIER,
THE DIRECT BANKING VIRTUAL BRANCH IN LUGANO
AND THE MONACO BRANCH OUTSIDE SWITZERLAND
IN THE PRINCIPALITY OF THE SAME NAME.

For more information
about all our branches
visit the website:
www.popso.it/filiali-atm

Number of branches
in each province

Number of treasuries

IL GRUPPO BANCARIO

BANCA POPOLARE DI SONDRIO
Founded in 1871

GENERAL MANAGEMENT AND HEAD OFFICE
Sondrio, piazza Giuseppe Garibaldi 16
tel. +39 0342 528111 - fax +39 0342 528204
www.popso.it - info@popso.it

FIELD OFFICES
ORGANISATION AND IT SYSTEMS: "F. Morani" Service Centre - via Ranée 511/1 - Berbenno di Valtellina (So) - fraz. San Pietro
INTERNATIONAL UNIT: lungo Mallero Luigi Cadorna 24, Sondrio
COMMERCIAL UNIT - PUBLIC ENTITIES AND TREASURY OFFICES - SUPPLY OFFICE - TECHNICAL, HEALTH AND SAFETY DEPARTMENT: corso Vittorio Veneto 7, Sondrio
PERSONNEL DEPARTMENT: corso Vittorio Veneto 36, Sondrio

VIRTUAL UNIT
corso Vittorio Veneto 7, Sondrio

BRANCHES AND TREASURIES

PROVINCE OF SONDRIO
ALBOSAGGIA via Porto 11
APRICA corso Roma 140
ARDENNO via Libertà
BERBENNO DI VALTELLINA - fraz. San Pietro - via Nazionale Ovest 110
BIANZONE piazza Ezio Vanoni 11
BORMIO
Head Office, via Roma 131 - ang. via don Evaristo Peccedi
Branch no. 1, via Roma 64
BUGLIO IN MONTE piazza della Libertà 1
CAMPODOLCINO via Corti 67
CASPOGGIO piazza Milano
CEDRASCO via Vittorio Veneto 15
CEPINA VALDISOTTO via Roma 13/E
CHIAVENNA via Francesco e Giovanni Dolzino 67
CHIESA IN VALMALENCO via Roma 138
CHIURO via Stelvio 8
COLORINA via Roma 84
COSIO VALTELLINO - fraz. Regoledo - via Roma 7
COSIO VALTELLINO - fraz. Cosio Stazione - piazza San Martino 14
DELEBIO piazza San Carpoforo 7/9
DUBINO - Nuova Olonio - via Spluga 83
GORDONA via Scogli 9
GROSIO via Roma 67
GROSIO - fraz. Ravoledo - via Pizzo Dosdè
GROSOTTO via Statale 73
ISOLACCIA VALDIDENTRO via Nazionale 31
LANZADA via Palù 388
LIVIGNO
Head Office, via Sant'Antoni 135
Branch no. 1, via Saroch 728/730
LIVIGNO via Dala Gesa 557/A
MADESIMO via Giosuè Carducci 3
MADONNA DI TIRANO piazza Basilica 55
MAZZO DI VALTELLINA via Santo Stefano 20
MELLO piazza San Fedele 1
MONTAGNA IN VALTELLINA via Stelvio 336
MONTAGNA IN VALTELLINA via Cicci 36
MORBEGNO
Head Office, piazza Caduti per la Libertà 7
Branch no. 1, via V Alpini 172
NOVATE MEZZOLA via Roma 13
PASSO DELLO STELVIO località Passo dello Stelvio
PIANTEDO via Colico 43
PONTE IN VALTELLINA piazza della Vittoria 1
SAMOLACO - fraz. Era - viale Europa 1365
SAN CASSIANO VALCHIAVENNA via Spluga 108
SAN NICOLÒ VALFURVA via San Nicolò 82
SEMOGO VALDIDENTRO via Cima Piazzi 28
SONDALO via Dr. Ausonio Zubiani 2
SONDRIO
Head Office, piazza Giuseppe Garibaldi 16
Branch no. 1, via Bernina 1
Branch no. 2, via Giacinto Sertorelli 2
Branch no. 3, Ingresso Ospedale Civile - via Stelvio 25
Branch no. 4, piazzale Giovanni Bertacchi 57
Branch no. 5, Galleria Campello 2
TALAMONA via Don Giuseppe Cusini 83/A
TEGLIO piazza Santa Eufemia 2
TEGLIO - fraz. San Giacomo - via Nazionale
TIRANO piazza Cavour 20
TRAONA via Valeriana 88/A
TRESENDA DI TEGLIO via Nazionale 57
TRESIVIO piazza San Pietro e Paolo 24
VALFURVA - fraz. Madonna Dei Monti piazza Madonna Del Carmine 6
VILLA DI CHIAVENNA via Roma 38
VILLA DI TIRANO via Foppa 12
VERCEIA via Nazionale 118/D

AUTONOMOUS REGION OF VALLE D'AOSTA
AOSTA corso Battaglione Aosta 79
PONT SAINT MARTIN via Emile Chanoux 45
SAINT-VINCENT via Duca D'Aosta 9

PROVINCE OF ALESSANDRIA
ALESSANDRIA corso Crimea 21
NOVI LIGURE corso Romualdo Marenco 59

PROVINCE OF BERGAMO
ALBANO SANT'ALESSANDRO via Vittorio Emanuele II 6
ALMÈ via Campofiori 36
BARIANO via Umberto I 1
BERGAMO
Head Office, via Broseta 64/B
Branch no. 1, via Vittore Ghislandi 4
Branch no. 2, via Guglielmo D'Alzano 3/E
BERGAMO - Ospedale Papa Giovanni XXIII - piazza Oms 1
BONATE SOTTO via Vittorio Veneto - ang. via Antonio Locatelli
BREMBATE via Vittore Tasca 8/10
CARVICO via Giuseppe Verdi 1
CISANO BERGAMASCO via Giuseppe Mazzini 25
COSTA VOLPINO via Nazionale 92
GAZZANIGA via IV Novembre 3
GHISALBA via Roma 41/43
GRUMELLO DEL MONTE via Roma 133
MAPELLO via Giuseppe Bravi 31
MOZZANICA piazza Antonio Locatelli
NEMBRO piazza Umberto I 1
OSIO SOTTO via Monte Grappa 12
ROMANO DI LOMBARDIA via Balilla 20
SARNICO via Giuseppe Garibaldi 1/C
SCANZOROSCIATE corso Europa 9
SERIATE piazza Caduti per la Libertà 7
TRESCORE BALNEARIO piazza Cavour 6
TREVIGLIO via Cesare Battisti 8/B
TREVIGLIO - Ospedale - piazzale Ospedale 1
VERDELLINO largo Luigi Einaudi 5
VILMINORE DI SCALVE piazza Vittorio Veneto 8

PROVINCE OF BOLOGNA
BOLOGNA via Riva di Reno 58/B

PROVINCE OF BOLZANO
BOLZANO viale Amedeo Duca d'Aosta 88 / Amedeo Duca D'Aosta Allee 88
MERANO corso della Libertà 16 / Freiheitsstrasse 16

PROVINCE OF BRESCIA
ANGOLO TERME piazza Caduti 3
BERZO DEMO via Nazionale 14
BIENNO via Giuseppe Fantoni 36
BORNO via Vittorio Veneto 25
BRENO piazza Generale Pietro Ronchi 4
BRESCIA
Head Office, via Antonio Gramsci 15
Branch no. 1, via Crocifissa di Rosa 1
Branch no. 2, via Solferino 61
Branch no. 3, viale Piave 61/A
Branch no. 4, via Fratelli Ugoni 2
CAPO DI PONTE via Aldo Moro 26/A
CEVO via Roma 15
CHIARI via Consorzio Agrario 1 - ang. viale Teosa 23/B
COCCAGLIO via Adelchi Negri 12
COLLEBEATO via San Francesco d'Assisi 12
CORTE FRANCA piazza di Franciacorta 7/C
CORTENO GOLGI via Brescia 2
DARFO BOARIO TERME
Branch no. 1, corso Italia 10/12
Branch no. 2, piazza Patrioti 2
DESENZANO DEL GARDA via Guglielmo Marconi 1/A
EDOLO piazza Martiri della Libertà 16
ERBUSCO via Provinciale 29
ESINE via Chiosi 79
GARDONE VAL TROMPIA via Giacomo Matteotti 300
GIANICO piazza Roma 3
ISEO via Roma 12/E
LONATO DEL GARDA corso Giuseppe Garibaldi 59
LUMEZZANE - fraz. Sant'Apollonio - via Massimo D'Azeglio 108
MALONNO via Valle Camonica - ang. via Adamello
MANERBA DEL GARDA via Valtenesi 43
MANERBIO via Dante Alighieri 8
MARONE corso Zanardelli 3
MONTE ISOLA frazione Siviano 116
MONTICHIARI via Mantova - ang. via 3 Innocenti 74
ORZINUOVI piazza Giuseppe Garibaldi 19
OSPITALETTO via Brescia 107/109
PALAZZOLO SULL'OGLIO via Brescia 23
PIAN CAMUNO via Agostino Gemelli 21
PISOGNE via Trento 1
PONTE DI LEGNO piazza Europa 39
PONTE DI LEGNO - loc. Passo Del Tonale - via Case Sparse 84
REZZATO via Broli 49
SALE MARASINO via Roma 33/35
SALÒ viale Alcide De Gasperi 13
SALÒ via Giuseppe Garibaldi 21
SAREZZO via della Repubblica 99
TOSCOLANO MADERNO piazza San Marco 51
TOSCOLANO MADERNO viale Guglielmo Marconi 9
VEZZA D'OGLIO via Nazionale 116
ZONE via Orti 1

PROVINCE OF COMO
ALBIOLO via Indipendenza 10
ALTA VALLE INTELVI piazza Lanfranconi 22
APPIANO GENTILE piazza della Libertà 9
ARGEGNO piazza Conti Persini
AROSIO piazza Montello 36
BELLAGIO via Valassina 58
BINAGO via Roma 9
BREGNANO via Giuseppe Mazzini 22
BRUNATE via Alessandro Volta 28
BULGAROGRASSO via Pietro Ferloni 2
CAMPIONE D'ITALIA piazza Roma 1/G
CANTÙ via Milano 47
CANZO via Alessandro Verza 39
CAPIAGO INTIMIANO via Vittorio Emanuele II 7
CARATE URIO via Regina 85
CARIMATE - fraz. Montesolaro - piazza Lorenzo Spallino 6
CARLAZZO via V° Alpini 59/A
CARUGO via Luigi Cadorna 32
CASNATE CON BERNATE via Roma 7
CASTELMARTE via Dante 1
CENTRO VALLE INTELVI via Provinciale 79
COMO
Head Office, viale Innocenzo XI 71
Branch no. 1, via Giorgio Giulini 12
Branch no. 2, via Statale per Lecco 70 - fraz. Lora
Branch no. 3, via Asiago 25 - fraz. Tavernola
Branch no. 4, via Indipendenza 16
DOMASO via Statale Regina 77
DONGO piazza Virgilio Matteri 14
ERBA via Alessandro Volta 3
FINO MORNASCO via Giuseppe Garibaldi - ang. piazza Odescalchi 5
GARZENO via Roma 32
GERA LARIO via Statale Regina 18
GRAVEDONA ED UNITI piazza Giuseppe Garibaldi 11
GUANZATE via Giuseppe Garibaldi 1
LAMBRUGO piazza Papa Giovanni II 8
LURAGO D'ERBA via Roma 58
MASLIANICO via XX Settembre 47
MENAGGIO via Annetta e Celestino Lusardi 62
MERONE via San Girolamo Emiliani 5/C
MONTORFANO via Brianza 6/B
MUSSO via Statale Regina 30
OSSUCCIO via Statale 72
PARÈ piazza della Chiesa 5/6
PIANELLO DEL LARIO via Statale Regina 32
PLESIO via Grona 85
PORLEZZA lungolago Giacomo Matteotti 15
PUSIANO via Giuseppe Mazzini - Complesso Pusiano 2000
SALA COMACINA via Statale 14/A
SAN BARTOLOMEO VAL CAVARGNA via Fontana 6
SAN SIRO via Statale 223
SCHIGNANO via Roma 8
SORICO piazza Cesare Battisti 1/A
TREMEZZO via Regina 26
TURATE via Vittorio Emanuele 14
UGGIATE TREVANO piazza Vittorio Emanule 12
VALSOLDA - fraz. San Mamete - piazza Roma 7/9
VENIANO via Alessandro Manzoni 5
VERCANA via Vico 3
VILLA GUARDIA via Varesina - ang. via Monte Rosa - CenterVill

PROVINCE OF CREMONA
CREMA via Giuseppe Mazzini 109
CREMONA
Head Office, via Dante Alighieri 149/A
Branch no. 1, piazza Antonio Stradivari 9 - ang. via Lombardini
PANDINO via Umberto I 1/3
RIVOLTA D'ADDA via Cesare Battisti 8

PROVINCE OF CUNEO
ALBA viale Torino 4
CUNEO piazza Tancredi Duccio Galimberti 13

PROVINCE OF GENOVA
BUSALLA via Vittorio Veneto 23
CAMOGLI via Cuneo 9
CHIAVARI piazza Nostra Signora dell'Orto 42/B - ang. via Doria
GENOVA
Head Office, via XXV Aprile 7
Branch no. 1, piazza Tommaseo 7 rosso
Branch no. 2, via Sabotino 32/34 rossi
RAPALLO via Gen. A. Lamarmora 4 - ang. via San Filippo Neri
SANTA MARGHERITA LIGURE piazza Giuseppe Mazzini 40

PROVINCE OF IMPERIA
IMPERIA - Oneglia - Branch no. 1, via Giuseppe Berio 43
IMPERIA - Porto Maurizio - Branch no. 2, viale Giacomo Matteotti 8

PROVINCE OF LA SPEZIA
LA SPEZIA via XX Settembre 17

PROVINCE OF LECCO
AIRUNO via San Giovanni 11
ABBADIA LARIANA via Nazionale 140/A
BALLABIO via Ambrogio Confalonieri 6
BARZAGO viale Rimembranze 20
BARZIO via Martiri Patrioti Barziesi 11
BELLANO via Vittorio Veneto 9
BOSISIO PARINI via San Gaetano 4
CALOLZIOCORTE corso Europa 71/A
CASATENOVO via Roma 23
CASSAGO BRIANZA via Vittorio Emanuele II 2
CASTELLO DI BRIANZA via Roma 18
COLICO via Nazionale - ang. via Sacco
COLLE BRIANZA via Cantù 1
DERVIO via Don Ambrogio Invernizzi 2
ESINO LARIO piazza Gulfi 2
IMBERSAGO via Contessa Lina Castelbarco 5
LECCO
Head Office, corso Martiri della Liberazione 65
Branch no. 1, viale Filippo Turati 59
Branch no. 2, piazza XX Settembre 11
Branch no. 3, corso Emanuele Filiberto 104
Branch no. 4, viale Montegrappa 18
LECCO - Ospedale di Lecco - via dell'Eremo 9/11
LOMAGNA via Milano 24
MANDELLO DEL LARIO via Strada Statale 85/A
MALGRATE via Gaggio 14
MERATE via Don Cesare Cazzaniga 5
MERATE piazza Giulio Prinetti 6
MERATE - fraz. Pagnano - via Rimembranze 3
MERATE - Ospedale di Merate - largo Leopoldo Mandic 1
MONTE MARENZO via Colombara Vecchia 2
MONTICELLO BRIANZA via Provinciale 57
NIBIONNO - fraz. Cibrone - via Montello 1
OGGIONO via Lazzaretto 50
PESCATE via Roma 98/E
PRIMALUNA via Provinciale 66
SUELLO via Roma 10/12
VALGREGHENTINO piazza Roma 2
VALMADRERA via San Rocco 31/33
VARENNA via Corrado Venini 73

PROVINCE OF LODI
CODOGNO via Giuseppe Verdi 18/C
LODI via Giuseppe Garibaldi 23

PROVINCE OF MANTOVA
CASTIGLIONE DELLE STIVIERE piazza Ugo Dallò 25
GAZOLDO DEGLI IPPOLITI via Guglielmo Marconi 74/76
MANTOVA
Head Office, corso Vittorio Emanuele II 26
Branch no. 1, piazza Broletto 7
MARMIROLO via Tito Speri 34
SAN BENEDETTO PO via Enrico Ferri 15
SUZZARA piazza Giuseppe Garibaldi 4
VIADANA piazza Giacomo Matteotti 4/A

PROVINCE OF MILANO
ABBIATEGRASSO piazza Giuseppe Garibaldi 2
BASIGLIO piazza Monsignor Rossi 1
BUCCINASCO via Aldo Moro 9

CERNUSCO SUL NAVIGLIO viale Assunta 47/49
CINISELLO BALSAMO via Giuseppe Garibaldi 86
COLOGNO MONZESE viale Emilia 56
LEGNANO via Alcide De Gasperi 10
MELEGNANO piazza Giuseppe Garibaldi 1
MILANO
Head Office, via Santa Maria Fulcorina 1
Branch no. 1, *Porpora,* via Nicola Antonio Porpora 104
Branch no. 2, *Barona,* viale Faenza 22
Branch no. 3, *a2a,* corso di Porta Vittoria 4
Branch no. 4, *Regione Lombardia,* piazza Città di Lombardia 1 - Nucleo 1
Branch no. 5, *Bovisa,* via degli Imbriani 54
Branch no. 6, *Corvetto,* via Marco d'Agrate 11
Branch no. 7, *Caneva,* via Cenisio 50
Branch no. 8, *Quarto Oggiaro,* via M. Lessona - ang. via F. De Roberto
Branch no. 9, *A.L.E.R.,* viale Romagna 24
Branch no. 10, *Solari,* via Andrea Solari 15
Branch no. 11, *Università Bocconi,* via Ferdinando Bocconi 8
Branch no. 12, *Baggio,* via delle Forze Armate 260
Branch no. 13, *Repubblica,* viale Monte Santo 8
Branch no. 14, *Palazzo di Giustizia,* via Colonnetta 5 - ang. via C. Battisti
Branch no. 15, *Murat,* via Gioacchino Murat 76
Branch no. 16, *Ortomercato,* via Cesare Lombroso 54
Branch no. 17, *Monumentale,* piazzale Cimitero Monumentale 23
Branch no. 18, *Fiera,* viale Ezio Belisario 1
Branch no. 19, *Giambellino,* via Giambellino 39
Branch no. 20, *Sempione,* via Antonio Canova 39 - ang. corso Sempione
Branch no. 21, *Politecnico,* via Edoardo Bonardi 4
Branch no. 22, *Sforza,* via F. Sforza 48 - ang. corso di Porta Romana
Branch no. 23, *Certosa,* viale Certosa 62
Branch no. 24, *Piave,* viale Piave 1 - ang. via Pindemonte
Branch no. 25, *Zara,* viale Zara 13
Branch no. 26, *Lodi,* corso Lodi - ang. via S. Gerolamo Emiliani 1
Branch no. 27, *Don Gnocchi,* via Alfonso Capecelatro 66
Branch no. 28, *Corsica,* via privata Sanremo - ang. viale Corsica 81
Branch no. 29, *Bicocca,* piazza della Trivulziana 6
Branch no. 30, *De Angeli,* piazza Ernesto De Angeli 9
Branch no. 31, *Isola,* via Carlo Farini 47 - ang. via Dina Galli
Branch no. 32, *Venezia,* viale Luigi Majno 42 - viale Piave 43
Branch no. 33, *Porta Romana,* corso di Porta Romana 120
Branch no. 34, *San Babila,* via Cino del Duca 12
Branch no. 35, *Loreto,* piazzale Loreto 1 - ang. viale Brianza
Branch no. 36, *Monti,* via Vincenzo Monti 41
Branch no. 37, *Vercelli,* corso Vercelli 38
Branch no. 38, *Università Cattolica del Sacro Cuore,* largo A. Gemelli 1
Branch no. 39, *Gruppo AZIMUT - Sportello Interno* - corso Venezia 48
Branch no. 40, *Politecnico - Bovisa,* via Raffaele Lambruschini 4
MILANO - Istituto Nazionale Tumori - via Giacomo Venezian 1
MILANO - ASP Golgi Redaelli - via Bartolomeo D'Alviano 78
MILANO - Bicocca - piazza dell'Ateneo Nuovo 1 - Edificio U 6
MILANO - I.U.L.M. - via Carlo Bo 1
MILANO - Pio Albergo Trivulzio - via Antonio Tolomeo Trivulzio 15
MILANO - Pirelli - via Fabio Filzi 22
PERO via Mario Greppi 13
SEGRATE via Roma 96
SEGRATE via Fratelli Cervi 13 - Residenza Botteghe
SESTO SAN GIOVANNI
Branch no. 1, piazza IV Novembre 12
Branch no. 2, piazza della Resistenza 52
TREZZO SULL'ADDA via Antonio Gramsci 10
TURBIGO via Allea Comunale 17
VIZZOLO PREDABISSI - A.S.S.T. Melegnano e della Martesana via Pandina 1

PROVINCE OF MONZA E BRIANZA
ALBIATE via Trento 35
BELLUSCO via Bergamo 5
BERNAREGGIO via Michelangelo Buonarroti 6
BRIOSCO piazza della Chiesa 6
BOVISIO MASCIAGO via Guglielmo Marconi 7/A
CARATE BRIANZA via Francesco Cusani 10
DESIO via Portichetto - ang. via Pio XI
GIUSSANO via Cavour 19
LISSONE
Head Office, via Dante Alighieri 43
Branch no. 1, via Trieste 33
MACHERIO via Roma 17
MEDA via Yuri Gagarin - ang. corso della Resistenza
MONZA
Head Office, via Felice Cavallotti 5
Branch no. 1, via Felice Cavallotti 5
NOVA MILANESE via Antonio Locatelli
SEREGNO
Head Office, via Cavour 84
Branch no. 1, via Cesare Formenti 5
SEVESO via San Martino 20
VAREDO corso Vittorio Emanuele II 53
VILLASANTA - fraz. San Fiorano - via Amatore Antonio Sciesa 7/9
VIMERCATE piazza Papa Giovanni Paolo II 9 - ang. via Giusepep Mazzini

PROVINCE OF NAPOLI
NAPOLI *Gruppo AZIMUT - Sportello Interno* - via Gaetano Filangieri 36 - Palazzo Mannajuolo

PROVINCE OF NOVARA
ARONA via Antonio Gramsci 19
NOVARA via Andrea Costa 7

PROVINCE OF PADOVA
PADOVA via Ponte Molino 4

PROVINCE OF PARMA
FIDENZA piazza Giuseppe Garibaldi 24
PARMA
Branch no. 1, via Emilia Est 3/A
Branch no. 2, via Antonio Gramsci 28/A

PROVINCE OF PAVIA
BELGIOIOSO piazza Vittorio Veneto 23
BRONI via Giuseppe Mazzini 1
CANNETO PAVESE via Roma 15
CASTEGGIO piazza Cavour 4
CILAVEGNA via Giuseppe Mazzini 4
MEDE corso Italia 2
MORTARA via Roma 23
PAVIA
Head Office, piazzale Ponte Coperto Ticino 11
Branch no. 1, corso Strada Nuova 75
PAVIA - DEA - via Privata Campeggi 40
PAVIA - Policlinico San Matteo - viale Camillo Golgi 19
RIVANAZZANO TERME piazza Cornaggia 41
ROBBIO piazza della Libertà 33
STRADELLA via XXVI Aprile 56
VIGEVANO piazza IV Novembre 8
VOGHERA via Emilia 49

PROVINCE OF PIACENZA
CASTEL SAN GIOVANNI corso Giacomo Matteotti 27
PIACENZA
Head Office, via Raimondo Palmerio 11
Branch no. 1, via Cristoforo Colombo 18
Branch no. 2, piazzale Torino 16

PROVINCE OF ROMA
CIAMPINO viale del Lavoro 56
FRASCATI via Cairoli 1
GENZANO DI ROMA viale Giacomo Matteotti 14
GROTTAFERRATA via XXV Luglio
MONTE COMPATRI piazza Marco Mastrofini 11
ROMA
Head Office, *Eur,* viale Cesare Pavese 336
Branch no. 1, *Monte Sacro,* via Val Santerno 27
Branch no. 2, *Ponte Marconi,* via Silvestro Gherardi 45
Branch no. 3, *Prati Trionfale,* via Trionfale 22
Branch no. 4, *Bravetta,* piazza Biagio Pace 1
Branch no. 5, *Portonaccio,* piazza S. Maria Consolatrice 16/B
Branch no. 6, *Appio Latino,* via Cesare Baronio 12
Branch no. 7, *Aurelio,* via Baldo degli Ubaldi 267
Branch no. 8, *Africano Vescovio,* viale Somalia 255
Branch no. 9, *Casal Palocco,* piazzale Filippo il Macedone 70/75
Branch no. 10, *Laurentina,* via Laurentina 617/619
Branch no. 11, *Esquilino,* via Carlo Alberto 6/A
Branch no. 12, *Boccea,* circonvallazione Cornelia 295
Branch no. 13, *Tuscolano,* via Foligno 51/A
Branch no. 14, *Garbatella,* largo delle Sette Chiese 6
Branch no. 15, *Farnesina,* via della Farnesina 154
Branch no. 16, *Monte Sacro Alto/Talenti,* via Nomentana 925/A
Branch no. 17, *San Lorenzo,* piazza dei Sanniti 10/11
Branch no. 18, *Infernetto,* via Ermanno Wolf Ferrari 348
Branch no. 19, *Nuovo Salario,* piazza Filattiera 24
Branch no. 20, *Tuscolano/Appio Claudio,* via Caio Canuleio 29
Branch no. 21, *Nomentano,* via Famiano Nardini 25
Branch no. 22, *WFP - Sportello Interno -,* via Cesare Giulio Viola 68/70
Branch no. 23, *Ostia,* via Carlo Del Greco 1
Branch no. 24, *San Clemente/Colosseo,* via di S. Giovanni in Laterano 51/A
Branch no. 25, *Parioli,* viale dei Parioli 39/B
Branch no. 26, *Tritone,* via del Tritone 207
Branch no. 27, *Prati,* piazza Cavour 7
Branch no. 28, *Prenestino/Torpignattara,* piazza della Marranella 9
Branch no. 29, *FAO - Sportello Interno -,* viale delle Terme di Caracalla 1
Branch no. 30, *IFAD - Sportello Interno -,* via Paolo Di Dono 44
Branch no. 31, *Campus Bio-Medico di Roma - Policlinico,* via A. del Portillo 200
Branch no. 32, *Monteverde Vecchio,* via Anton Giulio Barrili 50/H
Branch no. 33, *Trastevere,* piazza Sidney Sonnino 40
Branch no. 34, *Gregorio VII,* via Gregorio VII 348 - ang. piazza Pio XI 40
Branch no. 35, *Parione,* corso Vittorio Emanuele II 139
Branch no. 36, *CONSOB - Sportello Interno -,* via G. B. Martini 3
Branch no. 37, *Trieste/Salario,* via Tagliamento 37
Branch no. 38, *Gruppo AZIMUT - Sportello Interno* - via Flaminia 133
Branch no. 39, *Policlinico Universitario Fondazione Agostino Gemelli IRCCS, largo Agostino Gemelli 8*
Branch no. 40, *Balduina,* piazzale delle Medaglie d'Oro 65
ROMA - Biblioteca Nazionale Centrale - viale Castro Pretorio 105
ROMA - Università Foro Italico - piazza Lauro De Bosis 15

PROVINCE OF SAVONA
ALASSIO via Giuseppe Mazzini 55
ALBISSOLA MARINA via dei Ceramisti 29
SAVONA via Pietro Paleocapa 58
VARAZZE via Goffredo Mameli 19

PROVINCE OF TORINO
TORINO
Head Office, via XX Settembre 37
Branch no. 1, via Luigi Cibrario 17/A bis

PROVINCE OF TRENTO
ARCO via Santa Caterina 8/C
CLES piazza Navarrino 5
RIVA DEL GARDA viale Dante Alighieri 11
ROVERETO corso Antonio Rosmini 68 - ang. via Fontana
TRENTO piazza di Centa 14

PROVINCE OF TREVISO
CONEGLIANO via Carlo Rosselli 10
TREVISO corso del Popolo 50 - angolo via Giuseppe Toniolo

PROVINCE OF TRIESTE
TRIESTE piazza San Giovanni 1

PROVINCE OF UDINE
UDINE piazzale XXVI Luglio 62

PROVINCE OF VARESE
AEROPORTO DI MALPENSA 2000 Terminal 1 - FERNO
BESNATE via Libertà 2
BISUSCHIO via Giuseppe Mazzini 80
BRUSIMPIANO piazza Battaglia 1/A
BUSTO ARSIZIO piazza Trento e Trieste 10
CARNAGO via Guglielmo Marconi 2
CASTELLANZA corso Giacomo Matteotti 2
CUGLIATE FABIASCO via Pagliolico 25
GALLARATE via Torino 15
GAVIRATE via Guglielmo Marconi 13/A
LAVENA PONTE TRESA via Carlo Morazzoni 22
LONATE POZZOLO via Vittorio Veneto 27
LUINO via XXV Aprile 31
MARCHIROLO via Cavalier Emilio Busetti 7/A
PORTO CERESIO via Giacomo Matteotti 12
SARONNO via San Giuseppe 59
SESTO CALENDE piazza Giuseppe Mazzini 10
SOLBIATE OLONA via Vittorio Veneto 5
SOMMA LOMBARDO via Milano 13
VARESE
Head Office, viale Belforte 151
Branch no. 1, piazza Monte Grappa 6
Branch no. 2, via San Giusto - ang. via Malta
VEDANO OLONA via Giacomo Matteotti - ang. via Cavour 12
VIGGIÙ via Saltrio 2

PROVINCE OF VENEZIA
SAN DONÀ DI PIAVE via Carlo Vizzotto 98
VENEZIA Sestiere Santa Croce 518/A

PROVINCE OF VERBANO-CUSIO-OSSOLA
CANNOBIO viale Vittorio Veneto 2/bis
DOMODOSSOLA piazza Repubblica dell'Ossola 4
GRAVELLONA TOCE corso Guglielmo Marconi 95
VERBANIA - Intra, piazza Daniele Ranzoni 27
VERBANIA - Pallanza, largo Vittorio Tonolli 34

PROVINCE OF VERCELLI
VERCELLI piazza Baldo Mazzucchelli 12

PROVINCE OF VERONA
BARDOLINO via Mirabello 15
PESCHIERA DEL GARDA via Venezia 40/A
VERONA corso Cavour 45
VILLAFRANCA DI VERONA corso Vittorio Emanuele II 194

PROVINCE OF VICENZA
THIENE via Monte Grappa 6/L
VICENZA via Contrà Porti 12 presso Palazzo Thiene
Branch no. 1, corso Santi Felice e Fortunato 88

TEMPORARY BRANCHES
MILANOCITY FIERA - piazzale Carlo Magno - pad. 3 piano quota +7 1
NUOVO POLO FIERISTICO - corso Italia Est
Strada Statale del Sempione 38 - Rho/Pero - tel. 02 45402082

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tel. +41 58 855 30 00 - fax +41 58 855 30 15
Head Office: Lugano, via Maggio 1 - tel. +41 58 855 31 00
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Tesoreria - Dati aggiornati al 25 marzo 2024

CORPORATE BODIES*

BOARD OF DIRECTORS

Chair	FRANCESCO VENOSTA
Deputy Chair	LINO ENRICO STOPPANI**
Managing Director	MARIO ALBERTO PEDRANZINI***
Directors	ALESSANDRO CARRETTA
	NICOLA CORDONE
	LORETTA CREDARO**
	DONATELLA DEPPERU
	ANNA DORO
	FEDERICO FALCK**
	ATTILIO PIERO FERRARI**
	MARIA CHIARA MALAGUTI
	PIERLUIGI MOLLA
	SERENELLA ROSSI
	SILVIA STEFINI
	ROSSANA ZAMBELLI

BOARD OF STATUTORY AUDITORS

Chair	SERENELLA ROSSANO
Statutory Auditors	MASSIMO DE BUGLIO
	LAURA VITALI
Alternate Auditors	ALESSANDRO MELLARINI
	PAOLO VIDO

GENERAL MANAGEMENT

General Manager	MARIO ALBERTO PEDRANZINI
Deputy General Managers	MARIO ERBA
	MILO GUSMEROLI
	CESARE POLETTI

Manager responsible for preparing the Company's accounting documents	MAURIZIO BERTOLETTI

*At the date of approval of the financial report

** Members of the Executive Committee

*** Member of the Executive Committee and Secretary of the Board of Directors

BANCA POPOLARE DI SONDRIO

Joint-stock company - Founded in 1871 - Registered in the Bank Register under No. 842,
in the Official List of Banking Groups No. 5696.0
in the Sondrio Companies Register under No. 00053810149 - Share capital 1,360,157,331 euro
consisting of 453,385,777 ordinary shares - Reserves 1,385,452,113 euro

NOTICE OF CALLING TO THE SHAREHOLDERS' MEETING

The Shareholders' Meeting of Banca Popolare di Sondrio spa (the "Bank") is convened in ordinary session at the registered office in Sondrio, Piazza Garibaldi 16, for 10.00 a.m. on 27 April 2024 in a single call, to resolve on the following

AGENDA

1) Financial statements at 31 December 2023:
   a) Presentation of the financial statements at 31 December 2023: Directors' report on operations; report of the Board of Statutory Auditors; related and consequent resolutions; presentation of the consolidated financial statements at 31 December 2023;
   b) Allocation of the profit for the financial year 2023 and distribution of the dividend; related and consequent resolutions;
2) Resolutions on remuneration matters:
   a) Annual report on remuneration policy and compensation paid:
      a1) approval of the 2024 Remuneration Policies of the Banca Popolare di Sondrio Banking Group;
      a2) approval by non-binding resolution of the remuneration paid in the financial year 2023;
   b) Approval of the 2024 Share-based Remuneration Plan, pursuant to art. 114-*bis* of Legislative Decree 58/98 (Consolidated Finance Act);
3) Resolutions on treasury shares:
   a) Authorisation to purchase and sell treasury shares pursuant to art. 8 of the Articles of Association and articles 2357 and 2357-*ter* of the Italian Civil Code, art. 132 of Legislative Decree 58/98 (Consolidated Finance Act), and article 144-*bis* of Regulation No. 11971 approved by Consob resolution of 14 May 1999;
   b) Authorisation for the use of treasury shares already held in service of the 2024 Share-based Remuneration Plan, pursuant to article 114-*bis* of Legislative Decree 58/98 (Consolidated Finance Act);
4) Appointment for the audit of Banca Popolare di Sondrio Spa accounts for the financial years 2026-2034 and determination of the fee;
5) Appointment of five Directors for the three-year period 2024-2026;
6) Determination of directors' emoluments;
7) Appointment of the Board of Statutory Auditors for the three-year period 2024-2026:
8) Determination of the annual remuneration of auditors for the three-year period 2024-2026.

Share capital

The share capital, fully subscribed and paid up, amounts to 1,360,157,331 euro and comprises 453,385,777 ordinary shares. Each share confers the right to one vote. The Bank holds 3,632,633 treasury shares.

Attendance at the Meeting

Pursuant to art. 83-*sexies* of Legislative Decree 58/98 (Consolidated Finance Act), the persons entitled to participate in the Meeting, exclusively through the Designated Representative according to the procedures described below, are those who will hold the right to vote at the end of the accounting day of the seventh trading day prior to the date of the Meeting (18 April 2024 - "record date"), and for whom the Bank has received the relevant communication made by the authorised intermediary.

Therefore, those who will be holders of the Bank's shares only after that date will not be entitled to attend and vote at the Meeting.

The notice from the intermediary must be received by the Bank by the end of the third trading day preceding the date set for the Meeting (i.e. by 24 April 2024). In any case, art. 83-*sexies*, paragraph 4, of Legislative Decree 58/98, Consolidated Finance Act applies, and therefore the legitimacy to intervene and vote remains in case the communications are received by the Bank after the deadline of 24 April 2024 indicated above, provided that they are received before the start of the works.

It should be noted that Shareholders whose shares are deposited with the Bank or with Banca Popolare di Sondrio (SUISSE) SA must also request, pursuant to article 42 of the Bank of Italy-Consob Provision of 13 August 2018, the issuance of the notice attesting to the entitlement to exercise voting rights.

Pursuant to the provisions of article 106, paragraph 4 and 7 Decree-Law 17 March 2020 No. 18, as subsequently amended and supplemented (most recently by Decree-Law No. 215 of 30 December 2023, converted with amendments by Law No. 18 of 23 February 2024), participation in the Meeting of the entitled parties will take place, without access to the meeting rooms, **exclusively through the Designated Representative pursuant to art. 135-*undecies* of Legislative Decree 58/98 (Consolidated Finance Act),** in the manner described below.

Remote or postal voting procedures will not be used.

The Directors, the Statutory Auditors, the Meeting Secretary, the Representative of the Independent Auditors and the Designated Representative will participate, including if necessary by the use of remote conferencing systems in compliance with the current instructions in force.

Participation through the Designated Representative

In accordance with art. 106, paragraph 4, of Decree-Law No. 18 of 17 March 2020, as subsequently amended and supplemented, participation in the Shareholders' Meeting of those who have the right to vote is permitted exclusively through the Designated Representative pursuant to art. 135-*undecies* of Legislative Decree 58/98, Consolidated Finance Act (the

"Designated Representative"), by means of conferment, at no cost for the delegating party (except for any postage costs), of a specific proxy containing voting instructions on all or some of the proposals for resolutions on the items on the agenda. The proxy will only be effective in relation to the proposed resolutions for which voting instructions were given.

The Designated Representative identified by the Bank is Computershare S.p.A., based in Milan and with offices at via Nizza 262/73, Turin.

The proxy must be granted to the Designated Representative, with voting instructions, by the end of the second trading day prior to the date of the Meeting (i.e. by 25 April 2024), using the specific form available from the Bank's website at the link, https://istituzionale.popso.it/en/investor-relations/shareholders-meeting, also stating how those entitled can grant the proxy and also revoke, by the same deadline, the proxy granted and the voting instructions given. Alternatively, the proxy can be sent, within the same deadline, using the specific web application available on the Bank's website at https://istituzionale.popso.it/en/investor-relations/shareholders-meeting, prepared and managed directly by Computershare S.p.A., through which it will be possible to proceed with the guided filling in of the proxy form and of the voting instructions.

The Designated Representative may also be granted delegations or sub-delegations in accordance with art. 135-*novies* of Legislative Decree 58/98 (Consolidated Finance Act), as an exception to art. 135-*undecies* of the same Decree, with voting instructions on all or some of the resolution proposals regarding the items on the agenda, by using the delegation/sub-delegation form available on the Bank's website at the address https://istituzionale.popso.it/en/investor-relations/shareholders-meeting to be sent to Computershare S.p.A. according to the terms and methods indicated in the form. The proxy/sub-proxy may also be granted by means of an electronic document signed in electronic form pursuant to art. 21, paragraph 2, of Legislative Decree No. 82 of 7 March 2005 and notified to Computershare S.p.A. via e-mail at popso@pecserviziotitoli.it.

Additional agenda items and presentation of new proposed resolutions

In accordance with article 13 of the Articles of Association, shareholders who, also jointly, represent a total of not less than 2.5% of the share capital, can request additional topics to be added to the agenda, or present proposed resolutions on matters already on the agenda, within 10 days of publication of the Notice of Meeting, on the basis and with the timing established in art. 126-*bis* of Legislative Decree 58/98 (Consolidated Finance Act).

Requests must indicate the additional topics proposed, or the proposed resolutions on matters already on the agenda and must be presented in writing, or sent by registered letter with proof of receipt to the head office of Banca Popolare di Sondrio spa, at piazza Garibaldi 16, Sondrio, or sent by certified e-mail to segreteria@postacertificata.popso.it, indicating in the subject line the wording "2024 Meeting - additional agenda items/proposed resolutions".

Requesting parties must send to the Bank - through their intermediary - the communications certifying their entitlement to exercise the right pursuant to article 43 of the Bank of Italy-Consob Provision of 13 August 2018.

Within the same term and in the same manner, shareholders requesting the integration must prepare and send to the Board of Directors of the Bank a report outlining the reasons for the new topics that they would like to propose for discussion, or the reasons for additional motions that they would like to propose on matters already on the agenda.

Any additions to the agenda or the presentation of proposals for resolutions on items already on the agenda shall be notified, by the same means of publication of this notice, at least fifteen days before the date set for the Meeting (i.e. by 12 April 2024). At the same time, the reports prepared by the parties requesting the additions and/or the new proposed resolutions will be made available to the public, together with any considerations made by the Board of Directors, in the same ways as those envisaged for the Meeting documentation.

It is not permitted to add items to the agenda for those topics on which the Shareholders' Meeting has to vote, in accordance with the law, on the proposal of the Board of Directors or on the basis of a project or a report prepared by the Board, other than those mentioned in art. 125-*ter*, paragraph 1, of Legislative Decree 58/98 (Consolidated Finance Act).

Even if persons entitled to vote represent less than one-fortieth of the share capital, they may still present proposed resolutions individually and/or make voting declarations on items on the agenda. Given that participation at the Meeting is only allowed via the Designated Representative, these proposals must be presented in the manner described above by the fifteenth day before the date set for the Meeting (i.e. by 12 April 2024). After checking their relevance with respect to the items on the agenda, as well as their proper and complete nature with respect to the applicable regulations, the proposals will be published within two days following the expiry of the relevant submission deadline (i.e. by 14 April 2024) on the website of the Bank so that those entitled to vote can express themselves in an informed manner, taking account of the new proposals, and therefore allow the Designated Representative to collect any voting instructions in their regard as well.

The legitimacy to formulate proposals shall be certified by the notice provided for by art. 83-*sexies* of the Consolidated Finance Act issued by the intermediary for the purpose of attending the Meeting and exercising the voting right.

Right to ask questions on agenda items before the Meeting

Those who have the right to vote may propose questions on the items on the agenda before the meeting, by submitting them in writing by 18 April 2024, or by sending them by registered mail with return receipt to the registered office of Banca Popolare di Sondrio spa in Sondrio, Piazza Garibaldi 16, or by sending them by certified e-mail to segreteria@postacertificata.popso.it, indicating in the subject line of the e-mail "Shareholders' Meeting 2024 - questions on agenda items".

Requesting parties must send to the Bank - through their intermediary - the communications certifying their entitlement to exercise the right pursuant to article 43 of the Bank of Italy-Consob Provision of 13 August 2018 or the communication for intervention in the shareholders' meeting pursuant to article 83-*sexies* of Legislative Decree 58/98 (Consolidated Finance Act), even after the submission of applications, provided that it is no later than the third day following the record date (i.e. by 22 April 2024).

In view of the fact that participation in the Shareholders' Meeting is permitted exclusively through the Designated Representative, questions that are relevant to the agenda items will be answered at least three days before the Meeting (i.e. by 24 April 2024) in a specific section of the Bank's website. The Bank may provide a single response to questions with the same content.

The Bank will not answer questions that do not comply with the above terms, conditions and procedures.

Appointment of five directors for the three-year period 2024-2026

With reference to item 5) on the agenda of the Shareholders' Meeting - Appointment of five directors for the three-year period 2024-2026 - it is recalled that the Board of Directors is renewed for one-third each year on the basis of seniority.

Only shareholders who, on the date of submission of the list, own - alone or together with others - voting shares representing a total of at least 1% of the share capital are entitled to submit a list. No shareholder may submit, or participate in submitting, or vote for more than one list, not even through a third party or trust company. Shareholders belonging to the same group - i.e. the parent company, the subsidiaries and the companies subject to joint control - and shareholders who signed a shareholders' agreement pursuant to art. 122 of Legislative Decree 58/98 (Consolidated Finance Act), relating to the issuer's shares, may not submit more than one list, not even through a third party or trust company. A candidate may appear on only one list under penalty of ineligibility.

It is recalled that the lists of candidates for the office of director must be filed at the registered office by the twenty-fifth day prior to the date of the Meeting, i.e. by 2 April 2024.

Submitting shareholders have to prove the ownership of the required number of shares by means of specific communication pursuant to article 43 of Bank of Italy-Consob Provision of 13 August 2018 issued by an authorised intermediary in compliance with current legislation, with regard to the shares registered in their favour on the day on which the lists are filed with the Bank; if not available at the time of filing the lists, such communication shall be received by the Bank by the twenty-first day before the date set for the Shareholders' Meeting, i.e. by 6 April 2024.

Lists for the election of the Board of Directors can also be submitted by certified e-mail to segreteria@postacertificata.popso.it

For any matters not specified above concerning the list voting mechanism, reference should be made to the Directors' report and to Article 23 of the Articles of Association, which is reproduced below.

""

Article 23

Presentation of lists of candidates

1. *The directors are appointed on the basis of lists containing up to the maximum number of Directors to be elected, in which the candidates are listed with progressive numbering.*
2. *The lists containing a number of candidates equal to or higher than three must be composed*

so as to ensure the minimum number of independent directors and gender balance required by the law in force from time to time in the composition of the Board of Directors resulting from the vote, taking into account - in the assignment of the sequential number to the candidates - the election mechanism set out in article 24 below.

3. *Each candidate may appear on only one list under penalty of ineligibility.*
4. *The Board of Directors and shareholders who, alone or jointly, represent at least 1% of the share capital may submit a list, unless the law and regulations in force from time to time establish a lower percentage, to be indicated in the notice of call of the Meeting.*
5. *Each shareholder may take part in the submission of a list by signing at the bottom of it. A shareholder may not submit for more than one list, even through a third party or through trust companies. Shareholders belonging to the same group - i.e. the parent company, the subsidiaries and the companies subject to joint control - and shareholders who signed a shareholders' agreement pursuant to art. 122 of Legislative Decree No. 58/1998 concerning the issuer's shares, may not submit more than one list, even through a third party or trust company. In case of non-compliance, the stipulation will not be counted for any list.*
6. *The lists shall be filed at the registered office - also by means of distance communication - according to the methods notified in the notice of call, which allow to identify the persons who filed them, by the twenty-fifth day prior to the date set for the Meeting, or within any other term set out by the law in force from time to time.*
7. *The lists shall be accompanied by the information related to the identity of the shareholders who have submitted them, with an indication of the number of shares and of the corresponding total percentage held by the submitting shareholders and - within the terms set out by the law in force from time to time - by a notice proving the ownership of the equity investment, as well as by any other information required by said law. Shareholders who submit a list and who are different from shareholders holding a controlling stake or a relative majority shall also submit a statement certifying the absence of any relationship with said shareholders, which can be qualified as significant according to the law in force from time to time.*
8. *The ownership of the number of shares necessary to submit the lists is determined by taking into account the shares that are registered in favour of the individual legitimated person or group of legitimated persons submitting the list, on the day when the lists are filed at the registered office. In order to prove the ownership of the number of shares suitable for the submission of lists, the persons entitled to do so shall file - together with the list - the notice issued by an intermediary authorised by law, showing the ownership of the related number of shares. The communication required in order to prove the ownership of shares may be made even after the filing of the list, provided that it is made at least twenty-one days before the date of the Meeting and according to the methods set out by the law in force from time to time.*
9. *Together with each list, detailed information on the personal and professional characteristics of the candidates and the list of offices held in other companies shall be filed at the registered office, as well as the declarations in which the candidates accept the candidature and, under*

their own responsibility, state that they are suitable for the office, by certifying, in particular, the non-existence of any reasons for ineligibility and incompatibility and the possession of the requirements set out by current legislation and by these Articles of Association for holding the office of director. Candidates shall state whether they comply with the specific independence requirements set out in the legislation in force from time to time for the position of independent director, and this quality shall be indicated in the lists.

10. *Lists for which the above requirements are not observed shall be considered as not submitted. However, any irregularities in lists concerning single candidates shall not automatically imply the exclusion of the whole list, but only of the candidates to whom the irregularities refer.*

"""

Reference should be made to the recommendations made by Consob in Notice No. DEM/9017893 of 26 February 2009 with regard to the relations between lists pursuant to art. 147-*ter*, paragraph 3 of Legislative Decree 58/98 (Consolidated Finance Act), and Article 144-*quinquies* of Regulation No. 11971 approved by Consob resolution of 14 May 1999, to which reference should be made.

It should also be remembered that article 20, paragraph 2, of the Articles of Association states that:

"The composition of the Board of Directors shall ensure collegial adequacy, as well as the presence of the minimum number of independent directors and gender balance in accordance with the legislation in force from time to time."

For the presentation of lists, the shareholders are required to take into account the document "Optimal qualitative and quantitative composition of the Board of Directors of Banca Popolare di Sondrio" published on the Company's website at the link https://istituzionale.popso.it/en/investor-relations/shareholders-meeting.

In this document the Board of Directors has identified the ideal composition of the board in terms of quality and quantity and the profile that candidates need to have for the office of director. This document has been made known to the Bank's shareholders, so that the choice of candidates to be submitted for the renewal of the Board of Directors can take into account the professional skills required to perform the tasks entrusted to the Board.

The lists will be made available to the public at the Company's registered office, on the authorised storage mechanism "eMarket STORAGE" (www.emarketstorage.com) and on the Company's website at https://istituzionale.popso.it/en/investor-relations/shareholders-meeting by the twenty-first day prior to the date of the Shareholders' Meeting, i.e. by 6 April 2024.

Appointment of the Board of Statutory Auditors for the three-year period 2024-2026

With reference to point 7) on the agenda of the Meeting - Appointment of the Board of Statutory Auditors for the three-year period 2024-2026 - it is recalled that only those shareholders who, on the date of presentation of the list itself, are holders, alone or together with others, of shares with voting rights representing a total of at least 1% of the share capital. No shareholder may submit, or participate in submitting, or vote for more than one list, not even through a third party or trust company. Shareholders belonging to the same group - i.e. the parent company, the subsidiaries and the companies subject to joint control - and shareholders who signed a shareholders' agreement pursuant to art. 122 of Legislative Decree 58/98 (Consolidated Finance Act), relating to the issuer's shares, may not submit more than one list, not even through a third party or trust company. A candidate may appear on only one list under penalty of ineligibility.

It is recalled that the lists of candidates for the office of auditor must be filed at the registered office by the twenty-fifth day prior to the date of the Meeting, i.e. by 2 April 2024.

Submitting shareholders have to prove the ownership of the required number of shares by means of specific communication pursuant to article 43 of Bank of Italy-Consob Provision of 13 August 2018 issued by an authorised intermediary in compliance with current legislation, with regard to the shares registered in their favour on the day on which the lists are filed with the Bank; if not available at the time of filing the lists, such communication shall be received by the Bank by the twenty-first day before the date set for the Shareholders' Meeting, i.e. by 6 April 2024.

Lists for the election of the Board of Statutory Auditors can also be submitted by certified e-mail to segreteria@postacertificata.popso.it

In the event that, by the deadline of 2 April 2024, only one list has been filed, or only lists submitted by shareholders who are connected with each other, lists may be submitted until 5 April 2024 in the manner described above, and the threshold for filing lists will be reduced by half, i.e. to 0.50% of the share capital.

For any matters not specified above concerning the list voting mechanism, reference should be made to the Directors' report and to Article 39 of the Articles of Association, which is reproduced below.

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Article 39
Presentation of lists of candidates

1. *The Board of Statutory Auditors is elected on the basis of lists submitted by the shareholders, in which the candidates are listed in numerical order.*
2. *Each list consists of two sections: one for candidates for the office of standing auditor, the other for candidates for the office of alternate auditor. Each list includes up to three candidates for standing auditor and up to two candidates for alternate auditor.*
3. *The lists shall be filed at the company's registered office within the terms provided for by the laws in force from time to time.*
4. *Each list containing no less than three standing auditor candidates shall ensure gender balance in its composition, in accordance with the principles established by the laws and regulations in force from time to time.*
5. *Each candidate may appear on only one list under penalty of ineligibility.*
6. *Shareholders who, alone or jointly, represent at least 1% of the share capital may submit a list, unless the law and regulations in force from time to time establish a lower percentage, to be indicated in the notice of call of the Meeting.*
7. *In the event that only one list, or only lists submitted by shareholders who are connected with each other, have been filed by the deadline provided for by the laws in force at the time, the company shall promptly notify the same in the manner provided for by the laws in force at the time; in this case, lists may be submitted up to the third day following the deadline provided for by the laws in force at the time and the threshold for submission provided for in paragraph 6 is reduced by half.*
8. *Each shareholder may take part in the submission of a list by signing at the bottom of it. A shareholder may not submit for more than one list, even through a third party or through trust companies. Shareholders belonging to the same group - i.e. the parent company, the subsidiaries and the companies subject to joint control - and shareholders who signed a shareholders' agreement pursuant to art. 122 of Legislative Decree No. 58/1998 concerning the issuer's shares, may not submit more than one list, even through a third party or trust company. In case of non-compliance, the stipulation will not be counted for any list.*
9. *The lists shall be filed at the registered office - also by means of distance communication - according to the methods notified in the notice of call, which allow to identify the persons who filed them, by the twenty-fifth day prior to the date set for the Meeting, or within any other term set out by the law in force from time to time.*
10. *The lists shall be accompanied by the information related to the identity of the shareholders who have submitted them, with an indication of the number of shares and of the corresponding total percentage held by the submitting shareholders and - within the terms set out by the law in force from time to time - by a notice proving the ownership of the equity investment, as well as by the law in force from time to time. Shareholders who submit a list and who are different from shareholders holding a controlling stake or a relative majority shall also submit a statement certifying the absence of any relationship with said shareholders, which can be qualified as significant according to the law in force from time to*

time.

11. *The ownership of the number of shares necessary to submit is determined by taking into account the shares that are registered in favour of the individual legitimated person or group of legitimated persons submitting the list, on the day when the lists are filed at the registered office. In order to prove the ownership of the number of shares suitable for the submission of lists, the persons entitled to do so shall file - together with the list - the notice issued by an intermediary authorised by law, showing the ownership of the related number of shares. The communication required in order to prove the ownership of shares may be made even after the filing of the list, provided that it is made at least twenty-one days before the date of the Meeting and according to the methods set out by the law in force from time to time.*
12. *Together with each list, detailed information on the personal and professional characteristics of the candidates and the list of offices held in other companies shall be filed at the registered office, as well as the declarations in which the candidates accept the candidature and, under their own responsibility, state that they are suitable for the office, by certifying, in particular, the non-existence of any reasons for ineligibility and incompatibility and the possession of the requirements set out by current legislation and by the Articles of Association for holding the office of auditor.*
13. *Lists for which the above requirements are not observed shall be considered as not submitted. However, any irregularities in lists concerning single candidates shall not automatically imply the exclusion of the whole list, but only of the candidates to whom the irregularities refer.*

"""

Reference should be made to the recommendations made by Consob in Notice No. DEM/9017893 of 26 February 2009 with regard to the relations between lists pursuant to art. 147-*ter*, paragraph 3 of Legislative Decree 58/98 (Consolidated Finance Act), and Article 144-*quinquies* of Regulation No. 11971 approved by Consob resolution of 14 May 1999, to which reference should be made.

It should also be remembered that article 38, paragraph 6, of the Articles of Association states that:

"The composition of the Board of Statutory Auditors must ensure gender balance in accordance with the legislation in force from time to time."

For the presentation of lists, the shareholders are required to take into account the document "Optimal qualitative and quantitative composition of the Board of Statutory Auditors of Banca Popolare di Sondrio" published on the Company's website at the link https://istituzionale.popso.it/en/investor-relations/shareholders-meeting.

In this document the Board of Statutory Auditors has identified the ideal composition of the board in terms of quality and quantity and the profile that candidates need to have for the office of auditor. This document has been made known to the Bank's shareholders, so that the choice of candidates to be submitted for the renewal of the Board of Statutory Auditors can take into account the professional skills required to perform the tasks entrusted to the Board.

The lists will be made available to the public at the Company's registered office, on the authorised storage mechanism "eMarket STORAGE" (www.emarketstorage.com) and on the

Company's website at https://istituzionale.popso.it/en/investor-relations/shareholders-meeting by the twenty-first day prior to the date of the Shareholders' Meeting, i.e. by 6 April 2024.

Documentation

The explanatory reports of the Board of Directors containing the proposed resolutions and documents that will be submitted to the Shareholders' Meeting will be made available at head office, on the "eMarket STORAGE" authorised storage mechanism (www.emarketstorage.com) and on the Company's website at the link https://istituzionale.popso.it/en/investor-relations/shareholders-meeting by the current legal deadline. Shareholders have a right to look at this documentation and to obtain a copy of it at their own expense.

FOR THE BOARD OF DIRECTORS
Chair
(Francesco Venosta)

Sondrio, 15 March 2024

The notice of calling was published, as required by law, on the Company's website at the link *https://istituzionale.popso.it/en/investor-relations/shareholders-meeting* and, as an extract, in the daily newspaper "Il Sole 24 Ore" on 18 March 2024.

Note. The figures in this report are in euro. Because most of the figures in the text and tables are rounded to the nearest million or thousand euro, the percentages may differ marginally from those that would result from a comparison of the same amounts expressed in different units.

DIRECTORS' REPORT ON OPERATIONS

Shareholders,

Before we begin the proceedings, we would like to address a grateful thought, accompanied by a few remarks, to those who, having passed away after the meeting a year ago, were particularly close to this bank for various reasons.

We begin with the accountant Gianluca Moratti from Sondrio, who was born in Tirano on 30 December 1972 and died at the age of 50 on 29 June 2023.

He had taken up service on 1 June 1994, joining the Milan office.

In December 1997, he was transferred to the Sondrio office and from May 2001, assigned to the Entity Treasury Service at HQ. His qualification was that of a Level 1 Middle Manager.

We remember the accountant Gianluca Moratti's almost 30 years of painstaking collaboration.

Silvano Mauri of Milan, born in Carate Brianza on 21 July 1972, ended his life on this earth on 25 July 2023.

Hired on 4 May 1998, he was assigned to the Lecco branch and transferred a few days later to agency No. 3 in Milan, remaining there for a couple of years, before taking up his duties at the Lombard capital until 22 June 2003. His work experience continued at a number of agencies in Milan: agency no. 14, as deputy manager, from 23 June 2003 to 12 March 2006; agencies no. 26 and no. 24, as manager, from 13 March 2006 to 20 November 2011 and from the following day to 1 July 2012 respectively. After a four-month interlude at the Milan office, he was sent as director to agency no. 32 in the same city, remaining there until his death. His qualification was that of a Level 2 Middle Manager.

Of Silvano Mauri, we emphasise the competent availability.

We move on to Simone Boggiani of Mortara, who was born in Vigevano on 31 January 1996 and died aged just 27 on 8 September 2023.

He had joined the staff of this bank on 13 July 2020 and was assigned to the Voghera agency, where he had worked until 11 September 2022. Thereafter, and until his death, he had worked at the Vercelli agency. He was placed in the third area, first level.

A serious, prepared young man, he had been a model in his studies and was appreciated at work. We remember his spontaneity, friendliness and constant commitment. A promising young man, we remember him with sincere regret.

Giovanni Mario Bormolini of Silvano Pietra (PV), born in Bormio on 14 January 1969, passed away on 26 October 2023, thus aged 54.

Recruited by our institution on 1 June 1992, he had first taken up service at the Isolaccia agency and then, in the same month, had been assigned to the Grosio branch and, on 6 July, to agency no. 6 in Milan, where, as deputy manager, he had remained from 27 May 1996 until 5 July 1999. With the same job he was appointed to agency 12 in Milan, and transferred on 9 July 2001 to the Voghera agency, remaining there until 30 March 2003. From the following day, and until 22 October 2017, he had taken up service, as director, at agency No. 1 in Pavia, after which he had returned to Voghera with the same post. On 23 January 2018, he was assigned to the Alexandria branch as deputy manager, where he remained until his death. His qualification was that of a Level 2 Middle Manager.

A skilled and appreciated collaborator, he worked diligently, sparing no effort. His passing has left a void, not only in his loved ones, but also in his colleagues and all those with whom he had contact in various capacities.

On 30 March 2024, Chiara Previsdomini from Sondrio, born on 26 November 1960, passed away.

She was hired on 2 May 1984 and assigned to the SOSI Organisation Office.

From 2 March 1992, she had worked in the Planning and Management Control Service and from 9 May 2005, until her death, in the External Relations Office.

She was placed in the third area, third level.

Kind, always attentive to the family and the values it represents, she was appreciated for the precision with which she carried out her tasks.

Bruno Berbenni, a retired employee of our bank, born in Sondrio on 14 June 1927, died aged 96 in November 2023.

He joined the bank on 16 June 1944 and was assigned to the Sondrio branch, where he worked, first as a clerk and then as a cashier, until 31 December 1978, when he retired due to age limit. He had the title of office manager.

A man of another time, attached to his family, he was a familiar face to customers who found in him a point of reference.

Flavio Pedrazzoli from Ticino, born in Bellinzona on 17 December 1927, passed away on 20 April 2023.

After attending the Scuola Cantonale di Commercio in Bellinzona, he continued his studies, graduating from the University of Basel.

Valuable man, widely known and respected. His extensive CV includes forty years with the Swiss People's Bank, ten of which as Head of the Lugano branch, eleven as Deputy Chair of the Executive Board and Head of Investment Banking at the headquarters in Berne and Zurich, and four at the Investment Bank in New York.

From 1992 to 1997, he was a member of the Swiss Banking Commission and responsible for the supervision of the Swiss stock exchange.

We recall with pleasure that he held the delicate office of Deputy Chair of Banca Popolare di Sondrio (SUISSE) SA in Lugano from February 1998 to February 2014, a period during which our subsidiary was able to benefit from his wealth of ideas and proposals.

On 10 December 2023, Giuseppe Tarantola of Bormio, honorary president of a section of the Court of Cassation, passed away at the age of 85.

Mr. Tarantola spent his working life at the Court of Milan and, step by step, held increasingly higher positions.

His fame spread in the 1990s during the so-called “Mani Pulite” season, a dark period in the history of Italy, in which he served as president of the judging panel of the Milan court in trials of well-known names in politics and business.

Among his various positions, it is worth mentioning those held at the Court of Appeal of Milan as President of the First Civil Section (2009), with competences in several subjects; as Deputy President for more than four years and as President for one year, in the absence of the incumbent.

After almost 50 years of service, he retired in January 2014.

Mr. Tarantola, whose wisdom, combined with prudence, politeness and modesty, distinguished him, was measured in speech and diligent in action. He was an impeccable judge, a model of sobriety. His motto was “listen and evaluate”.

On 23 May 2014, the famous magistrate came to our bank in Sondrio and gave an unforgettable lecture on “Judicial Activity and Journalistic Reporting”, a particularly sensitive topic. The event was a triumph. The full text of the public conversation can be found in our August Newsletter of that year.

Surveyor Serafino Maraffio from Chiavenna, born on 22 January 1929, died on 26 June 2023.

A capable and respected freelancer, he was well known in the Mera Valley, both for reasons related to his work and for his jovial and open character.

Among other things, he held the important position of regional tax commissioner for a decade and that of director of the Chiavenna hospital.

On 18 April 1978, he was appointed commissioner for supervision and discounting of the Chiavenna branch, a position he ceased to hold on 31 May 2016 and which he always carried out with passion and diligence.

In July 2023, accountant Luigi Carissimi from Cremeno (LC), born in November 1940, passed away.

In the 1960s and 1970s, he had held the office of director of a company producing lithographed tin cans and, later, until the end of the 1990s, had become a partner and director of another important industry. He had also held public office in the municipality of Cremeno.

A man of style, affable, widely known and well liked.

Appointed supervisory and discount commissioner of the Lecco branch of this bank on 13 June 1984, a position he completed at the end of May 2016, he carried out his mandate with seriousness and expertise.

On 7 February 2024, surveyor Alessandro Mazzucchi from Brescia, born on 22 February 1943, ended his earthly life.

He was the owner of the renowned construction company of the same name, which in November 2011, was awarded the “100 years of enterprise” prize by the ANCE-Associazione Nazionale Costruttori Edili.

He was a conscientious and prudent person, well-connected in the public works sector and in the ecclesiastical world.

The surveyor Alessandro Mazzucchi was appointed supervisory and discount commissioner of our Brescia branch on 28 November 2005, a position he performed competently, which ended at the end of May 2016.

Giorgio Torelli, journalist and writer, born in Parma on 26 February 1928, died on 6 April 2023.

After completing his high school studies at the Istituto Romagnosi in Parma, he enrolled in medical school, which he interrupted in 1954 to dedicate himself full-time to journalism.

Initially, he worked at the Gazzetta di Parma, and after three months he moved to Milan, where he was able to make himself known and appreciated on a large scale, writing for a few weekly newspapers, including Candido, Grazia and Epoca. Among the latter, the Giornale, founded in 1974 by Indro Montanelli and to whose beginnings Giorgio Torelli had also made a valuable contribution, is of importance. In that newspaper he held the successful "Cosa Nostra" column for years. Other successful columns of his have appeared in the daily newspapers Avvenire and Il Giorno. In 2012, he returned to the Gazzetta di Parma and remained there permanently.

We gladly emphasise his focus on our cultural activities. In particular, he appreciated the conferences, which started in 1971 and were never interrupted. Giorgio Torelli agreed to come to Sondrio to this bank in December 1981 and, in the presence of a large and qualified audience, gave an unforgettable public talk on "Mr. Candia's Frontier on the Amazon". He was again in our hall in Sondrio in November 1991 to speak on "The adventure of being young: today, here". This meeting also had a wide resonance. Mr. Torelli has also been a long-time contributor to the Newsletter and has written for several other publications we have edited. His writings were always of an unmistakable style and vocabulary, exuding freshness of thought and rare humanity.

On 7 October 2023, Luca Goldoni, a well-known journalist and writer, born in Parma on 23 February 1928, died in Bologna.

Initially, he wrote for the Gazzetta di Parma, his hometown newspaper, then moved on to Il Resto del Carlino in Bologna and, finally, we find him at the Corriere della Sera, where his notoriety spread like wildfire, not least for having been a correspondent, on behalf of the prestigious Milanese daily, in many parts of the world.

However, Luca Goldoni is even more appreciated as the author of highly successful books, in which his ability as a careful observer is evident, materialising in delicate, polite and captivating sharpness in describing places, situations and characters.

Our Newsletter has had the pleasure and honour of benefiting from his witty collaboration, which began in 1974, the year after the periodical's inception, and has continued uninterruptedly until 2020. He was happy to write for the magazine, which he appreciated so much that he advised us several times to change the name "Notiziario" (Newsletter) - which he said was too modest compared to the quality content - to something more appropriate.

Professor Ernesto Ferrero of Turin, writer, literary critic and translator, passed away at the end of October 2023. He was 85 years old.

Part of his activity is linked to the Einaudi publishing house in Turin, whose press office he headed in 1963, later becoming literary director and, from 1984 to 1989, editorial director. He then became general secretary of Bollati Boringhieri and literary director of Arnoldo Mondadori. From 1998 to 2016, he directed the Turin International Book Fair, a prestigious cultural window of strong appeal.

His reputation as a prolific writer led him, among other things, to win the Premio Strega 2000 with the successful novel N., which tells of Napoleon Bonaparte's exile on the island of Elba. The work has been translated and disseminated in several European countries.

A polite, open, stylish person of vast knowledge. He had a special bond with the province of Sondrio, in particular with Teglio, his wife's home town, where he spent his holidays, cultivating local friendships and showing his closeness to the community and the host territory.

He held this Popular Bank in high esteem, and was always attentive to, among other things, our cultural activities. He has been an assiduous contributor to the Newsletter, an extensive collaboration that began in 2011 and will continue until 2022.

Death is a mysterious phenomenon; it is a natural event that thinkers and writers of all ages have often dealt with, producing or enriching treatises and works. One among many is Giuseppe Ungaretti (1888-1970), who, imagining the hour of his passing, composed the moving poem “The Mother”, thus expressing himself: “And the heart when one last beat will have brought down the wall of shadow to lead me, Mother, to the Lord, as you once gave me your hand.” And again (concluding verse): “You will remember that you have waited so long for me, and you will have a quick sigh in your eyes.”.

With these noble sentiments we close the section.

SUMMARY OF RESULTS

Shareholders,

In the year under review, not only have hopes of ending the devastating war being fought in the heart of Europe been dashed, but another conflict has erupted on the shores of the Mediterranean, what for centuries was Mare Nostrum. Two events that affect us closely and question us about the future, about the ability to identify and pursue possible paths capable of halting the slide towards an increasingly heated and widespread conflict between states.

We trust that the international community will lead the belligerents to consider resolving their differences in another way, putting an end to a spiral of violence that only generates more violence.

The effects of these conflicts on the international economy were manifold. While the exceptional price increases in energy sources in 2022 have now receded, the fact remains that the economy has slowed down and, above all, is exposed to new and imponderable risks. We have learnt from direct experience that extremely long production chains are subject to the many vicissitudes that can affect international relations.

The credit world has undoubtedly benefited from an extremely favourable rate situation. Our bank, in continuing its mission to support the economies of the territories it serves, has been able to develop and strengthen its entrepreneurial action. The value creation process, supported by the excellent level of capitalisation, and the ability to adapt structures and policies to the constantly changing reference context were reflected in the market valuation, which also significantly rewarded our share in 2023.

The accounting figures offer a representation of a financial year that ended with the best profit in our history: 392.766 million, an increase of 84.48% over the previous year. An absolutely satisfying result, the result of the commitment of our staff of 3,033, an increase of 117. The economic figure, strongly determined by the core business, is reflected in the solidity of the balance sheet, at a top level in the national context.

The key figures are summarised below.

Total assets came in at 51,391 million, -2.15%. Capital and reserves, including valuation reserves and net profit of the period, amounted to 3,179 million, +10.64%.

Direct deposits remained substantially stable at 38,174 million +0.04%, while loans and receivables with customers amounted to 26,973 million, +0.98%.

Net interest income was 846.889 million, +45.46%; net fee and commission income reached 345.880 million, +4.4%. Total income amounted to 1,293.459 million, +37.24%.

Banca Popolare di Sondrio FOUNDED IN 1871

THE BANKING GROUP IN THE HEART OF THE ALPS

BPS (SUISSE)
Banca Popolare di Sondrio (SUISSE)

Factorit

POPSO
COVERED BOND

SINERGIA
SECONDA

RESULTS IN BRIEF

(in millions of euro)	31/12/2023	31/12/2022	Change %
Balance sheet figures			
Loans and receivables with customers*	26,973	26,712	0.98
Loans and receivables with customers measured at amortised cost	26,652	26,324	1.25
Loans and receivables with customers measured at fair value through profit or loss	321	388	-17.23
Loans and receivables with banks	4,180	3,842	8.79
Financial assets that do not constitute loans	13,926	13,655	1.98
Equity investments	756	696	8.61
Total assets	51,391	52,519	-2.15
Direct funding from customers	38,174	38,159	0.04
Indirect funding from customers	43,919	37,109	18.35
Direct funding from insurance premiums	2,067	1,958	5.55
Customer assets under administration	84,160	77,226	8.98
Other direct and indirect funding	18,273	19,147	-4.56
Equity	3,179	2,873	10.64

(in millions of euro)	31/12/2023	31/12/2022	Change %
Income statement			
Net interest income	847	582	45.46
Total income**	1,293	942	37.24
Profit from continuing operations	568	299	89.83
Profit (Loss) for the year	393	213	84.48
Capital ratios			
CET1 Capital ratio	16.74%	16.46%	
Total Capital ratio	19.84%	19.70%	
Free capital	2,072	1,926	
Other information on the Banking Group			
Number of employees	3,033	2,916	
Number of branches	356	352	

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

** Total income is represented as per the reclassification made in the table commenting on the income statement

KEY RATIOS % *

	31/12/2023	31/12/2022
Cost/Income	36.85	44.93
Net interest income/Total assets	1.65	1.11
Net financial income/Total assets	2.11	1.46
Net interest income/Total income	65.47	61.78
Administrative expenses/Total income	36.37	45.12
Profit for the year/Total assets	0.76	0.41
Net bad loans/Loans to customers	0.21	0.44
Loans to customers/Direct funding from customers	70.66	70.00

* The ratios indicated were calculated using the figures shown in the table commenting on the income statement.

The Banca Popolare di Sondrio share closed the year with a significant increase: +55.03%. The shareholder structure amounted to 148,892 shareholders.

Banca Popolare di Sondrio (SUISSE) SA, Factorit spa, Banca della Nuova Terra spa and the other companies of the Banking Group have contributed to expanding and qualifying our commercial offer, with positive economic results.

INTERNATIONAL ASPECTS

The hope that 2023 would see an end to the war started from the Russian invasion of Ukraine has been dashed. Moreover, new conflicts worsened an already critical situation. The closest one is just across the Mediterranean and risks triggering dangerous confrontation situations even in areas essential for international trade.

A scenario, therefore, that is extremely delicate and complex, in which it is becoming increasingly clear how difficult it is for the relevant players to do everything possible to prevent the many crisis situations in the world from escalating into armed conflicts.

Also influenced by the aforementioned events, the world economy weakened gradually during the course of the year, although the dynamics varied widely between countries. Internationally, GDP growth in 2023 is estimated at around 2.9%, weighed down by the effects of restrictive monetary policies and worsening expectations of businesses and households.

World trade also showed important signs of slowing down: after growth of close to 5.5% in 2022, the pace of expansion is expected to be 0.6% in 2023. Estimates for the current year have to reckon with, among other things, the risks of a widening of the Middle East crisis, with possible repercussions on the navigability of the Red Sea.

The gradual decline in inflation, to which the fall in energy prices, now far removed from the peaks recorded following the outbreak of the war in Ukraine, undoubtedly contributed, first interrupted the series of rate hikes decided by the monetary authorities and then raised hopes that an easing of monetary tightening could take place in 2024.

The international stock exchanges proved to be largely impervious to the winds of war. In the United States the Standard&Poor 500 index recorded an increase of 24%, while in Europe the Euro Stoxx 50 showed an increase of 19%. In the emerging countries, stock market performance was very diversified, with Brazil rising by 22% and setting new all-time highs, while China fell by 11%.

The euro area experienced substantial stagnation in 2023. GDP was held back by both domestic demand, affected by declining consumer confidence, and foreign demand. Among the larger countries, only Spain showed an appreciable growth dynamic during the year, while among the others, Germany stood out, on the negative side, showing repeated signs of weakness, especially in the industrial sector. For 2024, GDP growth estimates for the euro area have been progressively revised downwards, due to the weakening international business cycle and restrictive financing conditions for households and businesses.

The change in consumer prices was +2.9% at the end of the year and a further gradual decline is expected. Due to this, traders expect an easing of the ECB's monetary tightening, which has certainly helped to bring inflation back to acceptable levels, but has at the same time weighed on economic growth.

The National Recovery and Resilience Plans, revised in October for 19 countries, continued to have an impact, thanks to the impressive resources disbursed so far (around 220 billion euro).

The Swiss economy showed GDP growth of around 1.3% in 2023, which is the result of positive private consumption trends on the one hand, and the reflective performance of industrial sectors on the other, especially those most sensitive to cyclical trends.

Inflation declined during the course of the year, to 1.4% in November, the lowest level for two years.

The Swiss National Bank last raised the reference rate from 1.50 to 1.75% in June 2023 and did not intervene again, leaving the rate at its highest level since 2009.

Euro

On 1 January, the euro marked 25 years since its introduction in the 11 nations, including Italy, that have shared it since its inception. Introduction as scriptural currency, because the physical currency - coins and banknotes - would follow three years later.

Today, 20 countries use it, around 350 million European citizens.

Its guardian is the European Central Bank, which, in the year under review, in order to defend its purchasing power threatened by inflation, continued, with greater intensity than the other main global authorities, the tightening of official rates, on this occasion amounting to two percentage points, twice as much as the US Federal Reserve (which, however, had anticipated the manoeuvre the year before).

Also because of this, the euro, which had lost almost 6% against the dollar in 2022, recovered 3.60% this time, rising from 1.0666 to 1.1050.

Higher appreciations were recorded against the yen, +11.14%, thanks to Japan's repeated monetary expansion, and even against the Chinese renminbi (+6.70%).

It is no coincidence, however, that the small slide (-2.02%) in the ratio to the pound sterling concerned the only major country to have stood up to the ECB in its aggressiveness on rates, while the more pronounced decline (-5.96%, from 0.9847 to 0.9260) on the Swiss franc - whose reference rate increased only from 1 to 1.75% - seems to be attributable to the attractiveness of the Swiss currency in phases of international tension.

ITALY'S ECONOMIC SITUATION

Italian growth in 2022 (at 4%) and, above all, in 2021 (at 8.3%) overshadowed - decreeing a return to the asphyxiated percentages to which we had become accustomed before the pandemic - the result for the year under review, which stood at 0.9%.

Private consumption was still growing, however only by 1.2% compared to 5 or 6 in the previous two-year period; investments, which had been showing double-digit increases, stopped at 4.7%, also due to the downsizing of building incentives. The contribution was positive of public expenditure (+1.2%) as well as that - more due to a recession in imports (-0.5%) than to the impetus of exports (+0.2%) - of the foreign channel, which in monetary terms recorded a surplus of 34 billion, against the deficit of the same amount in the previous year, benefiting from the sharp fall in energy prices paid.

Contraction that is largely due the spectacular return of inflation from 12.3% at the end of 2022 to 0.5% twelve months later, a development that has disrupted our differential with the European average, which fell "only" by about six percentage points over the same period.

The labour market was also comforting: while the employment rate reached its highest level since the 1970s, the unemployment rate fell in correspondence, with the figure for December even at 7%. Youth unemployment dropped to an unprecedented 19.8%.

The restatement of nominal GDP for '21 and '22 led to an improvement of about 4 percentage points in the public debt ratio, to 140.5%, which would then contract further in the year under review to 137.3%, well below the estimate in the DEF Update Note (140.2%).

If for the coming years, in the government's plans, this value should substantially consolidate, the deficit - planned for 2024, under current legislation, at 3.6% - is the subject of an expansionary manoeuvre for about 16 billion net to raise it to 4.3%. An amount almost equivalent to that of the two main measures adopted: the simplification, from four to three, of the Irpef rates and, above all, the extension of the reduction of social security contributions (the so-called wedge) for employees.

It is understood that government projections are based on the full deployment of the potential of the PNRR (National Recovery and Resilience Plan), which is indispensable to reach a growth target of 1.2%, which, indeed, the Bank of Italy has recently considered halving.

Reassuring was the verdict of the major rating agencies, which confirmed their ratings, giving them a direction of stability, as well as that of the financial markets, with the spread falling from just over 200 basis points to just over 150 in the twelve months.

THE ITALIAN BANKING MARKET

While the ECB, having abandoned a long phase of zero interest rates, raised its main rate from 2.50 to 4.50%, the yield on interest-bearing assets of Italian banks on the whole replicated the growth of the previous year, rising from 2.96 to 4.14%.

The cost of funding (from households and non-financial corporations), which had risen by less than 20 cents in 2022, accelerated, rising from 0.61 to 1.17%, mainly due to the increasing remuneration of deposits, especially those with fixed maturities. The result was a differential that widened until last July, from 2.35% to close to 3, stabilising at that level for the rest of the year.

The analysis of intermediated volumes confirms the continued repositioning of funding from deposits, which fell by 3.4%, to bank bonds, which re-emerged from protracted oblivion with a significant +18.2%. The combined result of these dynamics was, however, a more pronounced decline in total direct deposits (-1.3%) than in the previous year. The drop is also justified by an indirect transfer.

On the other hand, the partial annual recovery, after the previous collapse, in the assets of mutual funds (open, Italian and foreign law), from 1,075 to 1,149 billion, was not supported by new subscriptions. Decisive was the recovery of prices, on all markets, generating capital gains of almost 100 billion.

Economic slowdown and high interest rates brought banks' lending to households and non-financial corporations, which had supported the economy during and after the pandemic, back into negative territory (-3%). In the year under review, credit to households - associated with the -4.6% drop in loans to non-financial corporations - scored -1.5, as the good performance of consumer credit, which accelerated to 5.4%, was subverted by the slowdown in mortgages for house purchases (-0.5%) and, above all, in other types of loans to private individuals (-10.2%).

Total loans with a term of up to one year, which had made convincing progress in 2022, once again represented the weakest link (-4%) in a sagging trend even in the longer-term segment (-2.8%).

The institutions' professionalism in using the range of asset quality management tools is evidenced by the fact that the main risk indices continued to improve.

The so-called NPL ratio, net of adjustments, is now expected to have remained at the level (1.5%) of 2022, less than half the level at the end of 2019.

However, the most problematic category, bad loans, netted by write-downs, rose from 0.81% to 0.98% and, in relation to capital and reserves, from 4.16% to 4.60%.

To the gradualness in the manifestation of the ongoing deterioration and the fullness in the achievement of interest earnings, we owe the favourable combination that made it possible, among other things, to renew the national labour contract. In addition, the erosion threatened by the so-called taxation of extra-profits was avoided - by generally opting for the alternative option of allocating to reserves.

This resulted in a system profit in 2023 that was not only abundantly higher than the previous year, but also higher than the exceptional profit of 2021, since these profits - reflected in a double-digit ROE - were largely free of those extraordinary items that had made up almost half of the total that year.

THE PROVINCE OF SONDRIO’S ECONOMY

As is customary, we would like to reserve a space for the economy of the province of Sondrio, since our bank was established in the capital of the same name (4 March 1871), where it took its first steps. We also do this as a sign of attention and gratitude to the Founding Fathers.

Climate change is a reality that those working in the primary sector had to deal with in 2023 as well.

As for the wine-growing sector, after a rather difficult start to the season, in October, close to the harvest, the alternation of hot days and cool nights benefited the ripening and good quality of the grapes, which is why the product was satisfactory in this respect.

The presence of the apple tree in the province of Sondrio goes back a long way. However, it is only from the second half of the last century that apple cultivation takes on the importance of a real activity. Most companies in the sector deliver the product to the Melavì cooperative in Ponte in Valtellina for marketing. This fruit is PGI-certified and labelled Melavì, which is now familiar to everyone. Among the most valuable varieties are Red Delicious, Golden Delicious, Gala, Rockit and Fuji. For the year under review, it is worth mentioning the summer hailstorms that affected orchards in a patchy manner. The measures put in place, dictated by decades of experience, limited the damage, so that final production was more or less normal. The quality of the fruit was satisfying: healthy apples with vivid colours and a sweet, delicate flavour.

The American blueberry is now normally found on tables in summer. The soils of Valtellina and Valchiavenna lend themselves well to the cultivation of this tasty little fruit, which, among other things, induces several young people to dedicate themselves to it; and they do so with passion and success. In 2023, provincial production was satisfactory, both in terms of quantity and quality, in line with recent years.

It is well known that once upon a time, the primary source of livelihood for families in Valtellina and Valchiavenna was livestock rearing on their own, mostly on a modest scale. Today, the activity is solely the prerogative of more or less large farms. The love for places and their preservation has remained the same as that handed down by the farmers of the past.

Animal husbandry in the province of Sondrio relies heavily on fodder production, which in 2023, was 20% higher than the previous year. The cultivation of fodder maize was satisfactory, both in terms of quantity of silage product and quality.

The mountain climatic trend, with rain and snow in spring, and above-normal heat in summer, has allowed alpine farmers to extend their cattle's stay at high altitudes by about fifteen days in addition to the canonical ninety, with obvious advantages.

Of the many local cheeses, two boast the DOP mark: Valtellina Casera, a semi-fat cheese made in the valley bottom all year round, and Bitto, a high-quality full-fat cheese, produced in summer on 50 authorised mountain pastures of the 220 normally loaded. The Consortium for the Protection of Valtellina Casera and Bitto reports that 203,140 fire-branded wheels of Valtellina Casera were produced in 2023, slightly more than the previous year; and 12,150 of Bitto, against 16,140 in 2022. The decrease in quantity is due to the lower number of producers.

The changed climatic situation has also affected honey production, so much so that, due to the long drought in the early months, with disastrous consequences on the blossoming of the period, acacia, dandelion and wild cherry honeys have almost completely disappeared. The good weather and warmth of the summer months, interspersed with more or less abundant rain, boosted production, making up for the difficult start and fuelling optimism. With satisfaction, the more than 500 bee-keepers have succeeded in producing excellent linden, rhododendron and chestnut honeys: tasty, clear and intensely fragrant honeys typical of the province of Sondrio.

Before going into the specifics of the secondary sector - and this also applies to the private tertiary sector - it is worth recalling how residents in the province of Sondrio, entrepreneurs and non-entrepreneurs alike, reacted well and without discouragement to the Covid pandemic. The economy reported all in all positive results.

In Valtellina and Valchiavenna there are companies, mostly very small, small and medium-sized, of proverbial liveliness and efficiency. At the end of September (we do not have the data for the last quarter), a total of 13,932 enterprises - 116 established in the year under review and 95 closed - were operating, of which 4,082 were craft enterprises, including 1,672 construction enterprises.

The industrial sector, after good growth in production and turnover in the first two quarters, experienced a significant drop in the third quarter, which continued, partially cancelling out the positive results of the beginning of the year.

Handicrafts fared better, however with a slight downward trend in production in the latter part of the year.

The outcome of the province's annual GDP also depends to a large extent on the private service sector, i.e. trade and tourism.

Trade, which started off with a good turnover, amounting to an increase in the first quarter of 5% compared to the same period in 2022, remained positive for the rest of the year, however slowed down: plus 3.6% and 2.3% in the second and third quarters, respectively. Although we do not have the final figure, we can say that in the traditional Christmas and year-end shopping period, retailers breathed a sigh of relief at the good volume of retail sales, which exceeded expectations.

If Covid on the one hand caused deaths and inconveniences with lockdowns of varying lengths, on the other hand, it triggered in people a desire for freedom of movement, to plan holidays, to move around even if only for a weekend; phenomena that among other things benefited the catering and tourism sectors.

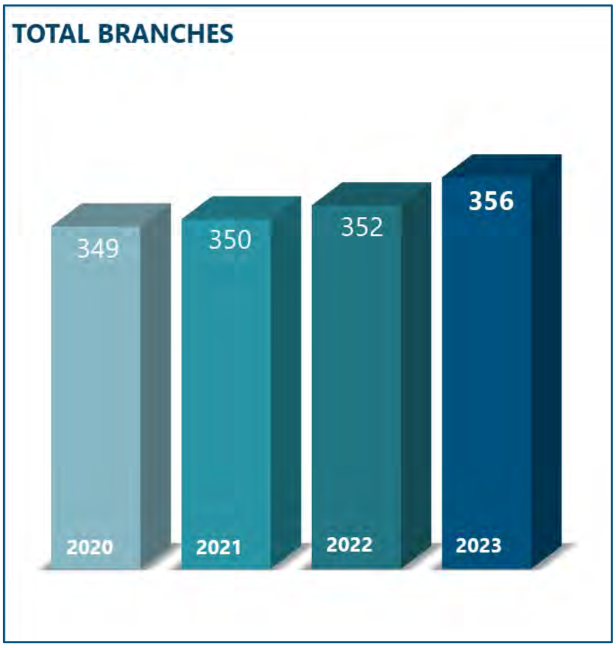
In the first part of the year, the provincial holiday resorts were visited by many tourists, especially during the Easter period, with second homes full, hotels and farmhouses full. This was also thanks to the many foreigners who flocked to the province, despite the fact that ski-related sports were penalised by the scarcity of snow. In summer, the sector presented lights and shadows: in July and until mid-August the season was rather "lukewarm", with cancellations due to excessive weather. Afterwards, the classic "sell-out" occurred, with satisfaction for hoteliers and those in the supply chain. For several years now, the so-called post-summer weekend gastronomic tourism has not experienced a crisis, which has also occurred punctually and satisfactorily in the year under review. In December, as usual, numerous tourists came to the province of Sondrio, attracted by the superb beauty of the area and the possibility of practising various winter sports.

The anticipation of the 2026 Winter Olympics, with the various sporting competitions scheduled to take place in the Upper Valley, is a spur to adequately improve the provincial road system, first and foremost by speeding up the ongoing work on the Tirano bypass, work considered to be of the utmost importance, which has been committed to being completed before the start of the competitions. There is also no lack of attention and solicitude with regard to other infrastructures in need of appropriate action. The sporting event in question will bring to Valtellina renowned athletes, their admirers and sympathisers, prominent personalities, journalists, and television broadcasters. It is therefore incumbent on the province of Sondrio to take this into account and not to be unprepared. It is a unique opportunity for an effective worldwide promotion of the region, not to be missed.

Shareholders,

After briefly recalling the main events of 2023 and tracing a picture of the reality in which our company was set up and developed, let's move on to illustrate the operations and results of Banca Popolare di Sondrio in its 153rd year.

TERRITORIAL EXPANSION



Also in 2023 our branch network was marked by a positive sign thanks to four new units. While many competitors prefer to reduce the number of dependencies, we increase it. This going against the tide positively distinguishes us in the eyes of our customers, who have rewarded our efforts with the establishment of important working relationships in the new areas to which we have extended our action.

An autonomous development model that contributes to defining the identity of Popolare di Sondrio and thanks to which in the year under review, we strengthened our presence in Veneto and entered Friuli-Venezia Giulia, thus bringing our presence to all regions of Northern Italy.

Thanks to the new branches in San Donà di Piave (Ve), Thiene (Ve), Vicenza and Udine, the total number of branches rose to 356, in addition to the 130 branches specialising mainly in the provision of treasury services to corporations and institutions. The commercial structure also benefited from improvements, including the relocation of some units to more suitable environments and in more commercially viable locations.

San Donà di Piave, a town belonging to the metropolitan city of Venice, has more than 40,000 inhabitants and is located along the banks of the Piave River. It is an area well served by the A4 motorway, an important goods transit route, and characterised by extensive cultivation of different grape varieties that support the flourishing wine production. A very important role is played by craft, industrial and commercial activities with a total of more than 4,300 companies.

San Donà di Piave was followed, again in the Veneto region, by the opening of the branch in Thiene, a town of ancient origins with over 24,000 inhabitants, located in the north of the province of Vicenza, in the middle of a wide plain in the so-called Pedemontana area. Thiene is only 10 km from Schio, 20 km from Vicenza and 22 km from Bassano del Grappa. It is an important commercial hub, in which, since the first post-war period, the Commodity Exchange has operated, whose prices, relating to the agri-food sector, are still an important reference for the national market.

Thiene is also home to several medium-large companies active in the industrial and tertiary sectors, in particular metallurgy, automotive, textiles and chemicals.

In Vicenza, we have opened a new branch in contrà Porti 12, in the prestigious Palazzo

Thiene, former historical headquarters of the Banca Popolare di Vicenza and listed as a UNESCO heritage site. The new unit, which joins the one operating in the Corso Santi Felice and Fortunato offices, allows for a better preservation of a very important and interesting centre.

Vicenza, a city of over 100,000 residents, is internationally known as a cultural tourist destination, thanks to its artistic riches. In particular, it is known as "the city of Palladio" for the numerous buildings that the great architect realised there at the end of the Renaissance. All this contributes to making it a very dynamic centre with a lively commercial and accommodation structure.

Vicenza and its area are also characterised by a high number of production activities, with a preponderance of export-oriented small and medium-sized companies. The most represented sectors are engineering, textiles and goldsmiths. It is no coincidence that Vicenza is also known as the city of gold and its role is consecrated in the VicenzaOro fair, one of the most important events of its kind on an international level.

For our entry into Friuli-Venezia Giulia, the city of Udine, capital of the province of the same name located in the centre of the Friuli region, was chosen. Udine is a little more than 20 km from Slovenia as the crow flies and is located close to the A23 motorway, a key route between Italy and Austria.

Udine is a city of almost 100,000 inhabitants and the local economy is mainly linked to its administrative and cultural function, being the seat of numerous public offices, hospitals, universities and various bodies and associations. Also of importance is the role of commerce, which has always characterised Udine, an important reference point for the whole of Friuli.

Our branch is located on the main, bustling city thoroughfare bordering the restricted traffic zone of the city centre, where many commercial and office activities are located.

Lastly, 548 ATMs contribute to our local presence, 1 more than the previous year.

TERRITORIAL EXPANSION


Adobe Stock

Opening

Agency of **SAN DONÀ DI PIAVE**

On 2 October 2023,
the San Donà di Piave (VE) agency
opened to the public,
located at 98 Via Carlo Vizzotto,
giving continuity to our bank's
expansionist programme
in the Veneto region.


Adobe Stock

Opening

Agency of **THIENE**

On 30 October,
the agency in Thiene (VI) opened its doors,
temporarily located in Via Monte Grappa 6/I,
waiting to be relocated in 2024,
in Via Trento, in a building it owns.
The new site adds to the already
numerous presences in Veneto.


Archivio BPS

Transfer — Opening

Agency of **VICENZA**
Agency No. 1 of **VICENZA**

On 13 December 2023,
the Vicenza agency moved to Contrà Porti
at the prestigious Palazzo Thiene.
At the same time, agency No. 1 in Vicenza,
Corso Santi Felice e Fortunato No. 88,
was opened.


Shutterstock

Opening

Agency of **UDINE**

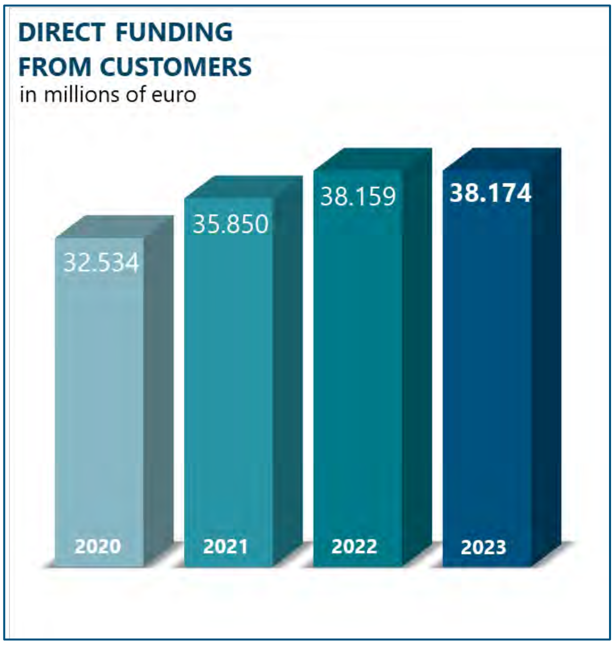
On 18 December,
the Udine branch,
Piazzale XXVI Luglio 62,
opened to the public,
marking the entry of Popolare di Sondrio
into the Friuli Venezia Giulia region.

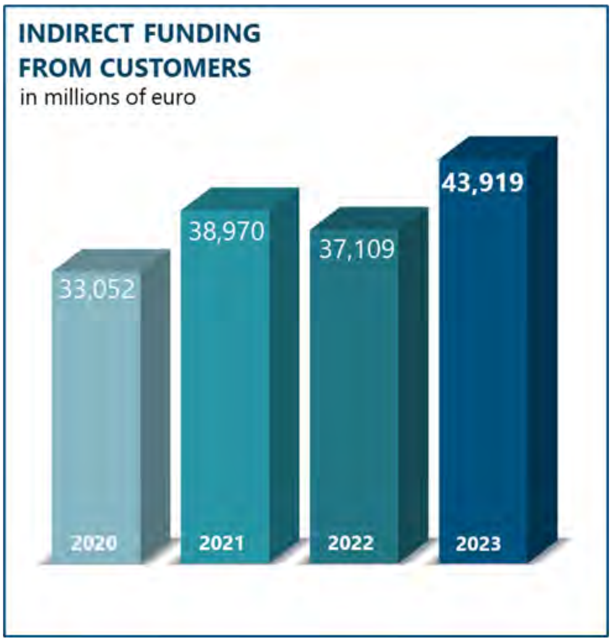
FUNDING

In the year under review, bank funding also slowed down system-wide. In particular, there was a reallocation of sight deposits towards more remunerative instruments. This movement took place partly within bank liabilities in favour of longer-term items (especially bonds), and partly outwards, mainly towards government bonds, which can provide more attractive returns.

On the other hand, the ECB's continued restrictive monetary policy throughout the year kept the cost of funding high and led to strong competition between operators.

Our bank has constantly worked to respond to market demands, promptly adapting its commercial offerings. This, together with the enviable solidity reconfirmed by the various balance sheet ratios, made it possible to enhance the value of existing relationships and to acquire new ones, thus confirming, despite a very competitive scenario, the previous year's figure.





DIRECT FUNDING FROM CUSTOMERS

(thousands of euro)	31/12/2023	Compos. %	31/12/2022	Compos. %	Change %
Current accounts and sight deposits	27,881,787	73.04	30,387,299	79.63	-8.25
Fixed-term deposits	3,423,275	8.97	2,362,448	6.19	44.90
Repurchase agreements	2,241,059	5.87	1,576,069	4.13	42.19
Lease liabilities	170,754	0.45	174,170	0.46	-1.96
Bonds	4,317,386	11.31	3,501,215	9.18	23.31
Bank drafts and similar	92,927	0.24	116,749	0.31	-20.40
Other payables	46,967	0.12	41,023	0.10	14.49
Total	**38,174,155**	**100.00**	**38,158,973**	**100.00**	**0.04**

TOTAL FUNDING

(thousands of euro)	31/12/2023	Compos. %	31/12/2022	Compos. %	Change %
Total direct funding from customers	38,174,155	37.27	38,158,973	39.60	0.04
Total direct funding from insurance premiums	2,066,571	2.02	1,957,819	2.03	5.55
Total indirect funding from customers	43,919,440	42.87	37,109,143	38.50	18.35
- Asset management	*6,511,271*	*14.83*	*5,774,727*	*15.56*	*12.75*
- Assets under administration	*37,408,169*	*85.17*	*31,334,416*	*84.44*	*19.38*
Total	**84,160,166**	**82.16**	**77,225,935**	**80.13**	**8.98**
Due to banks	8,645,912	8.44	10,350,931	10.74	-16.47
Indirect funding from banks	9,626,913	9.40	8,795,626	9.13	9.45
Grand total	**102,432,991**	**100.00**	**96,372,492**	**100.00**	**6.29**

Direct funding from customers, made up of balance sheet liabilities items 10b “due to customers” and 10c “securities issued”, remained substantially stable at 38,174 million, +0.04%.

Indirect funding from customers, at market values, totalled 43,919 million, +18.35%. The increase can be attributed to the favourable market dynamics during the year, which marked a remarkable rebound after an extremely negative 2022.

Direct funding from insurance premiums reached 2,067 million compared to 1,958 million, +5.55%. The peculiarities and validity of the insurance solutions on offer have led to a growth in assets.

Total funding from customers stood at 84,160 million, +8.98%.

Deposits from banks amounted to 8,646 million, down 16.47% from 10,351 million last year, mainly due to the repayment in June of a 4,368 million TLTRO III refinancing tranche. They include 4,506 million related to two residual TLTRO III transactions.

Securities under administration of banks increased from 8,796 million to 9,627 million, +9.45%.

Total funding from customers and banks therefore amounts to 102,433 million, +6.29%.

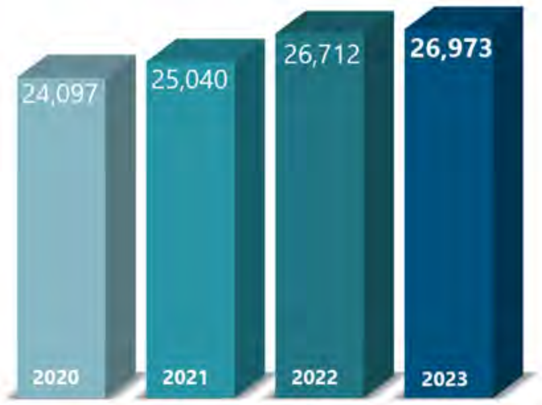
As for the individual components, current accounts and sight deposits, down 8.25% to 27,882 million, accounted for 73.04% of all direct funding. Bonds showed an increase, +23.31%, to 4,317 million, related, net of redemptions, to bonds issued, including a 500 million senior preferred green issue under the EMTN programme and a 500 million covered bond issue. Fixed-term deposits amounted to 3,423 million, +44.90%. Repurchase agreements amounted to 2,241 million, compared to 1,576 million as at 31 December 2022.

Bank drafts amounted to 93 million, -20.40%. The item represented by lease liabilities, deriving from the accounting method envisaged by IFRS 16, amounted to 170.7 million, -1.96%, while other forms of funding increased from 41 to 47 million, +14.49%.

As regards asset management, please see the chapter on treasury and trading activities.

LOANS TO CUSTOMERS

LOANS AND RECEIVABLES WITH CUSTOMERS
in millions of euro



In an economic context characterised by modest growth, at system level the dynamics of lending were negative, among other things continuing to be affected by the increase in costs brought about by increases in official rates. On the corporate side, the lower liquidity requirements related to the sluggish economic cycle and the postponement of investments, the tightening of granting criteria, and the use of self-financing in connection with the previously accumulated high liquidity reserves had an impact. On the household side, among other things, the drop in demand for home loans weighed.

Loans to customers, as shown in the table below, consist solely of loans, with the exclusion of securities, except for those that do not constitute a financial investment because of their nature. They are equal to the sum of the loans included in line item "40. financial assets measured at amortised cost – b) loans and receivables with customers" and line item "20. financial assets measured at fair value through profit or loss – c) other financial assets mandatorily measured at fair value".

LOANS TO CUSTOMERS

(thousands of euro)	31/12/2023	Compos. %	31/12/2022	Compos. %	Change %
Current accounts	3,337,639	12.37	3,605,369	13.50	-7.43
Mortgage loans	15,519,761	57.54	15,188,591	56.86	2.18
Personal loans and assignments of one-fifth of salary or pension	261,582	0.97	253,068	0.95	3.36
Other loans	7,101,011	26.33	6,876,100	25.74	3.27
Debt securities	753,245	2.79	788,830	2.95	-4.51
Total	**26,973,238**	**100.00**	**26,711,958**	**100.00**	**0.98**

The various items have contributed to total customer loans to a different extent.

The principal item consisted of mortgages that, following an increase of 2.18% to 15,520 million, now represent 57.54% of total lending. This item also includes the assets sold and not derecognised in relation to the issue of covered bonds and the self-securitisation transaction for which the derecognition was not carried out as the required requirements of IFRS 9 for accounting derecognition were not met. In turn, other loans added up to 7,101 million, +3.27%. Current accounts decreased, which stood at 3,338 million, -7.43%. Personal loans increased to 262 million, +3.36%. Debt securities amount to 753 million, -4.51%, and relate to customer loan securitisations carried out by Banca della Nuova Terra spa, a subsidiary, and by Alba Leasing spa, an affiliate, also including the securities issued, as part of the five sales of NPLs from the SPV Diana, POP NPLS 2020, POP NPLS 2021, POP NPLS 2022 and POP NPLS 2023 held by the Bank. The ratio of loans to customers/direct funding from customers stood at 70.66%, compared to 70% in the previous year.

Aggregate net non-performing loans decreased to 492 million, compared to 554 million in 2022, a reduction of 11.23%, following the 28.58% reduction in the previous year. The aggregate is 1.82% (2.08%) of loans to customers. The contraction is largely due to the sale of NPL receivables completed during the year, but also reflects the positive effects of the policy of strengthening the company structures responsible for disbursing, managing and monitoring credit.

The total amount of adjustments relating to non-performing loans was 711 million, -13.00%, corresponding to 59.10% of the gross amount of the same, compared to 59.59% of the previous year and 56.23% in 2021, also due to the massive sale carried out. Adjustments for the period increased substantially, mainly due to the application of prudential overlays; gross non-performing loans fell from 1,372 million to 1,203 million, -12.29%. The NPL Ratio decreased from 4.96% to 4.31%. The table provides an overview of non-performing and performing loans, with the comparison to amounts at 31 December 2022.

NON-PERFORMING AND PERFORMING LOANS TO CUSTOMERS

(thousands of euro)		31/12/2023	31/12/2022	Absolute changes	Changes %
Non-performing loans	Gross exposure	1,203,181	1,371,750	-168,569	-12.29
	Value adjustments	711,094	817,382	-106,288	-13.00
	Net exposure	**492,087**	**554,368**	**-62,281**	**-11.23**
Bad loans	Gross exposure	322,088	493,762	-171,674	-34.77
	Value adjustments	264,776	375,949	-111,173	-29.57
	Net exposure	**57,312**	**117,813**	**-60,501**	**-51.35**
Unlikely-to-pay loans	Gross exposure	839,938	849,927	-9,989	-1.18
	Value adjustments	437,897	438,680	-783	-0.18
	Net exposure	**402,041**	**411,247**	**-9,206**	**-2.24**
Non-performing past due exposures	Gross exposure	41,155	28,061	13,094	46.66
	Value adjustments	8,421	2,753	5,668	205.93
	Net exposure	**32,734**	**25,308**	**7,426**	**29.34**
Performing loans	Gross exposure	26,713,033	26,290,324	422,709	1.61
	Value adjustments	231,882	132,734	99,148	74.70
	Net exposure	**26,481,151**	**26,157,590**	**323,561**	**1.24**
Total loans and receivables with customers	Gross exposure	27,916,214	27,662,074	254,140	0.92
	Value adjustments	942,976	950,116	-7,140	-0.75
	Net exposure	**26,973,238**	**26,711,958**	**261,280**	**0.98**

Net bad loans, adjusted for write-downs, amounted to 57 million, -51.35% (-37.64% in the comparison period), corresponding to 0.21% of total loans to customers, compared to 0.44% at

31 December 2022. This is an important result that consolidates a trend that has already been underway for a number of years and that brings us far below the system, and that is largely the result of the massive divestment operations carried out over the past four years. The adjustments to cover estimated losses on bad loans went to 265 million, -29.57%, representing 82.21% of the gross amount of such loans compared with 76.14% the previous year. This coverage remains among the highest in the banking system.

Considering the amounts written off against bad loans that are still tracked by the Bank, in view of possible future recoveries, the coverage of such loans amounts to 95.59%.

"Unlikely to pay" fell, net of write-downs, to 402 million, -2.24%, corresponding to 1.49% of total loans to customers, compared to 1.54% in the previous year. The related adjustments amounted to 438 million, -0.18% on the comparison period, when they amounted to 439 million. The current coverage ratio of 52.13% is higher than the 51.61% last year. The substantial stability of unlikely to pay loans and related provisions is attributable to a loan portfolio situation with a low default rate and low transfers to this category.

Non-performing past due loans, determined in accordance with supervisory regulations, amounted to 33 million, +29.34%, and represented 0.12% of total loans to customers, compared to 0.09% in the previous year.

Provisions for performing loans totalled 232 million, up 99 million (+74.70%) on the previous year's figure, and amounted to 0.87% of the same, compared to 0.50% of the previous year. This increase reflects the uncertain macroeconomic and geopolitical context and the introduction of substantial prudential overlays.

In doing so, account was also taken of the ECB's comments in the context of the annual SREP prudential review and assessment process conducted in 2023. Provisions on stage 2 positions for 191 million are 82.17% of the adjustments on performing loans and increased during the year by 91 million with a coverage ratio of 4.72%.

Adjustments totalled 943 million overall, -0.75%.

TREASURY AND TRADING OPERATIONS

After an extraordinarily negative 2022, 2023 was characterised by a marked rebound in the major financial markets, in a gradually improving macroeconomic context. On the growth side, economic statistics proved more favourable than expected, albeit with marked differences between the different world regions. In the US, the robustness of the labour market was a decisive driver for the expansion of consumption, limiting the effects of the Federal Reserve numerous rate hikes on the economy, thanks also to fiscal expansiveness. Relatively less brisk activity appeared in the Eurozone, where the deterioration in credit conditions weighed particularly heavily on the manufacturing sector, also due to the slowdown in Germany.

On the inflation side, the gradual decline in energy and food prices had a calming effect on consumer prices. While the fundamental framework was an obvious supporting factor, in the last months of the year, the main news concerns the change of course in monetary policies. In fact, in both the US and the Eurozone, central bankers have halted the cycle of official rate tightening and subsequently projected a reversal by 2024. This prospect was enthusiastically welcomed by investors, who increased their positions in both fixed income and risk assets in the latter part of the year. On the geo-political side, the continuing war in Ukraine and the new drama in the Middle East did not play a particularly significant role in steering the course of the financial markets.

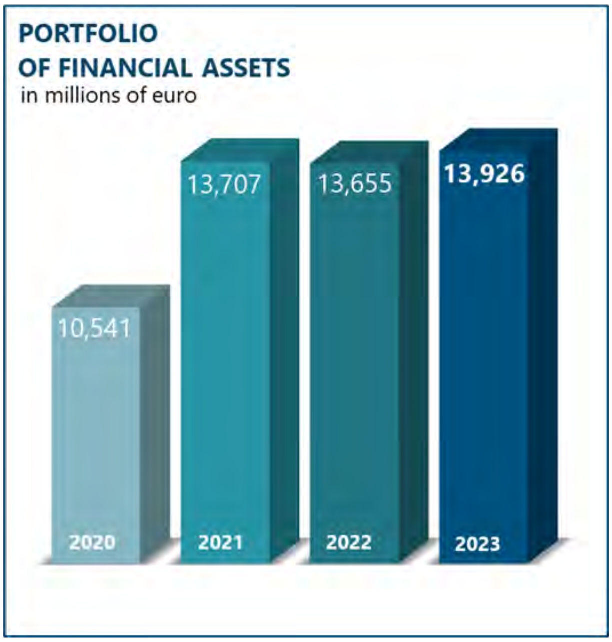
In the US, the stock market rose by 24%, hitting new all-time highs in the technology and industrial sectors. Positive corporate earnings performance, thanks to the favourable macro context and prospects for further progress, fuelled by continued productivity gains and rate expectations, was the main supporting factor.

The Eurozone trailed the US, despite a decidedly weaker economy. Equity markets in the region achieved an average positive result in the region of 19%; at the sector level, technology, industrial and banking stocks jumped.

In Japan, the stock market reached levels not seen in over 30 years thanks to the renewed weakness of the yen, which benefited export-oriented companies. Therefore, an extraordinary result of +28% was recorded.

As for the emerging countries, performance was quite varied, ranging from +22% in Brazil (at an all-time high) to -11% in China, still penalised by the difficult recovery in domestic demand post-Covid, the slowdown in corporate profits and the continuing crisis in the real estate sector, with the epicentre being the financial collapse of the giants Country Garden and Evergrande.

The year 2023 was characterised by positive performances of the international money and bond markets, which partially recovered the extraordinarily negative performance of 2022. However, the year's result did not follow a linear trend, but two opposing trends can be distinguished, which are inextricably linked to monetary policy expectations. In the first phase, which lasted until October, the western central banks maintained a restrictive approach in the conduct of monetary policy, in order to counter a falling inflation, however still far from the 2% target. In this context, government yields jumped to new multi-year highs. In the second phase of the year, the continuation of the disinflationary process and the softer approach of the monetary authorities, which halted rate hikes and reduced assets in the financial statements, resulted in a violent repricing of the markets. In just two months, sovereign bond purchases squeezed yields to their lowest levels of the year, with US, German and Italian 10-year yields falling to 3.90%, 2% and 3.70% respectively.



During the year, Italy's country risk showed a gradual reduction, falling from over 210 bp at the end of 2022 to the 170 area. The fall in the spread benefited from increased confidence in public accounts and the stability of the domestic rating in the autumn review cycle, which saw, among other things, Moody's improve the outlook (from "negative" to "stable"). The agreement reached in the EU on the new rules of the Stability Pact, after lengthy negotiations, had no significant impact.

As at 31 December 2023, the bank had two T-LTRO transactions with the ECB outstanding totalling 4,506 million after the repayment of the 4,368 million tranche on 28 June 2023. The first operation still in force, for the amount of 806 million, is effective from 24 March 2021, with maturity on 27 March 2024. The second was issued on 29 September for 3,700 million and matures on 25 September 2024. As of 23 November 2022, the interest rate on outstanding transactions is indexed to the average interest rate of the Deposit Facility calculated as of that date, without prejudice to compliance with the requirements of the targets assigned by the ECB on the net loans disbursed.

Although liquidity declined following the repayment of the first tranche of T-LTRO III, it remained abundant throughout the reporting period. The exposure to this risk is monitored both with reference to the short term, taking a 3-month view every day, and over the long term with a monthly check. The indicators envisaged by the Delegated Regulation of the European Commission, the short-term one (Liquidity Coverage Ratio) and the structural one (Net Stable Funding Ratio), are both positioned at levels higher than the minimum expected. The stock of assets eligible for refinancing with the ECB, including Abaco, net of haircuts applied, remained at substantial levels as at 31 December 2023.

In the period under review, treasury operations, on the lending side, still favoured the use of the Deposit Facility at the ECB remunerated at 4% (data as of 31 December) and risk-free. After the repayment of the first tranche of T-LTRO, a large part of the liquidity deposited was raised on the electronic repurchase agreement market with institutional counterparties with underlying Italian government securities, and on the OTC market, through bilateral transactions with primary financial counterparties with underlying foreign government securities in euro, corporate securities and securitisations. The repurchase agreement funding activity was of a significant amount and at advantageous rates, thanks to the excellent quality collateral present in the portfolio. The activity relating to interbank deposits (almost exclusively collections) is also clearly recovering, favoured by the rise in rates; these include deposits made with the MEF (Ministry of Economy and Finance) as part of money market operations with the Treasury in which we participate as an authorised counterparty.

At 31 December 2023, the portfolio of financial assets comprising financial instruments other than securitisations totalled 13,926 million euro, up by 1.98% compared to 31 December 2022. The following table summarises the various amounts involved and the percentage changes.

FINANCIAL ASSETS (DEBT SECURITIES, EQUITY SECURITIES, MUTUAL FUNDS AND DERIVATIVES) BY PORTFOLIO

(thousands of euro)	31/12/2023	31/12/2022	Change %
Financial assets held for trading	149,817	167,092	-10.34
of which, derivatives	*22,461*	*50,788*	*-55.77*
Other financial assets mandatorily measured at fair value	235,305	710,545	-66.88
Financial assets measured at fair value through other comprehensive income	3,204,667	2,552,451	25.55
Financial assets measured at amortised cost	10,335,836	10,225,277	1.08
Total	**13,925,625**	**13,655,365**	**1.98**

Analysing the individual segments, "Other financial assets mandatorily measured at fair value" decreased by 66.88% as a result of the relief work on Funds and SICAV that began in 2022 and ended in the second quarter of the year under review. Financial assets held for trading also decreased (-10.34%). On the other hand, financial assets measured at fair value through other comprehensive income increased (+25.55%), following the purchase of short-term foreign government bonds. By contrast, financial assets measured at amortised cost changed a little (+1.08%).

Overall, although decreasing, preference was still given to the variable rate component of Italian government bonds as well as short or very short-term government bonds from Eurozone countries and bank and corporate bonds, mainly ESG.

The total amount of floating-rate and inflation-indexed government bonds was around 5.5 billion, down from 6.3 billion at the end of 2022. ESG securities, mostly green and social bonds, amounted to more than 1.6 billion, or about 11% of the portfolio.

The financial duration of the government bond portfolio, down at 31 December 2022, stood at 3 years and 4 months, while the modified duration at 1.50%, essentially in line with the previous year. Overall, including bonds (net of securitisations), the modified duration is 1.75%, slightly down compared to the end of 2022.

Financial assets held for trading

The trading portfolio, decreasing in both the securities and derivatives components, amounted to 150 million, down from 31 December 2022 (-10.34%), and constituted an insignificant part of the overall securities portfolio.

Operations mainly focused on equities and mutual funds, in addition to Italian and foreign Government bonds. The increase concerned mutual funds, which include both ETFs and funds and Sicavs with a view to geographical, currency and sector diversification as an alternative to direct equity exposure. The balance of government bonds at 31 December 2023 is zero as the trading activity in this sector is rather fast, usually closed at the end of the day.

(thousands of euro)	31/12/2023	31/12/2022	Change %
Equity securities	28,831	50,856	-43.31
Mutual funds	98,525	65,448	50.54
Net book value of derivative contracts	22,461	50,788	-55.77
Total	**149,817**	**167,092**	**-10.34**

Other financial assets mandatorily measured at fair value

The financial assets mandatorily measured at fair value amounted to 235 million, down 66.88% from 711 million at the end of 2022.

The portfolio remains mainly concentrated on euro-denominated UCITS, which mainly refer to closed-end funds (private debt, private equity, real estate and credit funds) or open-ended funds related to specific themes (PIR - Individual Savings Plan). Overall, the exposure is significantly reduced compared to 31 December 2022 with a view to containing overall volatility of the portfolio.

(thousands of euro)	31/12/2023	31/12/2022	Change %
Bank bonds	6,479	6,246	3.73
Other bonds	-	1,259	-100.00
Mutual funds in euro	228,826	685,710	-66.63
Mutual funds in foreign currency (USD)	-	17,330	-100.00
Total	**235,305**	**710,545**	**-66.88**

Financial assets measured at fair value through other comprehensive income

The portfolio of financial assets measured at fair value through other comprehensive income has recorded an increase overall since the end of 2022, to 3,205 million (+25.55%). The general rise in the yield curve has in fact favoured investment in the sector in short-term government bonds, including those of highly rated Eurozone countries.

More specifically, the exposure to floating-rate Italian government bonds was lightened (-29.02%) to 1,060 million, while the short-term fixed-rate component increased by over 200 million (+106%). Government securities of Eurozone countries with short or very short maturities also rose significantly (+203.57%). The overall weight of Italian government bonds on the segment stands at 46.18%, a net decrease from last year.

Bank bonds, government (sovereign) bonds and non-bank corporate bonds also showed positive changes, overall +44.34% compared to last year. Equity securities changed negatively due to write-downs (-9.21%).

(thousands of euro)	31/12/2023	31/12/2022	Change %
Floating-rate Italian government securities	1,059,744	1,492,991	-29.02
Fixed-rate Italian government securities	420,187	203,978	106.00
Foreign government securities	1,028,400	338,768	203.57
Bank bonds	419,910	295,117	42.29
Other bonds	192,534	129,192	49.03
Equity securities	83,892	92,405	-9.21
Total	**3,204,667**	**2,552,451**	**25.55**

Financial assets measured at amortised cost

Financial assets measured at amortised cost amounted to 10,336 million, up 1.08% compared to 31 December 2022.

(thousands of euro)	31/12/2023	31/12/2022	Change %
LOANS AND RECEIVABLES WITH BANKS	**1,106,533**	**872,396**	**26.84**
Italian bank bonds	875,468	662,648	32.12
Foreign bank bonds	231,065	209,748	10.16
LOANS AND RECEIVABLES WITH CUSTOMERS	**9,229,303**	**9,352,881**	**-1.32**
Floating-rate Italian government securities	4,005,761	4,413,601	-9.24
Fixed-rate Italian government securities	1,430,358	1,669,131	-14.31
Foreign government securities	2,795,577	2,329,482	20.01
Other public administration bonds	254,003	315,996	-19.62
Other bonds	743,604	624,671	19.04
Total	**10,335,836**	**10,225,277**	**1.08**

With regard to the portfolio's composition, we highlight, compared to 31 December 2022, the decrease in Italian government bonds, both floating-rate (-9.24%) and fixed-rate (-14.31%), and the increase in foreign government bonds (+20.01%), partly ESG. The component of floating-rate government bonds facilitated a significant increase in the coupon flow, mitigating the effects of rising reference interest rates, which seem to have reached a peak. In addition, investments in bank bonds (+26.84%), both Italian and foreign, and corporate bonds (+19.04%) were still favoured during the period, mainly of the ESG type, especially green bonds and social bonds. Investments in other public administrations decreased due to reimbursements (-19.62%).

Asset management

The year 2023 saw a weak performance of the asset management industry in Italy, which resulted in negative net inflows system-wide. Throughout the year, savers maintained a very cautious attitude and little inclination to make medium- to long-term investments, mainly due to the uncertainty related to inflationary dynamics and the restrictive monetary policies implemented by central banks. Assets under administration, however, benefited from the positive performance of the financial markets.

With regard to funds specifically, funding mainly penalised balanced and flexible products, whose outflows were only partly offset by the good performance of bonds. In particular, the latter have benefited both from the return of savers' interest, after years in which the market had been characterised by essentially zero rates, and from the responsiveness of management houses in modulating a commercial offer more suited to the new context.

The aforementioned general dynamics affected the company's results, however the numbers show flattering growth. The assets managed in various forms by the Bank total 6,511 million, +12.75%, of which 5,058 million, +14.18%, relates to mutual funds and SICAV, including Popso (SUISSE) Investment Fund Sicav; assets managed by the Bank total 1,453 million, +8.05%.

EQUITY INVESTMENTS

The portfolio of equity investments was essentially unchanged during the year. In addition to the other members of the banking Group, these investments principally relate to the suppliers of products and services that functionally support the commercial activities of the Bank. The following comments relate to our subsidiaries.

As at 31 December 2023, equity investments amounted to 756 million, +8.61%, essentially following the capital contribution of 60 million to the subsidiary Sinergia Seconda srl.

Banca Popolare di Sondrio (SUISSE) SA (100%). This is a Swiss bank based in Lugano, set up in 1995.

In a difficult economic and geopolitical context, our Swiss subsidiary recorded a net profit of CHF 28.165 million (+72% compared to the previous year), the best result historically achieved.

Total funding increased to CHF 5.63 billion (+4%) due to new inflows (so-called net new money), while the recovery of the portfolio component (indirect funding) was substantially offset by the appreciation of the Swiss franc.

Lending increased to CHF 5.53 billion (+3%) due to the development of residential mortgage loans.

The Swiss subsidiary has paid considerable attention to ESG (Environmental, Social, Governance) with investments in the IT and organisational fields, as well as in staff training. In this respect, BPS (SUISSE) relied on the parent company structure for coordination, planning and support.

Significant investments have also been made in the area of cybersecurity, due both to the progressive digitalisation of banking and the use of IT devices for the management of certain services by an increasing number of customers. The objective of maintaining a high degree of safeguards has required the continuous upgrading of equipment, procedures and training.

Banca Popolare di Sondrio (SUISSE) continued its efforts to consolidate its role as a local bank, ready to respond directly to the needs of its customers. To date, the branch network has 21 operational presences, including one in the Principality of Monaco, in addition to the virtual Direct Banking unit and the representative office in Verbier (VS).

Factorit spa (100%). The company operates in the factoring sector; it finances and manages commercial, domestic and international receivables, also with collateral.

In a macro-economic context characterised by numerous uncertainties, renewed geopolitical tensions and the tightening of financing conditions that have weighed on economic activity, in line with the objectives set and the approved development plan, the subsidiary's activity has focused on increasing lending and profitability, always paying attention to the quality of loans. From a commercial point of view, the action was conducted by targeting corporate customers, through the offer of supply chain finance solutions via the WebFactoring® portal, especially in the area of supply chain credit; expanding its presence in the area of trade receivables due from the Public Administration, with a particular focus on the Regional Health sector. All this, taking into account the territorial presence of the Parent Company's banking network and the Affiliated Banks and focusing on the most economically relevant areas (Lombardy, Northern Italy and Lazio). The commercial activity benefited from the investments made in distribution capacity, specialisation of the offer and technology, with particular regard to the WebFactoring® portal and the related platforms for the management of “Reverse Factoring” and “Confirming” operations, intended for Corporate customers to guarantee its suppliers, deferring and postponing payment times.

Factorit ranks among the leading companies in the sector, being the 4th Italian operator (1st among its direct competitors, being the factors that belong to medium-sized banking groups), with a 6.34% share of turnover. The financial year, the forty-fifth, closed with a profit of 32.1 million, up on 2022 thanks to the increase in loans and the ability to deal effectively with the complex macro-economic context.

Banca della Nuova Terra spa - BNT spa (100%). It constitutes the Group's “product factory” for the granting of loans secured by salary-backed loans (CQS), pension-backed loans (CQP) and delegation of payment (DEL).

The subsidiary's activity is concentrated above all in the salary-backed loans sector, a consumer credit sector which, in 2023, at a national level recorded a reduction in net financed volumes of 4.5%.

Against this backdrop, BNT continued to grow, in positive counter-trend to the domestic market, with 88.6 million net disbursed, an increase of 2.3% over the previous year. This figure is even more significant when measured on the "total amount", where growth is +12.6% with 125 million loans disbursed.

The investments dedicated to the digitalisation of processes continued, which made it possible to implement increasingly advanced methods of distance selling.

Alongside the traditional network, consisting of bank branches and territorial offices, the growth of the third BNT distribution channel was consolidated in 2023, made up of brokers and agents among which PrestiNuova srl stands out, an agency in financial activity, 100% controlled by BNT, which at the end of 2023, had 18 collaborators. These operators are selected from among the best accredited to the OAM, distinguished by their skills and professional ethics.

BNT closed the year with a profit of 1.99 million euro.

Pirovano Stelvio spa (100%). It operates in the hotel sector at the Stelvio Pass and in Bormio and Valdidentro where it manages holiday homes.

Always known as the "University of Skiing", Pirovano is undergoing a "skin change" as the well-known weather conditions reduce the period in which it is possible to ski on the glacier in optimal conditions. More and more attention is being paid to enriching the offer, shifting the centre of gravity towards the "mountain universe", in the round, without forgetting the opportunity provided by guests crossing the Stelvio Pass and taking the opportunity for a stay at altitude.

The 2023 financial year was also strongly affected by the climatic events, which reduced the skiability of the glacier. The repositioning work, which began at the end of July, of the "Geister 1 and 2" ski lifts, which did not make it easy to ski at altitude, also played a role.

Despite the problems outlined above, compared to the 2022 season, there was a significant increase (of about 16%) in hotel revenue and attendance (almost 22%).

Sinergia Seconda srl (100%). Real estate company. The company mainly performs instrumental functions related to the Group's real estate needs. Also through its subsidiaries Immobiliare Borgo Palazzo srl and Immobiliare San Paolo srl, it carries out activities both in the acquisition of real estate assets, also in the context of the Parent Company's management of non-performing loans, and in the sale and rental thereof, also through proposals for redevelopment or the development of projects for the conversion of intended uses.

The banking buildings held by Sinergia Seconda Srl are rented, on market terms and conditions, to Group companies. Sinergia Seconda srl also manages and maintains the units rented for other purposes.

In the financial year 2023, a positive economic result of 0.4 million was realised, up from the result achieved in 2022.

Rent2Go srl (100%). Vehicle rental company.

It conducts medium- and long-term vehicle rental business, a sector that is constantly growing due to the changes taking place in the habits of private individuals and companies with regard to business, private and tourist mobility, which is also influenced by reasons of reducing environmental impacts according to the guidelines of the current ecological transition.

The financial year 2023 saw a significant upturn in orders, supported in particular by rent-to-rent agreements with short-term rental companies, while orders from private customers grew more slowly. During the financial year, the company was involved in the revision of administrative and accounting processes followed by the analysis for the evolution of internal organisational models and related application tools, which will be the subject of forthcoming actions aimed at cost optimisation. The financial year closed with a loss of 1.1 million, partly due to the recognition of costs incurred for the repair of damage caused by extraordinary weather events.

Popso Covered Bond srl (60%). This company was formed in relation to the issue of covered bonds.

This company was formed in relation to the issue of covered bonds. Its object is the purchase for valuable consideration from the bank of land and mortgage loans, also identifiable en bloc, which constitute assets separate for all purposes from those of the company itself. As part of the covered bond issue programme implemented by the bank in compliance with current legislation, the investee company (transferee) manages the activities for which it is responsible, also in line with corporate requirements, as a guarantee for the subscribers of the securities. Its results should close around break even.

Rajna Immobiliare srl (50%). This real estate company is owned jointly with Credit Agricole.

It is owner of a condominium portion in Sondrio, in a central area and with large areas on the ground floor leased to two tenants.

The economic results were positive and amounted to 0.05 million euro.

TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are governed by the "Regulation for transactions with related parties" issued by Consob resolution No. 17221 dated 12 March 2010 and subsequent amendments. The information required by this Regulation is provided below. Also by the Supervisory Provisions for Banks, issued with Circular No. 285/2013 and subsequent amendments, third part, chapter 11, *Risk activities and conflicts of interest towards related parties*.

Among other things, both regulations provide for the approval and publication of internal Regulations, available on the company's website at https://istituzionale.popso.it/en/governance/corporate-governance-reports.

Transactions with related parties, identified in accordance with the provisions of IAS 24 and the aforementioned Consob Regulation, are part of the bank's normal operations and are normally carried out at market conditions and in any case on the basis of assessments of mutual economic benefit. These transactions amount to 14.84% of total loans to customers and banks and financial assets and 0.35% of direct deposits from customers and banks and financial liabilities.

In compliance with disclosure obligations prescribed in article 5 of the Consob Regulation, during the period 1 January to 31 December 2023, the Bank's corporate bodies decided the following transactions of greatest significance:

- Banca della Nuova Terra spa, subsidiary; granting of Finance Area ceiling of 240,000,000 euro revocable and renewal of credit lines totalling 11,500 euro revocable; resolutions of 1/06/2023;
- Banca Popolare di Sondrio (SUISSE) SA, subsidiary; granting of unsecured loan in foreign currency for 1,150,000,000 euro maturing 01/07/2024 and renewal of credit exposures for a total of 2,220,922,000 euro revocable and 900,000,000 euro maturing 01/11/2023; resolutions dated 15/06/2023;
- Banca Popolare di Sondrio (SUISSE) SA, subsidiary; granting of unsecured loan in currency of 188,500,000 euro, maturing on 01/07/2028; resolution of 22/06/2023;
- Factorit spa, subsidiary; granting of current account credit opening of 750,000,000 euro revocable; resolution of 30/06/2023;
- Banca della Nuova Terra spa, subsidiary; granting of revolving facility unsecured of 200,000,000 euro revocable and renewal of credit lines totalling 240,011,500 euro revocable; resolutions of 20/07/2023;
- Factorit spa, subsidiary; granting of revolving facility financial advances 300,000,000 euro revocable; resolution of 09/08/2023;
- Alba Leasing spa, associated company; renewal of credit lines totalling 420,345,500 euro revocable; resolution of 10/10/2023;
- Banca della Nuova Terra spa, subsidiary; granting of unsecured credit exposures of 180,000,000 euro revocable and unsecured revolving facility of 20,000,000 euro revocable and renewal of credit exposures totalling 240,011,500 euro revocable; resolutions of 12/10/2023;

- Factorit spa, subsidiary; renewal of credit lines totalling 4,350,101,500 euro revocable; resolution of 21/12/2023;
- Banca Popolare di Sondrio (SUISSE) SA, subsidiary; granting of unsecured loan in currency of 896,500,000 euro, maturing on 19/12/2024; resolution of 21/12/2023.

No transactions with related parties in the period under review, whether of greater or lesser significance, have had a significant impact on the financial position or results of the Bank. We would also point out that there have not been any developments or modifications that had or could have a significant effect on the Bank's 2023 balance sheet or results with regard to the related-party transactions carried out during 2022; in any case none were atypical, unusual or not on market terms.

In relation with the Consob Communication DEM/6064293 of 28 July 2006, note that transactions or balances with related parties, as defined by IAS 24 and the Consob Regulation, have a limited incidence on the balance sheet and financial position, as well as on the Bank's economic results and cash flows. In the notes to the financial statements (Part H, "Transactions with related parties") a summary table also shows the credit facilities granted to and guarantees given on behalf of Directors, Statutory Auditors and the General Management, as required by article 136 of Legislative Decree No. 385 of 1 September 1993.

During 2023 and in the current year, no positions or transactions deriving from atypical or unusual operations have arisen. According to Consob Circular DEM/1025564 of 6 April 2001, atypical and/or unusual transactions are those – not arising in the ordinary course of business – that may raise doubts about the completeness of the disclosures in the financial statements, conflicts of interests, the protection of the corporate assets or the safeguarding of the shareholders, by virtue of their magnitude, the nature of the counterparties, the methods for determining the transfer price or the timing of the transaction.

With regard to the remuneration paid by the Bank and its subsidiaries and associates to Directors, Statutory Auditors, the General Manager and Managers with strategic responsibilities, and to their investments in the Bank and its subsidiaries, reference is made to the compensation report prepared pursuant to art. 84-*quater* of the Consob Regulation issued in Decision 11971 dated 14 May 1999 and subsequent amendments.

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

The "Report on Corporate Governance and Ownership Structure" required by art. 123-*bis* of Decree 58/98 (Consolidated Finance Act) is available (in Italian) on the Bank's website at the link https://istituzionale.popso.it/en/governance/corporate-governance-reports. This document states, among other things, that this bank, with a board resolution dated 30 June 2023, has adhered to the Corporate Governance Code promoted by the Corporate Governance Committee of Borsa Italiana spa.

INTERNATIONAL SERVICE

In an increasingly complex international situation, in which the ability to govern conflicts and lead them back to mutually agreed solutions seems to be gradually disappearing, trade and relevant relations have also suffered negative consequences, with the accumulation of ever new risk factors of which we can only take note at the moment.

Economic relations between the countries were constantly exposed to crisis situations, which in some cases went so far as to jeopardise the busiest and most important trade routes. World trade thus showed modest dynamics, which could be further affected by possible disruptions in global value chains.

During 2023, the sharp and abrupt rate hikes implemented by the major central banks led first to a halt and then to a decline in inflation, so that there is now confidence in an easing of monetary tightening. On the foreign exchange market, the euro recovered ground against the dollar, the Chinese renminbi and the yen.

In the aforementioned problematic general context, our bank has continued to play the role of partner to companies in the process of internationalisation, which for many of them constitutes the main path to growth and development. All this, in the knowledge that it is up to us to support companies in the best possible way, providing assistance to accompany them in foreign markets in search of new opportunities, while offering tools to govern and minimise the risks that every economic venture entails. In fact, our one-stop shop for internationalisation was able to support customers at all stages of the expansion process: in-depth knowledge of markets, acquisition of foreign trade skills, international contracts, and forms of payment to protect against possible commercial, political and financial risks.

In the course of 2023, numerous and diverse events were organised, also with the cooperation of Assocamerestero, including: an incoming visit of tourism operators from the USA and Canada to the province of Sondrio, an incoming visit of US buyers to Vinitaly in Verona, and the International Wine Expo Chicago. There were also many webinars, including those dedicated to China, India and Switzerland. All events were well attended by companies and specialist operators.

A special mention must be made of our Business School, which over the years has become the point of contact and dialogue with companies - customers and prospects - but also with the bank's partners , interested in internationalisation initiatives, who appreciate being able to register for our events, consult the latest news from around the world, and have access to information material from previously held courses, including video recordings and slides of speakers. Registered users of the platform - which numbered almost 4,000 at the end of the year - can freely view the rich training catalogue: 30 technical foreign trade courses, 24 country presentations, 16 in-house courses, 37 learning pills, as well as numerous news from our desks abroad, collaborations and agreements with partners.

This year too, we made use of the European Economic Interest Grouping (EEIG) Coopération Bancaire pour l'Europe (CBE) based in Brussels, which since 1992, has assisted companies and economic operators especially in the action aimed at seizing the financing opportunities made available by the European Union.

The International Service has always prioritised the quality of the services it provides. For this reason, it has had a quality management and governance system certified according to ISO 9001:2015 since the late 1990s. At present, six certifications have been obtained, relating to various relevant areas of operation.

Contributing to maintaining the focus on quality are customer satisfaction surveys, aimed at finding out how satisfied counterparties are with, among other things, the payment of foreign pensions and the use of exchange centre and trade finance services. The results were satisfying.

Correspondent banking work was important and intense, and developed mainly on two fronts: the first aimed at innovating services and products, creating original business opportunities and promoting new relationships over as wide a geographical horizon as possible; the second, dedicated to providing advice and assistance to internal offices and external counterparts.

Action was intensified with supranational development banks, whose guarantees enabled the development of relations with banks and countries with which we would otherwise not have been able to operate. There were 157 multi-divisional account relationships in 71 countries at the end of 2023, while the number of banks with which we have swift key exchanges was 1,540 in 162 countries.

COMMERCIAL SERVICES AND INITIATIVES

The year just ended brought highly satisfying results for the bank and its members. All this is the result of management choices aimed at optimising and enhancing customer relations, presenting and offering, in addition to basic banking activities, concrete products in line with users' needs. This made it possible to establish long-lasting, solidly based and mutually satisfying relationships.

Challenges with an increasingly digitalised world have also given impetus to up-to-date services that replicate in use the convenience and immediacy of traditional branch products. The direct relationship with customers, a distinctive trait of a bank that even today believes that each territory and each individual counterpart is a fundamental piece of the mosaic and should be valued as such, leads to the preparation of a set of quality commercial initiatives, where direct contact is reconciled with the need for fast and secure online services.

We would now like to tell you about our main initiatives during the year.

Digital banking is a well-known and established service that is used on a daily basis to meet basic operational needs. During 2023, several new features were made available to **SCRIGNO***bps* users, which refined and enriched our online channels. Firstly, Advanced Electronic Signature (FEA) was introduced for signing documents and/or finalising transactions, obviating the need for physical presence in the branch. In addition, for retail customers, the Payment Initiation Service (PIS) is now available, alongside the SCRIGNO*ais* service for aggregating the movements and balances of customer relationships held on the banking system, which allows a credit transfer to be initiated and debited from a relationship held by the customer with a third-party bank.

The home page of SCRIGNO has been reorganised in terms of content and several new features have been released, including the so-called Showcase, which allows users to discover new opportunities in terms of services and products, including non-banking products, and the "Schedule", which allows them to keep track of the main financial and insurance deadlines. With a view to fostering the relationship between the physical channel and the virtual channel, prominence has been given, again on the homepage, to the Communications Service, to interact with the relevant branch and consult messages sent by the bank. Finally, care was taken to use simpler and more direct language, while respecting professionalism, to make the relationship more immediate also on digital channels.

The incessant innovations naturally complement the consolidated offer of SCRIGNO*bps*, a hub that gathers and conveys the opportunities made available by the digital bank: from the informative consultation of reports to the possibility of receiving notifications (via email, SMS or push, according to the preferences expressed by the customer) on online transactions and operations or account cards; from bank transfer instructions, even instant ones, to the payment of pagoPA, F24 or postal slips; from the management of bills to the payment of bank receipts.

SCRIGNOapp facilitates and simplifies digital transactions and in particular payments, as all one has to do is frame a bulletin with a smartphone camera and the data on it are automatically captured. Security to safeguard operations is assigned to an integrated set of proven controls and tools, including the SCRIGNO*IdentiTel* app which, via QR code or push IdentiTel, allows transactions to be authorised simply and securely.

In 2023, the bank's offering in the asset management segment was further expanded in order to offer its customers high value-added investment solutions provided by proven counterparties in the industry: **J.P. Morgan Asset Management** and **Pictet Asset Management**. At the end of November, the distribution of selected sub-funds of the "JPMorgan Investment Funds", "JPMorgan Funds" and "Pictet" sicavs began. New qualified products join those of our affiliate Arca Fondi Sgr.

The latter, in view of customers' interest in target-date investment solutions - which are characterised by a limited placement period and a predefined time horizon - marketed several such products during the year: "Arca Cedola Attiva Plus 2027 I, II, III, IV", "Arca Difesa Attiva 2028 II, III, IV, V", "Arca ESG Investi e Consolida 2028 I, II, III" and "Arca Target Protetto 2024". The AMC also enriched its range of "ESG" solutions with the offer of "Arca Social Leaders 30", a fund characterised by investing in securities of issuers that stand out for their attention to social issues, and of "Arca Green Bond", specialised in investing in green bonds, bond instruments the purpose of which is to support issuers in financing projects that are solid and sustainable over time from an environmental point of view.

The offer of "**Sidera Funds Sicav**" was also expanded during the year, with the distribution of the "Christian Equity" sub-fund, an international equity that adopts the "Christian Investment Guidelines" issued by the Italian Episcopal Conference (CEI), with the aim of promoting fundamental values of the Catholic Church, such as the protection of life and families with children, support for human dignity and care for the environment and animals.

With regard to the insurance investment products of **Arca Vita** and **Arca Vita International**, the placement of unit-linked ("Obiettivo 2.0", "Obiettivo PUR 2.0", "AVI Take Care" and "Private Selecta Plus"), multi-class ("Cromìa 2.0", "Ingegno" and "Ingegno Private") and revaluable policies ("Piano Cassaforte Special", "Piano Cassaforte Private" and "Edizione Dedicata Piano Cassaforte Premium", the latter linked to a newly established segregated fund called Oscar Premium).

The offer of Arca Vita and Arca Assicurazioni Protection products was revised, with regard to both "Temporary Death Insurance" and "Payment Protection Insurance" solutions covering loans granted by the bank.

Following the signing of the distribution agreement with **UniSalute**, a company of the Unipol Group, market leader in the health sector, the health policies UniSalute Acuore and UniSalute Studente were made available for placement. **Arca Assicurazioni** Elementary Classes product range has been expanded with "Ama&Proteggi Casa a modo tuo", the complete, innovative and flexible multi-guarantee product covering real estate, which stands out for the presence, among others, of guarantees protecting against flood, inundation and flood damage.

The commercial site **popso.it** offers visitors a presentation of our services and products, alongside the "institutional.popso.it" site dedicated to corporate information, with specific sections on, among other things, governance, shareholders and investors, and the topic of sustainability.

In order to enhance the relationship with the community and the territory, the **nonsolobanca.popso.it** portal, which illustrates cultural and recreational initiatives, and the **popsoarte.it** website, our online art gallery, are also available.

Finally, the Instagram account "**nonsolobanca POPSO**" aims to disseminate events, cultural and recreational initiatives promoted by the bank itself.

RISK MANAGEMENT

Structural changes in the economy, the complexity of the geo-sectoral framework, new emerging risks, and digitalisation may put the resilience of banks' business models under severe pressure. Aware of this, we maintain large buffers in terms of capital reserves and liquidity, the cornerstones of stability for our business project.

In the course of the year, under the constant stimulus of the Supervisor, instrumental and organisational safeguards were increased in order to better integrate old and new risks into our business processes, while tenaciously safeguarding asset quality.

When the historical data did not allow us to capture new risk profiles with adequate accuracy, we prudently resorted to overlays of statistical loss forecasts to safely navigate the rough waters, setting aside resources until experience gave us a way to replace them with forecasting models capable of robustly incorporating the effects of unfamiliar variables and risk factors.

Technological change, artificial intelligence, new digital currencies and the epochal transformations imposed by said phenomena on the banking services market are opening the door to daily product experiments and process innovations: scenarios of great opportunities but not without risks. Knowing how to govern them with shrewd but far-sighted strategic levers will be the challenge of the next few years, destined to ignite more and more competition in the sector.

Looking at today, a continuous drive to improve techniques and systems for managing multiple sources of risk remains an important success factor for an institution with our prerogatives, an indication of an ability to adapt and innovate while keeping up with the times.

Credit and counterparty risk

Although the uncertainties related to energy commodity price movements have decreased compared to the previous year-end forecast, the monitoring of the potential credit risk impact dimensions related to this systemic factor continued throughout 2023. Thanks to a targeted survey of our portfolio, a watchlist was identified of counterpart companies operating in the highest energy and natural gas consuming sectors ("energy-intensive" and "gas-intensive"), and therefore considered "potentially high-risk" because, due to business characteristics, they are more vulnerable than others to fluctuations in energy commodity costs. The violent flooding that hit the districts of Emilia-Romagna in May led to the identification of a second list of companies with a potentially high risk profile due to the severity of the damage that had affected their territory, which were also subject to dedicated monitoring. All positions that, as a result of the aforementioned portfolio explorations, were identified as high risk counterparties were prudentially classified as Stage 2.

Derisking activities and the scrupulous monitoring of lending risk trends continued, contributing to a further reduction in the proportion of non-performing loans compared to last year. The disposal of doubtful loans in the portfolio was also facilitated by a massive new multi-originator securitisation of bad loans at the end of the year, thus freeing up space for the development of new, good-quality volumes. On the new credit positions, dialogue with counterparties was intensified in order to assess the prospective sustainability of the initiatives to be financed with more sophisticated tools. We must not give up and continue decisively along this main road, keeping in mind that the evolution of the economic context could lead to worsening of credit quality in various sectors.

With regard to the collective calculation of expected losses and the related provisions in the financial statements, numerous methodological developments were introduced, with specific reference to the areas of stage allocation and so-called ECL overrides, the periodic updating of the list of positions deemed to be "high risk", and the revision in the treatment of management overlays. The latter activity, in particular, profoundly affected the model logic adopted and the allocation of these adjustments to loss estimates between the accounting stages of the performing portfolio (Stage 1 and 2), with some components also extended to non-performing past due loans. Incorporated more and more organically into loss forecasts for purposes of the financial statements are aspects related to ESG risks, especially concerning climate and environmental drivers , and - as mentioned at the outset - to so-called novel risks, i.e. the effects of unforeseen or previously unexplored events such as energy, geo-political and supply chain risks.

The internal rating progressed steadily, with significant changes authorised by the ECB during the course of the year for the internal models of the Corporate and Retail segments, already affecting the quantification of A-IRB capital absorption as at 31 December. Following indications that emerged from the audits conducted by the Supervisory Authority concerning the predictive soundness of our statistical measurement systems, evolutionary adjustments were made involving further significant changes to the methodologies and processes for assigning internal ratings, for which formal approval was requested from the Supervisory Authority in order to integrate them, on receipt of the authorisation, into the regulatory calculation of risk exposure. Part of the intervention programme is the gradual extension of the A-IRB models developed by the bank to its subsidiary Factorit, in anticipation of the application of the advanced method to determine the capital requirements for credit risk of the subsidiary.

The Authority's verification action continues with on-site inspections or "remote" investigations aimed at ascertaining the correct degree of transposition of prudential regulations on credit risk management and at ascertaining the effectiveness of organisational models, processes and procedures put in place.

In particular, the European Central Bank conducted an inspection visit on the Group from October 2022 to April 2023, focusing on credit and counterparty risk with specific reference to the Corporate&Large and SME (Small and Medium Enterprises) segments. The assessment falls within the scope of the ordinary processes that European Supervision implements with the aim of carrying out a survey of the quality of the assets on selected portfolios and evaluating the internal credit risk management processes and procedures and the control and governance systems, including the implementation of the IFRS 9 accounting standard and any other ancillary aspect. On 23 January 2024, the "Final Report" has been issued with the concluding remarks of the inspection team on the outcome of the OSI Corporate; as of the date of this report, the bank is waiting to receive the "Draft Follow-up letter" and, finally, the "Final Follow-up letter" from the Supervisor.

In response to the recommendations made by the inspection team and also in the context of the annual SREP assessments by the ECB, several project sites were planned and launched to strengthen governance, management and control systems. The work plans mainly focus on the following aspects: credit management processes, risk management, second- and third-level controls, and implementation methods for IFRS 9. This schedule will be reviewed and possibly modified upon receipt of the final documentation by the Authority. In particular, on the basis of the observations received from the supervisory authority, the Bank has already increased the credit risk related to the positions under review and continues to carefully monitor the exposures in preparation for the possible classification to non-performing, as required by paragraphs 5.5.9 and 5.5.17 of IFRS 9. In any case, the set of ongoing and planned actions will not result in any significant economic effects in addition to those already recorded during the year under review and the previous year.

Market risk

Exposure to market risks is checked through daily monitoring of the portfolios of financial assets held for investment purposes, based on a broad metrics structure that distinguishes between securities held for trading purposes ("trading portfolio") and the remaining types of financial instruments held but not intended to be bought or sold for profit from their trading, falling within the so-called "banking book", which are in turn categorised according to the accounting valuation criterion adopted (fair value or amortised cost).

Compared to the complex situation faced in the past financial year, the financial markets showed no upheaval despite the continuation of the war between Russia and Ukraine and the escalation of the Arab-Israeli conflict on Palestinian territory. The riskiness of market conditions favoured a containment of the overall level of riskiness of equities, bonds and UCITS in the portfolios, the reference values of which were constantly kept within the maximum tolerance levels defined by the Administration; there were also no particular tensions in the more granular system of early warning parameters.

The economic results of the financial activity and the size of the capital reserves from valuation were also overall positive at the end of 2023.

The regular stress simulations did not reveal any critical elements.

In an effort to enhance the effectiveness of control over the risk dimensions at the root of potential variability in the value of securities, specific analyses and measurements of the current or prospective impact of climatic and natural factors on the profile of issuers and valuations of financial investments were introduced.

Interest-rate risk

In a context of marked growth in short, medium and long-term risk-free interest rates, the monitoring of the uncertainty connected to potential fluctuations in market rate levels continued, implemented through monthly sensitivity analyses of the company's economic value to fluctuations in rates and sensitivity of profits and only interest income generated by the volumes of asset and liability on-balance sheet and off-balance sheet transactions, integrated where necessary by targeted impact studies.

Internal activities related to the refinement of the so-called "behavioural models" in use for determining risk exposure continued during the period to account for changing trends in relation to changing macroeconomic and financial conditions. In particular, the statistical parameters on which the so-called models of "sight items" are based - models that quantify the persistence of asset and liability inventories with no maturity and their elasticity of adaptation to the movements of the market curves - were recalibrated in the second half-year, providing for the inclusion of more extensive samples of historical data.

All models of a behavioural nature - including the so-called "pre-payment" model, designed to simulate the repayment profile of medium/long-term instalment loans, taking into account the phenomena of early closure of relations, partial pre-payment and changes to contractual conditions (nominal rate, spread on the base rate and optionality) - are incorporated into the interest rate risk measurement systems and their adequacy and effectiveness is tested through regular retrospective verification processes (so-called "backtesting"). Indicators are also detected to signal the need to reassess the risk parameters for reasons other than the mere temporal obsolescence of the models or the failure of the "backtesting" tests.

The first half of the year was marked by activities to adapt to the new measures issued by the European Banking Authority (EBA) on the measurement and management of interest rate risk in the banking book, in force as of 30 June. The main innovations, aimed at fully incorporating the new regulatory indications into our monitoring system, concerned the overall reorganisation of the structure of exposure indicators and limits, in alignment with the metrics system envisaged by the aforementioned provisions, as well as the adoption of new methodological and technical specifications with important changes to the previous calculation models, to bring them into line with the updated European guidelines.

Further improvements in supervision concerned, in the second half of the year, the widening of the range of measurements and information reports produced by the risk management units, with the introduction of new methods and tools for the detection, monitoring and quantitative analysis of the so-called credit spread risk in the banking book, recently regulated by special EBA guidelines in force since last 31 December.

Liquidity risk

Even in a period characterised by the well-known systemic shocks and the restrictive turn of monetary policy measures, the bank's liquidity provision remained at significant levels; the constant monitoring, conducted from a short and medium-long term perspective, made it possible to promptly mitigate a potential worsening of the risk quantities, activating appropriate management interventions early.

Concerning the short-term (so-called "operational") liquidity position, dedicated surveys ensure daily monitoring of the cash flow dynamics typical of treasury operations, as well as the amount of cash reserves made up of funds deposited with central banks and the revenues potentially obtainable from the assets in the portfolio as they can be readily transferred on the market or can be transferred, if necessary, in the form of collateral in central refinancing operations.

Medium/long-term ("structural") liquidity is monitored every month to ensure that the harmonious matching of funding and lending is maintained; in particular, surveys are conducted on the structural balance of the financial statements, with a focus on aspects of risk such as, for example, the concentration profile of retail and large depositor funding. Intraday liquidity trends are also permanently monitored, in order to verify the existence of the necessary stocks at the time of each business day when they are required, and the trends in intra-group financing.

The regulatory ratios - the Liquidity Coverage Ratio (LCR), quantified on a monthly basis, and the Net Stable Funding Ratio (NSFR), measured on a quarterly basis - showed no signs of strain throughout 2023, with values that were significantly above the expected lows as well as in line (NSFR) or rising (LCR) compared to the previous year's average values.

The impact of a range of stress test hypotheses on the bank's general liquidity situation (operational, intraday and structural) is then determined each month, as measured by final management and regulatory parameters.

In addition to the annual recalibration of the system of internal risk indicators and limits and the ordinary updating of the device - known as the "Contingency Funding Plan" - for managing situations of liquidity tension that may affect our Group, worthy of note are the participation of our institution in the exercises called "SSM Annual Liquidity Exercise" (with weekly frequency, started in September 2023 and expected to continue in 2024) and "Joint Liquidity Template" (with daily conduct during the last week of October), both promoted on an EU scale by the ECB, the second in collaboration with the Single Resolution Board.

Operational and IT risk

In a context of growing attention to the issue of "digital operational resilience", i.e. the ability to protect the company's data and technological systems from ICT incidents, as well as to quickly resume operations even in the event of a fraudulent attack on the systems, the bank and the other components of the Group have continued with initiatives aimed at ensuring effective protection against potential cyber risks, whether they arise from external threats of a cyber nature (given the current geo-political scenario) or are attributable to the declared strategic desire to orient the development of the business and service model in a digital sense.

With the aim of increasing the ability to intercept possible sabotage and fraudulent intrusions into the company's information systems, a dedicated monitoring service was activated on a continuous basis (24/7) of potential anomalous events, capable of reporting at any time of day or night attempts to compromise perpetrated by external and/or internal parties guided by malicious intent, so as to be able to investigate their nature and extent and, consequently, better calibrate any possible counter and remedial actions.

Also significant were the initiatives carried out to strengthen the awareness of users of online services regarding the dangers posed by constantly evolving fraud schemes and the proper management of personal credentials through the sharing of virtuous operational suggestions to prevent fraud phenomena; also significant was the introduction of more restrictive rules and new limitations on the use of payment services within the internet banking platform.

In compliance with the provisions of the Bank of Italy in one of the latest updates to its supervisory instructions (Circular No. 285/2013), the same internal organisational system for supervising IT risks was subject to review, with greater responsibility given to the risk control and regulatory compliance functions, in accordance with a principle of separation of roles with respect to the ICT division structures.

The bank was also audited by the ECB from October 2023 to January 2024 with the aim of verifying the consistency, resilience and sustainability of its business model with particular reference to the challenges arising from the development and implementation of digital transformation strategies. As of the date, it is not possible to know the outcome as we are still waiting to receive the "Draft report" from the inspection team, according to usual practice.

As far as the more general control of operational risks is concerned, during the year, the existing process of identifying, addressing and monitoring the progress of functional actions to prevent or contain potential operational and reputational criticalities was methodologically refined, with the inclusion in the scope of analysis of any mitigation actions identified against significant operational losses, risk elements deriving from the monitoring of outsourced activities and management risk indicators, as well as the analysis of new ICT products and risks. An in-depth study was also conducted on potential losses arising from operational risk cases related to the purchase of tax credits from superbonus/ecobonus and other building tax bonuses, including those attributable to seizure proceedings resulting from criminal charges against the transferor counterparty.

Reputational and money laundering risk

The banking system is faced with multiple challenges related to the imperative to adapt to the digital transformation and the transition to a low-carbon and sustainable economy. However, at the same time, it must ensure stability in an ever-changing economic framework. The complexity of today's context therefore makes it increasingly important to monitor the perception of corporate image. This oversight translates into the implementation of regular processes of identification and assessment of current and prospective events detrimental to the bank's perceived reputation among its numerous stakeholders, mainly based on qualitative assessment techniques and tools, supplemented (where possible) by quantitative surveys (complaints, appeals, etc.), from which possible mitigation guidelines can be derived.

During the year, the reputational impact management system benefited from the enrichment of the existing catalogue of management monitoring indicators (Key Risk Indicators) with the introduction of metrics designed to signal the potential negative effects on corporate reputation of factors attributable to a lack of or only apparent sensitivity to ESG issues. Also worth mentioning is the development of dedicated approaches for analysing the material scope of reputational risks related to the impact of climate and environmental drivers.

On the subject of combating money laundering and the financing of terrorism, the monitoring conducted during the year by the specific control function included the screening of the many regulatory developments both in relation to international sanctions packages and in relation to new significant legislative measures issued at domestic and EU level.

The Anti-Money Laundering Unit successfully concluded the definition of the functional requirements for the introduction of a new and additional artificial intelligence model (Machine Learning) for the verification of cash transactions. The implementation of this innovation will be completed during the first months of 2024.

Lastly, a dedicated assessment suggested some refinements to the process and methods of qualitative analysis of risks and controls on money laundering and terrorist financing, as well as a strengthening of the system for defining and monitoring the accepted residual risk profile, more analytically declined also through the identification of new quantitative metrics.

Compliance risk

During 2023, the central role of the Compliance unit was further consolidated in relation to the need to promote the enhancement of a corporate culture based on the principles of honesty, correctness and compliance with regulations. The Function traditionally operates according to the so-called "widespread compliance" model, implemented with the direct supervision of the core regulations and, according to a risk-based approach, with the collaboration of specialist and qualified representatives responsible for governing particular regulatory spheres not directly supervised by the Function itself. The last financial year was also marked by the progressive and constant reinforcement of this operational model, which consists of risk identification, classification, assessment, measurement and management, as well as risk monitoring and reporting. This, above all, in relation to the increased dimensional parameters and the increasingly greater complexity and operational specificity achieved by the Banking Group in its various component entities.

The Compliance Function acts with the aim of identifying and assessing potential risks *ex ante* through monitoring and examination of regulatory changes with specific impacts on corporate organisational procedures, in order to facilitate their correct internal implementation. This takes the form of intensive consultancy and specialist assistance to corporate bodies and structures in all matters where the risk of non-compliance is relevant.

Ex-post control activities assess the existence, adequacy and effectiveness of the organisational procedures adopted to guard against aspects of non-compliance with internal and external provisions. During 2023, all the relevant thematic areas were examined in depth, with a particular focus on those relating to greater customer protection, such as the provision of investment services, the insurance brokerage sector, transparency conduct in execution of operations and the provision of banking and financial services, the processing of personal data (privacy), usury and the regulation of market abuse. Further thematic spheres addressed by compliance with dedicated examinations refer to the area of the so-called "sustainable finance", outsourcing of services and conflicts of interest. In this context, the aforementioned organisational evolutions aimed at the overall strengthening of ICT and information security non-compliance risk safeguards.

ESG risks (Environmental, Social & Governance)

The ESG issue has been on the bank's radar for some time: a "sustainable" business model of a universal credit institution like ours can make an important contribution to the evolution of the economy, the territory and society as a whole towards virtuous standards of social inclusion, environmental protection, resilience to external and internal shocks.

Like all other businesses, the bank operates in reaction to the pressures coming from legislation and customers, with a need to adapt to current trends but a willingness to seize opportunities. On the other hand, major stimuli from the supervisory authority, which is concerned about the possible financial consequences of climate change, are an effective accelerator in assessing the potential medium- and long-term effects of such environmental factors on the riskiness of bank financial statements. We are therefore intensively engaged in the integration of the aforementioned issues in all typical business contexts and in the appropriate identification and assessment of related risks.

In the specific area of risk management, of note is the significant progress made during the year in the definition and implementation of practices and methodologies to identify, measure and mitigate the possible materialisation of sources of climate and environmental risk, with the ultimate objective of supporting companies engaged in the long and arduous process of "green transition" through the provision of new finance and the offer of adequate financial and consultancy services, selecting the most deserving projects and the most virtuous counterparts based on risk.

Significant improvements were made with regard to the mapping and determination of the significance (materiality) of risk factors related to climate and the environment in relation to the possibility that these may manifest themselves in the form of "traditional" risks, with the extension of the field of analysis to different areas and business portfolios, the adoption of a new process workflow, the use of more refined metrics and analysis methodologies, and a better differentiation of risk assessments between time horizons, economic sectors and geographical areas.

Processes for measuring trends in "sustainability" risks are gradually becoming more structured. In this sense, it is worth noting the inclusion in the Risk Appetite Framework dashboard of a range of new indicators to monitor exposures to environmental, climate and social risk factors - capable of affecting credit, market and operational risk exposure - functional to supporting the adoption of correct ESG risk assumption and mitigation policies. This benefits the ability to analyse the potential adverse impacts of climate and environmental drivers on the value of asset portfolios, operating volumes and related risk magnitudes.

As an evolution to previous approaches for mapping and classifying ESG risk of an essentially sectoral nature, we report on the increasing use, but above all awareness of use, of the internal scoring system representative of risk in terms of ESG detected at the level of individual counterparties in the corporate loan portfolio. This classification model, developed primarily to measure the individual exposure of corporate clients to climate and environmental risk factors, allows for a forward-looking estimation of the potential financial impacts related to the vulnerability of funded counterparties to transitional and physical factors, with the possibility of future extension to overall ESG risks. The quantitative metric, processed automatically, was incorporated into the electronic procedures for analysing credit files, as a supplementary element of scrutiny of a company with respect to the traditional analyses carried out during the credit appraisal process; thus, in addition to serving as a tool for monitoring environmental risk on an individual and aggregate basis, it was adopted during the year in the key decision-making processes of acceptance, disbursement and pricing of loans disbursed.

For the main counterparties, with priority given to those with the largest carbon footprint, a dedicated ESG due diligence process was combined with the attribution of the synthetic score, with the aim of carrying out a more in-depth and punctual assessment of the company and its sustainability characteristics, collecting information through a specific internal ESG questionnaire.

Risks related to climate scenarios have also already been considered in the estimation of expected credit losses underlying impairment losses, initially with the application of specific ESG overlay adjustments but, as of this annual financial report, with fuller incorporation of physical and transition factors in the impairment parameters of credit assets.

Other relevant risks

The main controls include those relating to strategic and business risks, as well as the risks of conflicts of interest that could arise from transactions with so-called "related parties" and to risks connected with investments in corporate equity investments, implemented by verifying aggregate exposure levels in relation to current internal and regulatory limits.

These controls are implemented by checking the aggregate exposures in relation to the internal and regulatory limits. With regard to the former and in application of the provisions of the 9th update to Circular 263 dated 27 December 2006 "*New prudential supervisory instructions for banks*", published by the Bank of Italy on 12 December 2011, which updated Title V – Chapter 5 on "*Risk activities and conflicts of interest with related parties*", now in Part Three – Chapter 11 of Circular No. 285 of 17 December 2013 "*Prudential supervisory instructions for banks*", the checks carried out are covered by the "*General regulation of the risks deriving from related-party transactions*", which describes policies and processes that mitigate the risks accepted at Banking Group level in relation to related parties. In accordance with the regulatory requirements, the policy is reviewed when necessary, every three years, and is made available for inspection by the Authorities upon request.

The updated Regulation is made available to the Shareholders' Meeting and is published on the company website at the address https://istituzionale.popso.it/en/investor-relations/shareholders-meeting.

The system of internal controls

Third-level controls pursue the objective of assessing the functionality of the overall internal control system in order to ensure the effectiveness and efficiency of business processes, including information systems. The structure in charge of these checks is the Internal Audit Function, an autonomous unit that reports directly to the Board of Directors and does not assume any operational tasks; this organisational position allows it to operate without any constraints.

The Audit Unit extends its range of action to the entire perimeter of the Banking Group: this control activity is in fact performed directly with reference to both the Parent Company and the Group's Italian legal entities; in addition, process checks, also through the support of the local homologous function, are carried out with regard to the subsidiary BPS (SUISSE), there being a connection between the two third-level units from a methodological point of view, without prejudice to the exercise of governance and policy action by the Parent Company Function.

Operationally, Internal Audit is responsible for developing a multi-annual audit plan, submitted periodically to the Administration, and for conducting internal audits in accordance with these plans, constantly monitoring the status of notes made in the event of any deficiencies detected. In addition to this, Internal Audit is increasingly involved in corporate projects, in which the function acts as an internal consultant or as a support to the structures involved. An extended remit has therefore emerged, which over time, has increasingly encompassed innovative areas (primarily the IT sector) with the consequent need to maintain and, where necessary, update skills, methods and supporting tools.

In this sense, Internal Audit, in continuity with what has been developed in recent years, continued its path of streamlining its organisational processes, in conjunction with the continuation of training activities aimed at nurturing internal professional skills.

The assessments of the period were carried out in adherence to the programmatic lines of the 2023-2025 Multi-Year Audit Plan, taking into account a scenario characterised by the need to guard against certain types of risk emerging or more impacted by the changed external context. The following are highlighted as the areas most affected by control action: the credit chain, risk management controls, the corporate business model, business plan monitoring, ESG impacts and ICT management processes.

Dedicated audits were, as always, carried out on information systems, including those of other Banking Group companies, with special attention paid to relevant issues such as IT security, cybercrime and outsourced ICT processes.

The point of view of the "third level" of internal control also plays a central role pursuant to Legislative Decree No. 231/2001, which is why the Internal Audit participates in the work of the Supervisory Body established in implementation of the aforementioned Decree, of which the Manager is also a member. Furthermore, discussions with representatives of the main Supervisory Authorities continue.

Last but not least, the traditional checks on the operations of the sales network and central units, aimed at ascertaining their operational regularity and compliance with company directives, should be added to the above.

HUMAN RESOURCES

It is the qualities of people that determine the success of any company, from the largest to the smallest. Banca Popolare Sondrio can count on resources of absolute value, working together to achieve its goals and, if possible, exceed them. Thus, the growth of the institute is connected with the qualities of its employees and the company's results are in essence attributable to all those who work for it at various levels.

Corporate culture and values represent an intangible and fragile aspect of human capital management, and require decisions aligned with them, to ensure a coherent, recognised and sustainable overall action. Consequently, projects have been activated in the area of employer branding and for the ongoing development of professional knowledge and skills, both with a view to providing employees with the skills they need to perform their duties to the best of their abilities and to foster their professional growth, and to implement actions aimed at ensuring potential successors to key roles, in line with the corporate culture, which is the first true beacon guiding choices within the organisation.

Banking in recent years has to deal with the so-called digital transition, the consequent evolution of user needs and interest in products and services delivered through digital channels. These are substantial changes in business models, organisational structures, and the way products and services are produced and distributed.

In this highly innovative context, it is therefore crucial to maintain the right balance between automation and human contact. The department in charge of the bank's personnel management thus works alongside the corporate governance and business structures to support them in the implementation of the initiatives envisaged by the business plan, in order to understand their repercussions in terms of the evolution of organisational units, perimeters of responsibility and skills profiles of professionals working in the organisation or to be sought on the market.

At the end of 2023, the Bank employed 3,033 persons, up by 117, +4.01%; 72% of them work in the branch network and the other 28% at the central offices. The average age of employees, 42 years and 1 month, and the average length of service, 17 years and 7 months, decreased by 2 months and 3 months, respectively.

As far as staff training is concerned, a total of 2,497 staff members were involved during the year - through participation in "virtual" classrooms or in presence - for a total of 57,540 man-hours. Training through multimedia tools instead covered 2,945 employees, totalling 122,990 man-hours.

As for the issues to which particular attention was paid, the courses relating to sector regulations, such as anti-money laundering, MiFID II and IVASS, should be highlighted, as well as training relating to consultancy on financial investments and insurance intermediation, credit sector, business crisis, sustainability and ESG factors, data governance and quality, risk culture, outsourcing, operational continuity and the provision of treasury services.

Multimedia courses mainly covered regulatory aspects such as banking transparency, privacy, anti-money laundering, unfair commercial practices, administrative liability of banks (Legislative Decree 231/2001) and digital well-being, as well as cybersecurity, occupational health and safety, ESG, IVASS and MiFID. 407 new hires followed a dedicated training course, which dealt with diversified topics such as the discipline of the employment relationship, branch operations, corporate security, banking regulations and techniques, the commercial offer, introduction to the credit sector, securities markets, financial consulting and foreign transactions.

In 2023, the organisation of training and orientation traineeships at central offices and peripheral network reserved for students from technical institutes and universities in the provinces where the bank operates resumed, an activity that involved 94 young people.

Relations with the Trade Unions continue to be based on reciprocal respect.

PROMOTIONAL AND CULTURAL ACTIVITIES

A territorial bank by origin and by choice, reaffirmed when we became a joint-stock company, in the year under review, we once again pledged our commitment to enhancing the characteristics, beauty and traditions of the places where we are present. In this way, we nurture and strengthen the image and identity of our institution, which has in its dynamic interaction with the areas served one of its fundamental distinguishing features.

Prominent among the cultural activities is the Newsletter, which is now half a century old, having started in 1973. It is pleasing to note that the Magazine has retained its initial freshness over the years and has gradually enriched its content and improved its graphic elegance. We have honoured the significant anniversary with simplicity, renewing our commitment to ensure that the publication always contains quality articles on a variety of topics. Several contributions dealt with the environment and its conservation, a highly topical issue that is much talked about today, and rightly so. Through the Newsletter we also wanted to contribute to raising awareness of the serious environmental damage caused by global warming, an issue the whole world is questioning.

The cultural space of the Financial Statement Report, financial year 2022, of the subsidiary Banca Popolare di Sondrio (SUISSE) SA of Lugano hosted a rich monograph on the Swiss figure Henry Dunant, architect of the International Red Cross, first Nobel Peace Prize winner (1901) in history.

Together with the Municipality of Sondrio and other local entities, we supported a number of cultural events in the province of Sondrio, including "La Milanesiana" by Elisabetta Sgarbi, an event held in Sondrio from 1 June to 20 July 2023, and then transferred to Bormio for a week. On this occasion, well-known personalities spoke, bringing a breath of high knowledge. A special aspect connected with La Milanesiana in the Upper Valley was the exhibition "Interiors" by artist-photographer Chiara Caselli, held at our agency no. 1 in Bormio, where it remained until mid-September.

Among other things, this bank's support for the successful show “La Vedova allegra” on 13 April 2023 at the Teatro Sociale of Sondrio should be noted. On this occasion, participants were given an introductory publication by Giovanni Gavazzeni, which we produced, entitled “The Merry Widow and Her Unbroken Fortune”.

On Saturday 7 October, having joined the cultural festival called “E' cultura” - which replaced and incorporated “Invito a Palazzo” of previous years - promoted by the ABI and ACRI, with the participation of the Bank of Italy and IVASS, our bank's HQ and the nearby library owned by Luigi Credaro were opened to the public in Sondrio. Thanks to guided tours, interested parties were able to appreciate the works of art housed in the rooms and the library's vast documentation, including several valuable collections, first and foremost the Vilfredo Pareto Collection, consisting of 20 original letter books of the economist and sociologist of the past, a total of nine thousand documents, almost all of them unpublished, and other interesting correspondence. The event included the “Festival of Creative Culture”, during which, from 9 to 13 October, high school students from schools in the province of Sondrio were entertained on topics of the circular economy and conscious resource management by experts from the FEduF-Foundation for Financial and Savings Education.

On 5 December 2023, we organised in Sondrio, in our conference hall, an interesting meeting - conceived by our associate Arca Fondi SGR - with Professor Carlo Cottarelli, director of PESES-Programme of Education for Economic and Social Sciences at the Università Cattolica del Sacro Cuore. The guest presented the book “Chimeras - Dreams and Failures of the Economy”, of which he is author.

Among the many interventions in support of environmental and cultural initiatives held in the territories covered, we would like to mention the adhesion, as main sponsor, to the important sports event “Valtellina Wine Trail 2023”, tenth edition. We financially supported Sondrio Festival, International Exhibition of Documentaries on Parks, XXXVII edition. Participants at the inauguration of the eagerly awaited event were presented with our publication “Habitat - Plants, People and Animals. A right for the environment”. We confirmed our support for the meeting at the Sala Congressi Bormio Terme, in memory of the 1997 Nobel Prize for Literature “Dario Fo - Jester of the People”. The event was organised with the collaboration of the Cultural Department of the Municipality of Bormio.

As a result of the Solidarity Current Account, we allocated sums to AISLA, UNICEF, AVIS, AIRC and ADMO.

EXTRAORDINARY TAX CALCULATED ON THE INCREASE IN THE NET INTEREST INCOME

By Law No. 136 of 9 October 2023, Decree-Law No. 104 of 10 August 2023 was converted, with amendments. Article 26 of the aforementioned Decree introduces an extraordinary tax determined by applying a rate equal to 40% on the amount of the net interest income included in item 30 of the income statement prepared in accordance with the formats approved by the Bank of Italy relating to the financial year ended 31 December 2023 that exceeds the same margin by at least 10% in the financial year ended 31 December 2021. The maximum amount of the tax may not exceed a portion equal to 0.26% of the total amount of risk exposure on an individual basis (RWA) as at 31 December 2022. The option is given to opt, instead of paying the tax, for the allocation, upon approval of the financial statements for the year ending 31 December 2023, to a non-distributable reserve, identified for this purpose, of an amount not less than two and a half times the tax. If it is subsequently resolved to use this reserve for the distribution of profits, the tax plus interest calculated at the interest rate on deposits with the European Central Bank must be paid within 30 days of the relevant resolution.

In this regard, the Board of Directors of 10 October 2023 approved the proposal to be submitted to the Shareholders' Meeting convened to approve the 2023 financial statements to allocate a portion of the profit of at least 107.059 million to a non-distributable reserve established pursuant to Article 26 of Decree-Law No. 104 of 10 August 2023, as converted into Law.

Taking into account the provisions of the rule and the aforementioned decision, no obligation to pay the tax was determined. Consistent with IFRIC 21, no effect was recognised in the income statement.

EQUITY

Shareholders' equity at 31 December 2023, inclusive of valuation reserves and the profit for the year, amounts to 3,178.642 million. Compared with the total at 31 December 2022 of 2,872.857 million, this represents an increase of 305.785 million, +10.64%. The change essentially derives positively from the accounting of the profit for the year under review and from the reduction of the negative valuation reserves and negatively from the distribution of part of the profit for the 2022 financial year. The Shareholders' Meeting held on 29 April 2023, called to approve the financial statements for the year 2022 and the allocation of profit, resolved to distribute a dividend, paid from 24 May 2023, of 0.28 euro for each of the 453,385,777 shares outstanding as at 31 December 2022.

The share capital, which consists of 453,385,777 ordinary shares without par value, amounts to 1,360.157 million, unchanged with respect to the comparative period.

The share premiums, equal to 78.949 million, decreased slightly compared to 31 December 2022 for an amount equal to 29 thousand euro, due to negative differences between the discharge price and the corresponding book value of the shares sold.

The item reserves rose to 1,364.174 million (+6.9%); the increase of 88.003 million resulted mainly from the allocation of part of the profit for the financial year 2022.

The item valuation reserves, represented by the balance between gains and losses recorded on assets measured at fair value through other comprehensive income (FVOCI) and between actuarial profits and losses on defined benefit plans for employees, recorded a reversal of trend with a positive balance of 7.797 million, a clear improvement compared to the end of 2022, when it was negative for 30.086 million. This effect can be attributed to the positive trend in the financial markets. It should be noted that the persistence of high interest rates had a positive effect on the reserve for actuarial gains/losses, which from a negative 38.557 million at the end of 2022, decreased by 4.196 million to 34.361 million. Treasury shares in portfolio amounting to 25.201 million decreased slightly.

With regard to capital adequacy, the harmonised legislation for banks and investment firms is contained in Regulation (EU) No. 575/2013 (CRR) and in Directive 2013/36/EU (CRD IV), which define the general limits on capital ratios, which are equal to 7% for the CET 1 Ratio, 8.50% for the Tier 1 Capital Ratio and 10.50% for the Total Capital Ratio. The European Central Bank, which by virtue of its powers, based on the evidence gathered as part of the supervisory review and evaluation process, has the authority to set customised capital and/or liquidity ratios for each intermediary subject to Community supervision, with communication dated 15 December 2022 at the conclusion of the annual Supervisory Review and Evaluation Process (SREP) conducted in 2022, sent the bank the decision of the Supervisory Board regarding the minimum coefficients to be respected on a consolidated basis with effect 1 January 2023.

The minimum capital levels required of our banking Group are:

- a minimum requirement of Common Equity Tier 1 Ratio of 8.50%, calculated as the sum of the Pillar 1 regulatory minimum requirement (4.50%), the Capital Conservation Buffer (2.50%), and an additional Pillar 2 requirement (1.50%);
- a minimum requirement of Tier 1 Capital Ratio of 10.50%, calculated as the sum of the Pillar 1 regulatory minimum requirement (6%), the Capital Conservation Buffer (2.50%) and an additional Pillar 2 requirement (2.00%).
- a minimum requirement of Total Capital Ratio of 13.16%, calculated as the sum of the Pillar 1 regulatory minimum requirement (8%), the Capital Conservation Buffer (2.50%) and an additional Pillar 2 requirement (2.66%).

While the first two additions are specified by the prudential regulations and are identical for all banks in a given country, the third is determined by the ECB based on the actual degree of risk faced by the individual bank. The additional Pillar 2 Requirement (or "P2R2") is 2.66%.

On 1 December 2023, at the conclusion of the SREP 2023 process, the notification of the new decision on prudential requirements to be respected on a consolidated basis was received from the European Central Bank, effective from 1 January 2024. The additional Pillar 2 Requirement (or "P2R2") is 2.79% (previously 2.66%). The new ratio, to be held in the form of Tier 1 (CET 1) capital for at least 56.25% and Tier 1 capital for at least 75%, includes a quota of 0.04% as an increase in the second pillar requirement for non-performing exposures. Consequently, the minimum required Common Equity Tier 1 Ratio is 8.57%, the minimum required Tier 1 Capital Ratio is 10.59%, and the minimum required Total Capital Ratio is 13.29%.

Since 2017, the ECB has been providing the Bank with "Pillar 2 Guidance", which acts a guide to the future evolution of the Group's capital. This latter parameter takes on a confidential nature and is not subject to disclosure, as it is an element which, even according to the direction made known by the ECB, does not assume relevance in relation to the determination of distributable dividends.

Consolidated own funds for Supervisory reporting purposes, including a portion of the profit as at 31 December 2023, amounted to 4,053.189 million (Phased-in) and 3,998.240 million (Fully Phased), while consolidated risk-weighted assets amounted to 22,855.292 million.

For completeness of information, it is noted that the Parent Company has decided to make use of the transitional regime provided for by Regulation (EU) 2020/873 of 24 June 2020 with reference to the additional adjustments linked to the Covid-19 emergency, which will apply to the value of the assets CET1 taking into account a decreasing percentage of computability over time, from 100% in 2020 and 2021, to 75% in 2022, to 50% in 2023, to 25% in 2024, until its total elimination in 2025.

The requirements referring to the Group as at 31 December 2023 are reported below:

Group's capital ratios	Phased-in	Fully phased
CET1 Ratio	15.37%	15.13%
Tier1 Capital Ratio	15.37%	15.13%
Total Capital Ratio	17.73%	17.50%

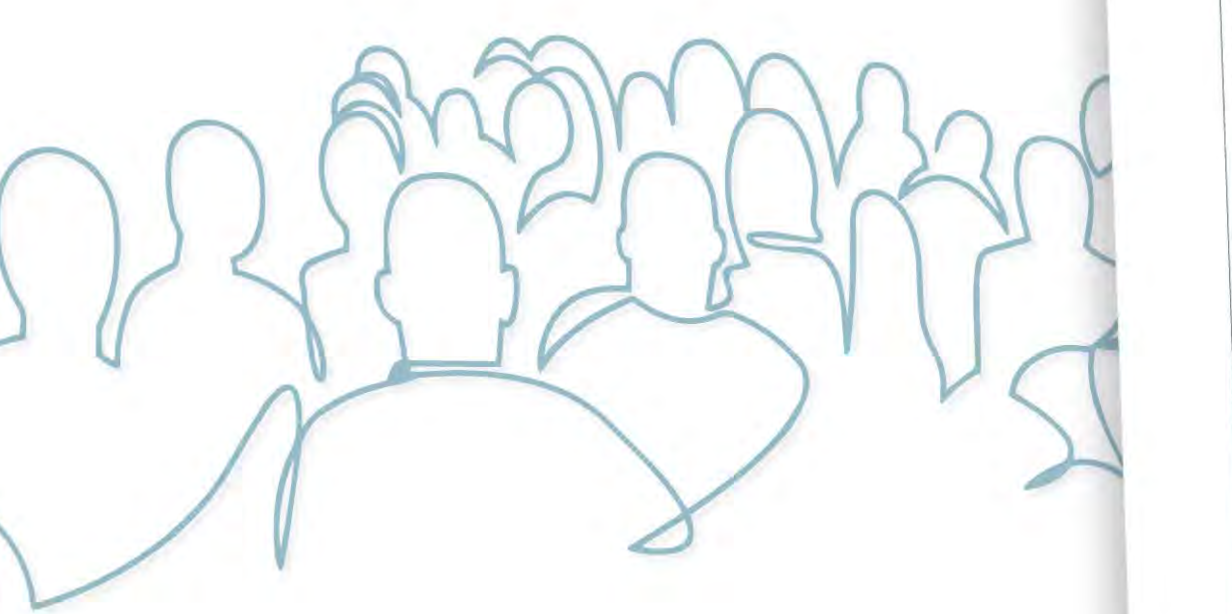
The following ratios of capital (and reserves, including profit for the period) to the principal balance sheet aggregates are shown with comparative figures at 31 December 2022:

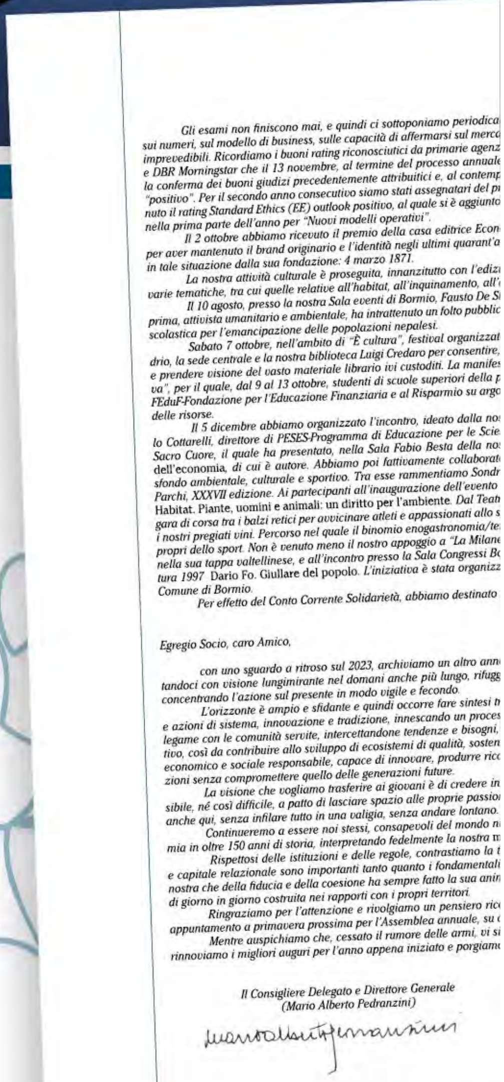
- equity/direct funding from customers: 8.33% compared to 7.53%;
- equity/loans and receivables with customers: 11.78% compared to 10.75%;
- equity/financial assets: 22.83% compared to 21.04%;
- equity/total assets: 6.18% compared to 5.47%;
- net bad loans/equity: 1.80% compared to 4.10%.

148,892

2023

OUR **SHAREHOLDERS**





Gli esami non finiscono mai, e quindi ci sottoponiamo periodica
sui numeri, sul modello di business, sulle capacità di affermarsi sul merca
imprevedibili. Ricordiamo i buoni rating riconosciutici da primarie agenz
e DBR Morningstar che il 13 novembre, al termine del processo annuale
la conferma dei buoni giudizi precedentemente attribuitici e, al contemp
"positivo". Per il secondo anno consecutivo siamo stati assegnatari del pr
nuto il rating Standard Ethics (EE) outlook positivo, al quale si è aggiunto
nella prima parte dell'anno per "Nuovi modelli operativi".

Il 2 ottobre abbiamo ricevuto il premio della casa editrice Econ
per aver mantenuto il brand originario e l'identità negli ultimi quarant'a
in tale situazione dalla sua fondazione: 4 marzo 1871.

La nostra attività culturale è proseguita, innanzitutto con l'ediz
varie tematiche, tra cui quelle relative all'habitat, all'inquinamento, all'
Il 10 agosto, presso la nostra Sala eventi di Bormio, Fausto De S
prima, attivista umanitario e ambientale, ha intrattenuto un folto pubblic
scolastica per l'emancipazione delle popolazioni nepalesi.

Sabato 7 ottobre, nell'ambito di "È cultura", festival organizzat
drio, la sede centrale e la nostra biblioteca Luigi Credaro per consentire,
e prendere visione del vasto materiale librario ivi custoditi. La manifes
va", per il quale, dal 9 al 13 ottobre, studenti di scuole superiori della p
FEduF-Fondazione per l'Educazione Finanziaria e al Risparmio su argo
delle risorse.

Il 5 dicembre abbiamo organizzato l'incontro, ideato dalla no
lo Cottarelli, direttore di PESES-Programma di Educazione per le Scie
Sacro Cuore, il quale ha presentato, nella Sala Fabio Besta della no
dell'economia, di cui è autore. Abbiamo poi fattivamente collaborat
sfondo ambientale, culturale e sportivo. Tra esse rammentiamo Sondr
Parchi, XXXVII edizione. Ai partecipanti all'inaugurazione dell'evento
Habitat. Piante, uomini e animali: un diritto per l'ambiente. Dal Teat
gara di corsa tra i balzi retici per avvicinare atleti e appassionati allo s
i nostri pregiati vini. Percorso nel quale il binomio enogastronomia/te
propri dello sport. Non è venuto meno il nostro appoggio a "La Milane
nella sua tappa valtellinese, e all'incontro presso la Sala Congressi B
tura 1997 Dario Fo. Giullare del popolo. L'iniziativa è stata organizz
Comune di Bormio.

Per effetto del Conto Corrente Solidarietà, abbiamo destinato

Egregio Socio, caro Amico,

con uno sguardo a ritroso sul 2023, archiviamo un altro ann
tandoci con visione lungimirante nel domani anche più lungo, rifugg
concentrando l'azione sul presente in modo vigile e fecondo.

L'orizzonte è ampio e sfidante e quindi occorre fare sintesi t
e azioni di sistema, innovazione e tradizione, innescando un proces
legame con le comunità servite, intercettandone tendenze e bisogni,
tivo, così da contribuire allo sviluppo di ecosistemi di qualità, sosten
economico e sociale responsabile, capace di innovare, produrre ric
zioni senza compromettere quello delle generazioni future.

La visione che vogliamo trasferire ai giovani è di credere in
sibile, né così difficile, a patto di lasciare spazio alle proprie passio
anche qui, senza infilare tutto in una valigia, senza andare lontano.

Continueremo a essere noi stessi, consapevoli del mondo n
mia in oltre 150 anni di storia, interpretando fedelmente la nostra m

Rispettosi delle istituzioni e delle regole, contrastiamo la t
e capitale relazionale sono importanti tanto quanto i fondamentali
nostra che della fiducia e della coesione ha sempre fatto la sua anim
di giorno in giorno costruita nei rapporti con i propri territori.

Ringraziamo per l'attenzione e rivolgiamo un pensiero ric
appuntamento a primavera prossima per l'Assemblea annuale, su
Mentre auspichiamo che, cessato il rumore delle armi, vi si
rinnoviamo i migliori auguri per l'anno appena iniziato e porgiamo

Il Consigliere Delegato e Direttore Generale
(Mario Alberto Pedranzini)

Mario Alberto Pedranzini

Iscritta al Registro delle Imprese di Sondrio al n. 00053810149 - Iscritta all'Alb
Capogruppo del Gruppo bancario Banca Popolare di Sondrio, iscritto all'Albo
Aderente al Fondo Interbancario di Tutela dei Depositi - Capitale sociale € 1.3

Banca Popolare di Sondrio

Società per azioni - Fondata nel 1871
Sede sociale e direzione generale: I - 23100 SONDRIO SO - piazza Garibaldi, 16
Tel. 0342 528 111 - info@popso.it
www.popso.it

154° ESERCIZIO

Sondrio, 1° gennaio 2024

Agli oltre 148.892 nostri Soci

Egregio Socio, caro Amico,

innanzitutto, fervidi auguri di un 2024 in salute e prosperità. Capodanno è anche giorno di riflessioni, di buoni propositi, di programmi.

Il pensiero corre alle guerre in atto: quella russo-ucraina, cui si è aggiunta quella israelo-palestinese, senza dimenticare gli altri conflitti, tutti portatori di massacri e distruzioni. Le armi non hanno taciuto nemmeno a Natale.

In un contesto di preoccupante instabilità, gli Stati Uniti d'America, riferimento per le economie del mondo, dopo un inizio d'anno sottotono si sono riavuti con un incremento produttivo soddisfacente, a beneficio anche dell'occupazione, e con un salutare rallentamento dell'inflazione. Per contro la Cina, colosso asiatico di non poco rilievo al quale si guarda sempre con interesse, ha frenato notevolmente produzione e consumi.

A seguito degli aumenti dei costi di gas e petrolio, aggravati dalla situazione geopolitica e appesantiti da speculazioni borsistiche, l'Eurozona ha subito una forte scossa e, quantunque abbia reagito con determinazione, la crescita è rimasta e rimane debole. Tra i Paesi con maggiori difficoltà va ricordata la tradizionalmente solida Germania. La sua economia è stagnante e le conseguenze si propagano inevitabilmente come i cerchi del sasso gettato nello stagno, gravando su industria ed export dei Paesi UE, ma non solo.

L'Italia, sorretta da una miriade di aziende, perlopiù medie, piccole e piccolissime, che adattandosi alle situazioni hanno messo in atto esperienza e buona volontà di progredire, è riuscita a far fronte abbastanza bene alla negativa congiuntura. Tuttavia, il fenomeno delle chiusure di negozi non è cessato. L'edilizia è stata avvantaggiata dai provvedimenti in ambito "ecobonus", riflettendosi negativamente sui costi delle materie prime, a loro volta influenzati dal rincaro dell'energia, mentre l'immobiliare ha sofferto per il rialzo dei tassi. Il calo della disoccupazione è di buon auspicio, ma ha preoccupato e preoccupa la difficoltà delle imprese nel soddisfare le loro necessità quanto a figure professionali. Il turismo è andato alla grande, nonostante le presenze di stranieri non siano state in linea con le aspettative. In tale scenario, il PIL nazionale ha chiuso il 2023 con un rialzo di circa lo 0,7%. È un aumento piuttosto modesto, inferiore alle previsioni, che nel confronto ci pone tuttavia in buona evidenza. L'inflazione è stata la piaga dell'anno. Solo negli ultimi mesi gli interventi da parte della Banca Centrale Europea hanno prodotto gli effetti auspicati, che si spera abbiano a proseguire. Resta comunque il fatto che la capacità di spesa delle famiglie si è visibilmente contratta.

La Popolare di Sondrio, in questa alternanza di luci e ombre, ha lavorato sodo, con vistosa crescita dell'attività bancaria caratteristica: margine di interesse e commissioni. Gli indirizzi dell'amministrazione sono stati messi a terra da un personale preparato e disponibile – nell'anno il Gruppo ha registrato 347 nuovi ingressi –, costantemente aggiornato sulle varie opportunità da partecipare ai clienti, con conseguenti reciproci vantaggi. Analogamente si può affermare, quanto a impegno e qualità del lavoro, relativamente alle controllate BPS (SUISSE) SA, Factorit Spa e BNT-Banca della Nuova Terra Spa, che chiudono bene e in crescita i rispettivi bilanci. Siamo in grado di anticipare, in attesa di tirare le fila dei conti al 31 dicembre, che l'utile netto d'esercizio del Gruppo si colloca ben oltre le previsioni del Piano Industriale aziendale in corso, confermandone la piena validità.

Quanto alla patrimonializzazione, la nostra banca, dati alla mano, ha registrato anche nel 2023 valori ai vertici del sistema, superiori ai requisiti richiesti dall'Autorità di Vigilanza. Più in dettaglio, al 30 settembre scorso (valori phased-in*) il Cet 1 Ratio si è attestato al 16,27%, il Tier 1 Ratio al 16,27% e il Total Capital Ratio al 18,84%, potendo così sviluppare la domanda di credito, in presenza di un'eccellente posizione di liquidità.*

La qualità degli attivi è rimasta elevata. L'andamento degli impieghi è stato presidiato con scrupolo e metodo, seguendo le posizioni creditorie, giorno dopo giorno, al fine di prevenire ed evitare dannose sorprese: vigilare è stata la parola d'ordine.

Il buon procedere aziendale e le robuste poste economiche hanno consentito di arricchire l'articolazione territoriale, privilegiando la strategia di crescita nel Nord-Est, con quattro aperture: l'agenzia di San Donà di Piave (VE), l'agenzia di Thiene (VI), l'agenzia n. 1 di Vicenza e l'agenzia di Udine. Il numero delle dipendenze della "Sondrio" è pertanto pervenuto a 356, dislocate nel Nord Italia e Lazio, per cui, aggiungendo i tanti sportelli di tesoreria e le 22 filiali della controllata estera BPS (SUISSE) SA, il Gruppo opera con oltre cinquecento unità, in grado di soddisfare appieno le varie necessità bancarie e finanziarie della clientela, anche di quella maggiormente esigente.

Alle aziende, artefici dell'economia reale, ai vari altri soggetti e al settore delle famiglie sono stati riservati sostegno e attenzione, come da prassi consolidata. Siamo consapevoli di quanto sia importante dialogare con i clienti per meglio comprenderne le necessità e condividere istanze e progetti, a beneficio della sostenibilità prospettica di ogni iniziativa.

Uffici e Servizi, ciascuno nel proprio ambito, hanno dato il loro valido apporto. L'Internazionale ha promosso numerosi incontri, coinvolgendo vari operatori italiani e stranieri e offrendo loro efficace assistenza. Il Servizio Commerciale ha trovato adeguato spazio con molteplici prodotti da diffondere tramite la rete, compresi quelli innovativi, declinati a sostenibilità ambientale.

Grande impulso è stato impresso all'attività di bancassicurazione con le polizze di Arca Vita, Arca Assicurazioni e Arca Vita International, e con quelle di UniSalute, del Gruppo Unipol. Il Servizio Sistemi Informativi si è tenuto costantemente aggiornato, supportando la rete, pure quanto a novità digitali, e impartendo le necessarie direttive per l'efficiente ed efficace operare.

BANCA POPOLARE DI SONDRIO SHARE

The Banca Popolare di Sondrio share, traded on the Euronext Milan market of Borsa Italiana, part of the FTSE Italia All-Share index, closed the year 2023 with a positive performance of 55.03%, marking a reference price on 29 December 2023 of 5.86 euro, compared to 3.78 euro at the end of 2022. The general index Ftse Italia All-Share in the same period recorded an increase equal to 26.28%, while the sectoral index Ftse Italia All-Share Banks had an increase of 42.32%.

BANCA POPOLARE DI SONDRIO share - Euronext Milan Market of Borsa Italiana

Source REFINITIV EIKON

The average daily volume of securities traded on the Euronext Milan market of Borsa Italiana in 2023 was equal to 1.26 million, a significant increase compared to 0.813 million in 2022.

As regards the treasury shares held in ownership, the balance as at 31 December 2023 was equal to 3,632,633 shares, down by 9,085 shares compared to the end of 2022 as a result of the assignments carried out in implementation of the Remuneration policies of the Banca Popolare di Sondrio Banking Group. The book value is 25.201 million.

The shareholder structure as at 31 December 2023 consisted of 148,892 shareholders.

RATINGS

The solvency of the Banca Popolare di Sondrio Banking Group, detailed in the table below, has been assessed by the rating agencies Fitch Ratings, DBRS Morningstar and Scope Ratings.

The ratings shown here refer to Fitch Ratings' decision of 6 July 2023, as well as the assessments expressed by DBRS Morningstar and Scope Ratings on 13 November 2023 and 14 March 2023, respectively.

FITCH RATINGS - issued on 06/07/2023

	RATING
LONG-TERM ISSUER DEFAULT RATING It is a measure of the probability of default and expresses the Bank's ability to repay medium to long-term financial commitments. It is expressed on a scale from AAA to D, for a total of 11 levels.	**BB+**
SHORT-TERM ISSUER DEFAULT RATING It measures the ability of the organisation to which the rating is assigned to meet payments due in the short term, i.e. within 13 months. The measurement scale includes seven levels (F1, F2, F3, B, C, RD and D).	**B**
VIABILITY RATING It aims to assess the bank's intrinsic soundness based on fundamentals and in the absence of external support. It is expressed on a scale from AAA to D, for a total of 11 levels.	**bb+**
GOVERNMENT SUPPORT It expresses Fitch's assessment of the possibility of state intervention to support the issuer in a state of crisis. In the case of eurozone banks, the EU Directive on Bank Recovery and Resolution and the Single Resolution Mechanism provide a framework for resolution that envisages, if necessary, the participation of senior creditors in losses instead of/before a bank receives state support.	**No Support**
LONG-TERM DEPOSIT RATING It is a measure that expresses the vulnerability to default of uninsured deposits. It is expressed on a scale similar to that used for the long-term rating (from AAA to D).	**BBB-**
SHORT-TERM DEPOSIT RATING It is a measure that expresses the vulnerability to default of uninsured deposits maturing in the short term. It is expressed on a scale similar to that used for the short-term rating (F1, F2, F3, B, C, RD and D).	**F3**
SENIOR PREFERRED DEBT It is a measure of the probability of default of Senior Preferred bonds which is expressed using a scale from AAA to D.	**BB+**
SUBORDINATED DEBT It is a measure of the probability of default of subordinated bonds that is expressed using a scale from AAA to D.	**BB-**
OUTLOOK It is a prospective assessment of the possible evolution of the issuer's ratings over a period of 1 to 2 years.	**Stable**

DBRS Morningstar – issued on 13/11/2023

	RATING
LONG-TERM ISSUER RATING It is a measure of the probability of default and expresses the Bank's ability to repay medium to long-term financial commitments. It is expressed on a scale from AAA to D.	**BBB (low)**
SHORT-TERM ISSUER RATING It measures the ability of the organisation to which the rating is assigned to meet payments due in the short term. The measurement scale includes six levels (R-1; R-2; R-3; R-4; R-5 and D).	**R-2 (middle)**
INTRINSIC ASSESSMENT It reflects the opinion of DBRS on the intrinsic fundamentals of the Bank assessed on the basis of quantitative and qualitative elements. It is expressed on a scale from AAA to CCC.	**BBB (low)**
SUPPORT ASSESSMENT It reflects DBRS's view on the likelihood and predictability of timely external support for the Bank in case of need. The measurement scale includes four levels from SA1 (best) to SA4 (worst).	**SA3**
LONG-TERM DEPOSIT RATING It is a measure that expresses the vulnerability to default of medium/long-term uninsured deposits. It is expressed on a scale similar to that used for the long-term rating (from AAA to D).	**BBB**
SHORT-TERM DEPOSIT RATING It is a measure that expresses the vulnerability to default of short-term uninsured deposits. It is expressed on a scale similar to that used for the short-term rating (R-1; R-2; R-3; R-4; R-5 and D).	**R-2 (high)**
LONG-TERM SENIOR DEBT It is a measure of the probability of default of Senior Preferred bonds which is expressed using a scale from AAA to D.	**BBB (low)**
SHORT-TERM DEBT It is a measure of the probability of default of short-dated bonds that is expressed using a scale from R-1 to D.	**R-2 (middle)**
SUBORDINATED DEBT It is a measure of the probability of default of subordinated bonds that is expressed using a scale from AAA to D.	**BB**
TREND (outlook) It is a prospective assessment of the possible evolution of the long-term rating assigned over a period of 1-2 years.	**Positive**

Scope Ratings - issued on 14/03/2023

	RATING
ISSUER RATING It is a rating on the Bank's ability to meet its financial commitments in a timely and complete manner. It is expressed on a scale from AAA to D.	**BBB**
OUTLOOK It is a prospective assessment of the possible evolution of the issuer rating assigned over a period of 12-18 months.	**Stable**

INCOME STATEMENT

The year 2023 closed with a profit of 392.766 million, an increase of 84.48% compared to the 212.902 million of the previous year, despite a difficult general context. A record result, which almost doubled the previous year's result, already one of the best in the bank's more than 150-year history, and which resulted from the good performance of all revenue components, first and foremost the dynamics of the net interest income.

The comments on the various items refer to the data shown in the "Summary income statement" below. Note that they have been reclassified with respect to those shown in the tables foreseen in Bank of Italy provision No. 262/2005.

Net interest income increased by 45.46%, coming in at 846.889 million compared to 582.209 million. Persistent inflationary pressures and the ECB's restrictive monetary policy kept interest rates high, thus significantly impacting variable-rate customer loans and new disbursements. The overall differential between lending and borrowing rates increased compared to the comparison period.

Interest income showed good growth: from 726.504 to 1,675.704 million, +130.65%. The increase is primarily attributable to the income from loans to customers, followed by the income from the securities portfolio relating in particular to index-linked government securities, driven by the continuation of inflation and the restrictive monetary policies of the ECB; this is followed by the strong increase in income relating to tax credits acquired connected to D.L. "*Cura Italia*" and "Relaunch" for 74.711 million compared to 39.982 million. Interest expense amounted to 825.815 million compared to 144.295 million +474.39%. The considerable amount of funding led to a substantial increase in cost. Also noteworthy is the massive increase in interest paid on TLTRO III refinancing transactions and on repurchase transactions with banks.

Net fee and commission income showed a decent trend, amounting to 345.880 million, +4.44%. Given the substantial stability of those linked to activity in securities and financial products, those for guarantees issued, for financing and current accounts, order collection, abroad, as well as collections and payments, increased significantly. Those related to credit cards are declining.

Dividends received amounted to 44.070 million compared to 35.543 million, +23.99%; the distribution of dividends by Factorit SpA, Banca Popolare di Sondrio (SUISSE) SA, Arca Holding spa and Arca Vita spa is significant.

The result from financial activities, the sum of items 80-90-100 in the income statement, was a positive 50.999 million compared to 59.823 million -14.75%.

The portfolio of assets held for trading (item 80) generated a positive result of 48.646 million, up 162.75% compared with 18.514 million. Against profits from trading in securities of 2.653 million in the previous year, there were profits of 16.299 million, while exchange gains decreased from 30.049 million to 28.563 million. The net imbalance between capital gains and losses on securities was positive for 1.317 million, compared to a negative balance of 17.630 million in the previous year. The result of the derivatives business was positive for 2.380 million, compared to a negative figure of 0.844 million. Exchange rate differences were slightly positive and decreased from 4.286 million to 0.087 million.

Item 90 - net result of hedging activities was a negative 55 thousand euro and relates to fixed-rate hedging transactions on loans to customers.

The profit/loss on sale/repurchase (line item 100), reclassified, was positive for 2.408 million compared with 41.341 million. This amount of the year does not include 4.157 million of net profits from the sale of NPL loans, which were reclassified to adjustments to loans and financial assets. Its breakdown, as required by IFRS 9, is as follows: result from financial assets measured at amortised cost 3.488 million; financial assets measured at fair value through other comprehensive income -1.166 million; financial liabilities +0.087 million; in the comparative period, there had been substantial sales of government bonds recognised in financial assets at amortised cost for which capital gains had been realised.

The net result of other assets and liabilities measured at fair value through profit or loss (item 110) was positive for 5.621 million compared to a negative one for 66.300 million, which included losses of approximately 51 million largely attributable to depreciations of securities funds; while the negative amount of 0.682 million, compared to an always negative figure of 10.460 million, refers to loans to customers.

The **net banking income** stood at 1,293.459 million, +37.24%, reflecting the good performance of the “core” activity, net interest income, operations in securities, but also the discreet increase in commissions. Within this aggregate, the weighting of net interest income was 65.47% compared with 61.77%.

The uncertainties of the international geopolitical context and the persistence of cyclical weakness made it advisable to maintain a solid level of coverage and a prudent provisioning policy. It all resulted in an increase in the adjustments/write-backs for credit risk on the exposures to customers, banks and securities, of 209.814 million, compared with 175.228 million, +19.74%. During the year, a massive sale of NPL loans called POP NPLS 2023 and a number of Single Name disposals were finalised, with a reclassification of net profits on disposals of 4.157 million, and provisions for guarantees and commitments of 33.226 million were recognised, compared to 19.868 million. The finalisation of the NPL loan disposal transactions is in line with the Bank's policy on the reduction of NPL loans and responds to the ECB's recommendations.

In its components, the sub-item “adjustments to financial assets measured at amortised cost”, which come from exposures to customers and banks in the form of loans and securities, reclassified for the above losses from the sale, amounted to 183.485 million, +15.72% compared with 158.565 million; net of provisions and net write-backs on securities and banks for modest amounts refers to loans to customers. There was a slowdown in the dynamics of non-performing loans and, albeit slight, also in the default rate to be linked also to the various initiatives that the Bank has implemented both to improve credit quality and to refine the processes for assessing the loans themselves, in particular those entered under bad debts, unlikely to pay, past due receivables, determined according to supervisory regulations, in addition to those relating to performing positions.

Sub-item 130b relating to financial assets valued at fair value through comprehensive income was positive by 0.347 million against a negative figure of 0.360 million.

KEY FIGURES OF THE INCOME STATEMENT

(thousands of euro)	31/12/2023	31/12/2022	Absolute changes	Changes %
Net interest income	846,889	582,209	264,680	45.46%
Dividends	44,070	35,543	8,527	23.99%
Net fee and commission income	345,880	331,191	14,689	4.44%
Result of financial activities [a]	50,999	59,823	-8,824	-14.75%
Result of other financial assets and liabilities measured at FVTPL [b]	5,621	-66,300	71,921	n.a.
of which LOANS	*-682*	*-10,460*	*9,778*	*n.a.*
of which OTHER	*6,303*	*-55,840*	*62,143*	*n.a.*
Total income	**1,293,459**	**942,466**	**350,993**	**37.24%**
Net adjustments [c]	-209,814	-175,228	-34,586	19.74%
Net financial income	**1,083,645**	**767,238**	**316,407**	**41.24%**
Personnel expenses [d]	-221,315	-202,358	-18,957	9.37%
Other administrative expenses [e]	-249,148	-222,876	-26,272	11.79%
Other operating income/expense [d]	69,180	59,451	9,729	16.36%
Net accruals to provisions for risks and charges [f]	-22,542	-10,660	-11,882	111.47%
Adjustments to property, equipment and investment property and intangible assets	-52,836	-47,046	-5,790	12.31%
Operating costs	**-476,661**	**-423,489**	**-53,172**	**12.56%**
Operating profit (loss)	**606,984**	**343,749**	**263,235**	**76.58%**
Charges for stabilising the banking system [e]	-38,854	-45,878	7,024	-15.31%
Net gains (losses) on equity investments and other investments	-513	1,149	-1,662	n.a.
Profit (loss) before tax	**567,617**	**299,020**	**268,597**	**89.83%**
Income taxes	-174,851	-86,118	-88,733	103.04%
Profit (loss)	**392,766**	**212,902**	**179,864**	**84.48%**

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 measured at FVTPL is comprised in item 110 of the income statement;
[c] Net adjustments consist of the sum of items 130 - 140 - 170 a) in the income statement including the gains on disposals of 4.157 million euro;
[d] Personnel expenses and other operating income have been stated net of the income generated by the post-employment benefits fund of 7.226 million euro;
[e] Charges for stabilising the banking system have been separated from other administrative expenses and presented separately;
[f] Net allocations to provisions for risks and charges refer to item 170 b).

The estimate of expected losses on performing loans is determined in accordance with the requirements of IFRS 9, using modelling that adopts different macro-scenarios for calculation purposes. To supplement the outcomes of the ECL estimation models, in continuity with as was done in the 2022 financial statements, management overlays of approximately 112 million were introduced and taken to the income statement.

Line item 140, comprising the gains/losses on contractual amendments to cash flows not resulting in derecognition, shows gains for the period of 6.550 million compared with profits of 3.565 million.

As already reported, a provision for commitments and guarantees given of 33.226 million was recognised, compared to provisions for 19.868 million in the comparison period.

The ratio of net adjustments to customer loans/total customer loans, which is defined as the cost of credit, increased from 0.65% to 0.78%.

Financial income has therefore increased from 767.238 million to 1,083.645 million, +41.24%.

Although efforts dedicated to improving the efficiency of structures and containing expenses continued, operating costs increased significantly to 476.661 million compared to 423.489 million, +12.56%. The ratio of operating costs to income from banking activities, otherwise known as the cost/income ratio, has fallen to 36.85%, from 44.93% in the prior year, while the ratio of operating costs to total assets eased to 0.93% from 0.81%. As for the individual components, administrative expenses, normalised with the exclusion of the provision of the proceeds of the pension fund that have a balancing entry of the same amount in the other operating expenses/income, amounted to 470.463 million, +10.64%; of these, personnel expenses went from 202.358 to 221.315 million, +9.37%, mainly due to contractual adjustments and the increase in personnel due to the new hirings of the period, while other administrative expenses rose from 222.876 to 249.148 million, +11.79%. Of note are the increases in expenses for electricity, water and heating, consultancy, rental and maintenance of hardware and software, for the use of interbank networks, IT costs, maintenance of tangible assets, taxes and fees for information and inspections; decreases in legal costs, and for services rendered by third parties.

The item “net provisions for risks and charges” reflect releases of 22.542 million compared with an allocation of 10.660 million.

The depreciation of property, equipment and investment property and the amortisation of software amounted to 52.836 million compared with 47.046 million.

Other income, stated after the above mentioned reclassification and net of other operating expenses, amounted to 69.180 million, +16.36%.

Charges for stabilising the banking system, shown separately, amounted to 38.854 million, compared to 45.878 million, -15.31%.

The aggregate gains/losses on equity investments and other investments showed a negative balance of 0.513 million compared to a positive one of 1.149 million; imbalance between the write-down of Pirovano Stelvio spa for 0.502 million, the negative result of the fair value measurement of tangible assets for 0.038 million and a positive amount for 0.027 million for the sale of goods.

Profit before income taxes therefore totalled 567.617 million, +89.83%. After deducting income taxes of 174.851 million, up 103.04% on the previous year, the **net profit for the year** was 392.766 million, +84.48%.

The tax rate, understood as the simple ratio between income taxes and pre-tax result, stood at 30.80% compared to 28.80%.

2023 NON-FINANCIAL REPORT PURSUANT TO LEGISLATIVE DECREE 254/16

The “Non-Financial Report” for financial year 2023, prepared pursuant to Legislative Decree 254/2016, is made available to the Shareholders' Meeting of 27 April 2024 and is available on the company website at the address https://istituzionale.popso.it/en/investor-relations/shareholders-meeting.

SIGNIFICANT SUBSEQUENT EVENTS

The following information on significant events that have taken place subsequent to year end is provided in accordance with regulatory requirements.

On 15 January 2024, the bank successfully placed a new covered bond issue with institutional investors for a benchmark amount of 500 million and a maturity of 5.5 years. The placement was carried out as part of the five billion covered bond programme, backed entirely by residential mortgages.

On 26 February 2023, the primary rating agency S&P Global Ratings, formerly known as Standard & Poor's, at the conclusion of its evaluation process, assigned for the first time a rating on the creditworthiness of Banca Popolare di Sondrio, attributing, as far as long-term reliability is concerned, the investment grade level “BBB-”, with “Stable” Outlook. The positive ratings reflect in particular the bank's commercial strength, profitability, asset quality and solid funding and liquidity position.

Following the quarterly review of the constituents of the Borsa Italiana FTSE MIB index, as of Monday 18 March 2024, the Banca Popolare di Sondrio share will become part of the Borsa Italiana main FTSE MIB index, which measures the performance of a basket of 40 Italian equities selected on the basis of liquidity and free float-adjusted market capitalisation. The entry of the share in the prestigious stock exchange index is the completion of a long path of growth that began with the listing of our company shares on the third market in the early 1980s, then on the Mercato Ristretto in 1991, followed by the Mercato Expandi in 2003, and finally on the MTA market of Borsa Italiana, now Euronext Milan, in June 2009.

In the period between 31 December 2023 and the date of approval of this report, no significant events have taken place that might have a material impact on the figures presented here.

OUTLOOK FOR OPERATIONS

Forecasts for the Italian economy are for moderate growth, at last year's levels, despite a complicated geopolitical framework marked by uncertainties, especially in relation to the ongoing conflicts in Ukraine and the Middle East. As far as monetary policy is concerned, the reversal seems destined to materialise in the course of the year, with the ECB gradually reducing its key interest rates. Net interest income, therefore, should still contribute significantly to core profitability, which will also continue to benefit from the favourable trend of the commission component. In terms of asset quality, credit positions will continue to be carefully managed and high coverage levels will be maintained; even in a context of a possible increase in the decay rate, the cost of credit risk is not expected to rise. Operational efficiency is set to remain high, also due to the lack of contributions to the Single Resolution Fund for the stabilisation of the banking system, whose predetermined endowment has been reached. In light of the above, it is reasonable to assume that the targets of the 2022-2025 Next Step Plan will also be exceeded in 2024, with profitability hopefully remaining on track.

* * *

Shareholders,

The 2023 financial statements, comprising the balance sheet, the income statement and the attachments forming an integral part of these documents, are presented for your examination and approval. These financial statements, which show a profit for the year of 392,765,866 euro, have been audited by EY SpA.

BALANCE SHEET

Total assets			€	51,391,280,610
Liabilities	€	48,212,638,629		
Valuation reserves	€	7,796,519		
Share capital	€	1,360,157,331		
Share premium accounts	€	78,949,045		
Treasury shares	€	-25,201,067		
Reserves	€	1,364,174,287		
Total liabilities and shareholders' equity excluding net profit for the year			€	50,998,514,744
Profit for the year			€	392,765,866

ALLOCATION OF PROFIT FOR THE YEAR

In line with legal requirements and the articles of association, we propose the following allocation of profit for the year:

- to shareholders 0.56 euro per share	€	253,896,035.12
- to the reserve for donations	€	500,000.00
- to the unavailable reserve under Legislative Decree 38/2005 (Art. 6(1)(a))	€	12,927,430.14
- to the non-distributable reserve D.L. 10 August 2023 No. 104 Art. 26 para. 5 *bis* converted by Law No. 136 of 9 October 2023	€	107,060,000.00
- to the extraordinary reserve	€	18,382,400.74
Total	€	**392,765,866.00**

EQUITY

If you concur with our proposals, equity will be made up as follows:

- Valuation reserves	€	7,796,519
- Capital – 453,385,777 shares	€	1,360,157,331
- Share premium accounts	€	78,949,045
- Treasury shares	€	-25,201,067
- Reserves	€	1,502,544,118
Total	€	**2,924,245,946**

Shareholders,

It is pleasing to note that the financial year 2023 was a satisfying one, and among other things showed the highest profit ever, the result of shrewd operational choices, commitment and the proximity of various parties, to whom we wish to address a thought of heartfelt gratitude.

We would like to thank the customers who have placed their trust in us, channelling work and enabling us to strengthen the company's solidity. For our part, we have endeavoured to offer them state-of-the-art products and services on competitive terms, in our mutual interest and - we believe - to our mutual satisfaction.

Similarly, we are grateful to our Shareholders - many of whom are also customers - who have closely followed the bank's work. We willingly analysed their advice and ideas.

We would like to thank the members of the Board of Statutory Auditors for their seriousness in carrying out their delicate tasks, for their usual prudence and wisdom.

We are grateful to the corporate bodies and staff of our subsidiaries Banca Popolare di Sondrio (SUISSE) SA, Factorit spa and BNT-Banca della Nuova Terra spa, who have worked well, actively contributing to the excellent results of the Group.

A grateful thought goes to the corporate bodies and staff of the Italian Banking Association, the National Association of Cooperative Banks and the Italian and foreign correspondent banks.

We express our esteem and gratitude to the Representatives of the European Central Bank, the influential President Advocate Christine Lagarde and Andrea Enria, President of the ECB Banking Supervision.

We thank the representatives of the Bank of Italy, from the Governor Fabio Panetta, who took over from Ignazio Visco in November 2023, to whom we are also grateful for what he has done, to the Members of the Directorate, to the Head of Supervision and collaborators, to the General Officials, to the Directors of the branches and offices located in the provinces where we are located.

We address similar thanks, for the appreciated cooperation received, to the Managers and Personnel of Consob and Borsa Italiana, who oversee Euronext Milan where our stock is traded, which became part of the FTSE MIB index on 18 March 2024.

We would like to thank the FINMA-Swiss Financial Market Supervisory Authority in Berne, which carefully supervised the work of our subsidiary BPS (SUISSE) SA in Lugano, and the supervisory body of the Banque de France, to whose control the foreign branch of SUISSE in Monaco is subject, a dependency located in the Principality of the same name.

We express our thoughts of gratitude to our employees for their commitment to their assigned tasks, demonstrating corporate attachment.

On the subject of employees, we address a special “thank you” to those who left us during the period under review to retire. These are: Giovanni Ruffini, deputy general manager, who - we emphasise with pleasure - in his long tenure with the company has contributed in no small measure to its development and important territorial expansion; Alfio Bordoli, Maurizio Casapollo, Alberto Cattaneo, Franco De Maestri, Giovanni Della Bona, Carlo Andrea Ferrari, Virginio Ferrario, Lorenzo Foppoli, Claudio Gesmundo, Guido Samuele Greppi, Ewald Kiem, Antonio Martinelli, Claudio Martinelli, Stefano Moriconi, Dario Oliva, Roberto Pesca, Teodoro Pietroboni, Riccardo Redaelli, Francesco Sabbadini, Michele Schiavone, Nando Simonini, Gianenrico Travi, Enrico Trussoni.

We extend to each and every one of them our best wishes for a long, peaceful retirement among their dearest affections, trusting that they will always keep a good memory of Banca Popolare di Sondrio, where they spent part of their lives.

If we have omitted, even if unintentionally, to mention someone who, in the reference period, has been close to us with ideas, proposals or other, we apologise. It goes without saying that our heartfelt thanks go to them too.

Shareholders,

in submitting the financial statements for the year 2023 to your judgment - referred to in point 1) of the agenda of today's Ordinary Shareholders' Meeting - the directors invite the Shareholders' Meeting to assume - having read the report of the Board of Statutory Auditors and that of the review - the following resolutions:

Point 1) on the agenda: Financial Statements at 31 December 2023:

letter a) Presentation of the financial statements at 31 December 2023: Directors' report on operations; report of the Board of Statutory Auditors; related and consequent resolutions; presentation of the consolidated financial statements at 31 December 2023.

"The Ordinary Shareholders' Meeting of Banca Popolare di Sondrio, held today, having heard the directors' report on operations during 2023; having noted the report of the Board of Statutory Auditors and that of the Independent Auditors; having taken as read the balance sheet, the income statement, the explanatory notes and, in addition, the financial statements of the subsidiary and associated companies,

approves:

- the directors' report on operations;
- the financial statements at 31 December 2023 in the results shown in the balance sheet and income statement and the related notes; financial statements that show a profit for the year of 392,765,866 euro;

acknowledges:

- the consolidated financial statements at 31 December 2023".

letter b) Allocation of the profit for the financial year 2023 and distribution of the dividend; related and consequent resolutions.

Shareholders,

In submitting the allocation of profit for the financial year 2023 and the distribution of the dividend for your consideration, we hereby state that the Bank has earned, on an individual basis, a net profit of 392,765,866 euro for the financial year 2023, which we propose to allocate as follows:

a) to Shareholders a dividend per share of 0.56 euro for each of the
shares outstanding as of 31/12/2023 and with dividend rights

as of 01/01/2023, for a total amount of 253,896,035.12 euro;

b) to allocate the residual profit:

- to the charity fund 500,000.00 euro;
- to the unavailable reserve pursuant to Legislative Decree 38/2005 (Art. 6.1.a) 12,927,430.14 euro;
- to the non-distributable reserve D.L. 10 August 2023 No. 104 article 26 paragraph 5-bis converted by Law of 9 October 2023 No. 136 107,060,000.00 euro;
- to the extraordinary reserve 18,382,400.74 euro

In this regard, it should be noted that the Bank, pursuant to Article 2430 of the Italian Civil Code, has not deemed it necessary to make allocations to the legal reserve, as the latter has reached a consistency of more than one-fifth of the share capital.

The administration therefore invites the Shareholders' Meeting to adopt the following resolutions - having read the report of the Board of Statutory Auditors and that of the Independent Auditors:

"The Ordinary Shareholders' Meeting of Banca Popolare di Sondrio, convened today, having recalled the resolutions taken at the time of approval of the financial statements at 31 December 2023, having heard the report on the proposed allocation of the profit for the year; having acknowledged the report of the Board of Statutory Auditors and that of the Independent Auditors,

approves:

the allocation of the profit for the year of 392,765,866 euro, as proposed by the Board of Directors in accordance with the provisions of the Law and the Articles of Association, and more specifically resolves:

a) to determine as 0.56 euro the dividend to be assigned to each of the 453,385,777 shares in circulation as of 31/12/2023 and with dividend rights as of 1/1/2023, with transfer to the extraordinary reserve of the amount of dividends from treasury shares possibly in existence on the working day before the ex-dividend date, for a total amount of 253,896,035.12 euro;

b) to allocate the residual profit:

- to the charity fund 500,000.00 euro;
- to the unavailable reserve pursuant to Legislative Decree 38/2005 (Art. 6.1.a) 12,927,430.14 euro;
- to the non-distributable reserve D.L. 10 August 2023 No. 104 article 26 paragraph 5-bis converted by Law

- of 9 October 2023 No. 136 107,060,000.00 euro;
- to the extraordinary reserve 18,382,400.74 euro."

In accordance with the Stock Exchange calendar, the dividend will be paid from 22 May 2024, going ex-coupon No. 46 on 20 May 2024.

Point 2) on the agenda: Resolutions on remuneration matters:

a) Annual report on remuneration policy and compensation paid:
  - a1) approval of the 2024 Remuneration Policies of the Banca Popolare di Sondrio Banking Group;
  - a2) approval by non-binding resolution of the remuneration paid in the financial year 2023;

b) Approval of the 2024 Share-based Remuneration Plan, pursuant to art. 114-*bis* of Legislative Decree 58/98 (Consolidated Finance Act);

letter a) Annual report on remuneration policy and compensation paid:

a1) approval of the 2024 Remuneration Policies of the Banca Popolare di Sondrio Banking Group;

a2) approval by non-binding resolution of the remuneration paid in the financial year 2023;

Shareholders,

The Board of Directors, in compliance with the provisions of Bank of Italy Circular No. 285 of 17 December 2013 on "Remuneration and Incentive Policies and Practices" (Part One, Title IV, Chapter 2), Article 123-*ter* of Legislative Decree No. 58 of 24 February 1998 (Consolidated Finance Act), and article 16 of the Articles of Association, submits for your approval the "Annual report on the remuneration policy and compensation paid", which has been made available in accordance with the law, in particular by means of publication on the corporate website at the address https://istituzionale.popso.it/en/investor-relations/shareholders-meeting and is annexed to the file containing the draft of the Annual Financial Report.

The Annual report on remuneration policy and compensation paid is composed as follows:

- the first section contains an illustration of the 2024 Remuneration Policies of the Banca Popolare di Sondrio Banking Group and the procedures used for the adoption and implementation of such policies. The first section is submitted to the Meeting for approval with a binding vote;
- the second section illustrates with charts and tables, in the form required and with reference to the positions involved by the regulations, the compensation paid during the year concerned. This second section is submitted to the Meeting for approval by a non-binding vote.

In the context of this agenda item, the Shareholders' Meeting will therefore proceed to two separate votes on items a1) and a2), the first of a binding nature and the second of a non-binding nature.

Without prejudice to the reference to the "Annual report on remuneration policy and compensation paid", it should be noted that the Remuneration Policies of the Banca Popolare di Sondrio Banking Group, insisting in the wake of the meritocratic and strongly collaborative culture that has always been present in the Group, contribute to incentivising behaviour consistent with the guidelines defined in the Business Plan, strengthening the existing mechanisms of management accountability and transparency towards investors and the markets.

The novelties introduced in the Policies are also aimed at ensuring full consistency with the evolving regulatory context, with the expectations of the Supervisory Authorities and shareholders.

The main innovations for 2024 concern:

1. the evolution and sophistication of the set of KPIs - quantitative and objective metrics - considered in the determination of variable remuneration through:
   a. an in-depth revision of the commercial budget structure, i.e. the objectives of the Network:
      i. the introduction of new areas of analysis in light of the bank's renewed strategic priorities and the consequent refinement of the targets submitted and monitored;
      ii. the sophistication of the methods of measuring business performance and translating it into summary scores and evaluations, functional to a greater "slope" of the correlation curves between results achieved and variable remuneration;
   b. the evolution of sustainability (ESG) objectives, through:
      i. the renewed outline of short-term objectives, in light of the medium-term strategy (2025) and the results achieved in 2023;
      ii. the introduction of quantitative targets within the commercial budget, in anticipation of the future inclusion of specific de-carbonisation targets compatible with the Net-Zero Banking Alliance (NZBA) frameworks;
2. the selection of short-term performance metrics for 2024, consistent with the objectives set out in the "Next Step" Business Plan 2022 – 2025 (expected results and timing);
3. the updating and strengthening of risk adjustments - in addition to the entry gates and regulatory *malus* and claw-back clauses already envisaged - aimed at discouraging an increase in performance achieved through excessive risk-taking, by aligning them with the metrics set out in the Group's most recent Risk Appetite Framework and with the Group's objectives, from time to time, of strengthening its capital, liquidity and governance structure;
4. the revision of the relative weight given to the different categories of indicators constituting the most relevant staff objective sheets, i.e. quantitative economic-financial, ESG and qualitative. In particular, we note the increase in the relative weight given to ESG objectives in the calculation of the level of performance achieved in order to support the Group's commitment in this area, by means of:
   a. doubling the weight of ESG targets from 5% to 10%;
   b. the consequent reduction in the weight of quantitative economic and financial indicators

(with reference to Group metrics);

5. the confirmed - in continuity with the 2023 Policies - *ex ante* definition of the levels at which the variable components of the remuneration of top management will stand as a function of performance (reward), in particular in the case of achieving the targets of the Business Plan or overperformance thereof;
6. the significant increase in the level of disclosure of the annual report on remuneration paid in 2023 [see Section II], consistent with the provisions of the 2023 Remuneration Policies, through, inter alia:

   a. summary of the target sheets for performance evaluation;

   b. an indication of the results achieved (aggregate performance levels and breakdown by type of indicator under consideration, including ESG indicators) and, consequently, the proposed variable remuneration;

   c. an estimate of the additional remuneration to be paid to senior figures with reference to the long-term bonus system, assuming that the reference targets are achieved or exceeded.

The interventions described were carried out in such a way as not to add to the Group's current overall cost structure, even in order to preserve one of the main competitive advantages, namely the high levels of staff productivity, referred to in the Business Plan.

Shareholders,

The supervisory instructions on compensation policies and practices require the information provided to the Shareholders' Meeting about the compensation and incentive systems and practices adopted to be consistent with that supplied to the public on the website.

This Disclosure is attached to the Annual report on remuneration policy and compensation paid and contains the information and data required by the current Supervisory Provisions for Banks, Title IV, Chapter 2, Section VI.

Shareholders,

On its part, the Remuneration Committee has fulfilled the tasks entrusted to it by legislation and the specific Regulations approved by the Board of Directors. In carrying out its work the Committee met 5 times in 2023 and has, in particular, served in an advisory role, making proposals to the Board of Directors. It has monitored correct application of the rules relating to the remuneration of those in charge of internal control functions.

The Remuneration Committee has implemented the following main activities:

- explained its activities to the Board of Directors and the Shareholders' Meeting in the report approved at the meeting held on 13 March 2023;
- after having carried out, with the aid of the competent corporate functions and external consultants, an in-depth analysis of the Remuneration Policies of the Banca Popolare di Sondrio Banking Group aimed at reviewing its structure with a view to overall strengthening and alignment with the best market practices, it acted as a proposing function for the adoption by the Board of Directors of both the Report on Remuneration

Policy and Compensation Paid pursuant to Article 123-*ter* of Legislative Decree 58/98 (Consolidated Finance Act), which was then approved by the Shareholders' Meeting, and the 2023 Remuneration Plan based on financial instruments and the Long-term Remuneration Plan based on financial instruments, also approved by the Shareholders' Meeting;

- carried out, with the help of a qualified external consultant, a benchmarking analysis of the remuneration provided for by the bank for the members of the Board of Directors and, also in light of the results of this analysis, acted in favour of the Board of Directors with regard to the formulation to the Shareholders' Meeting of the proposal regarding the annual remuneration of the Board of Directors;
- examined and explored the analysis prepared by the competent corporate functions on the gender neutrality of the remuneration Policies and audited the gender pay gap and its evolution over time. This analysis was then submitted to the Board of Directors;
- subsequent to approval of the Remuneration Policies by the Shareholders' Meeting, the Remuneration Committee presented, also taking into account the benchmarking analysis carried out with a qualified external consultant, proposals for the remuneration of directors with specific responsibilities;
- proposed criteria and parameters to the Board of Directors for the recognition to key employees of variable remuneration linked to the economic-financial, qualitative and functional objectives specified in the Remuneration Policies;
- submitted to the Board of Directors, based on the shareholders' resolution of 29 April 2023, the proposal for the remuneration of the members of the Sustainability Committee set up during the year. It also proposed the remuneration for the members of the *ad hoc* Committee established - as part of the process aimed at submitting to the Shareholders' Meeting a list of the Board of Directors for the renewal of one-third of its members - with the task of defining the list of candidates suitable for assuming the role of director of the bank to be submitted to the Board for consideration;
- formulated proposals concerning the remuneration of the most relevant staff and, moreover, of the heads of the main business lines and corporate functions, of the most senior staff in control functions, of those who report directly to the Board of Directors and the Board of Statutory Auditors and assessed the achievement of the objectives to which the payment of the variable part of the remuneration is linked.

The Remuneration Committee has found no anomalies in the application of the Remuneration Policies during the exercise of its functions.

Shareholders,

Having regard for the above, the Board of Directors invites the Shareholders’ Meeting to adopt the following resolutions:

on point 2 a1) on the agenda:

“The Ordinary Shareholders' Meeting of Banca Popolare di Sondrio, convened today, having examined the “Annual report on remuneration policy and compensation paid” and, in particular, the first section on the 2024 Remuneration Policies of the Banca Popolare di Sondrio Banking Group:

hereby resolves

to approve, with a binding vote, the 2024 Remuneration Policies of the Banca Popolare di Sondrio Banking Group contained in the first section of the Annual report on remuneration policy and compensation paid

and takes note

of the Report to the public required by the supervisory regulations on remuneration and incentive Policies and practices contained in the annex to the Annual report on remuneration policy and compensation paid, as well as the information received on the activity carried out by the Remuneration Committee”.

on point 2 a2) on the agenda:

“The Ordinary Shareholders' Meeting of Banca Popolare di Sondrio, met today and examined the “Annual report on remuneration policy and compensation paid” and, in particular, the second section on compensation paid in the year 2023:

hereby resolves

to approve, by non-binding vote, the second section of the Annual report on remuneration policy and compensation paid for 2023”.

letter b) Approval of the 2024 Remuneration Plan based on financial instruments, pursuant to article 114-*bis* of Legislative Decree No. 58/98 (Consolidated Finance Act).

Shareholders,

We submit for your approval the 2024 Share-based Remuneration Plan, pursuant to article 114-bis of Legislative Decree No. 58/98 (Consolidated Finance Act).

Such Plan is set out in the Information Document relating to the 2024 Share-based Remuneration Plan, which has been made available in the manner required by law, in particular by publication on the Company's website at https://istituzionale.popso.it/en/investor-relations/shareholders-meeting and is annexed to the file containing the draft Annual Financial Report.

As indicated in the Information Document, the Plan identifies as beneficiaries the Chief Executive Officer and General Manager, the executives with strategic responsibilities of Banca Popolare di Sondrio, as well as other employees of the Banca Popolare di Sondrio Banking Group identified as "key personnel".

The implementation period of the Plan is between 2024 and 2030 (period of the last deferred remuneration payment).

Shareholders,

Having regard for the above, the Board of Directors invites the Shareholders' Meeting to adopt the following resolution:

"The Ordinary Shareholders' Meeting of Banca Popolare di Sondrio, met today, having examined the explanatory report and the Information Document relating to the 2024 Share-based Remuneration Plan:

hereby resolves

- to approve the 2024 Share-based Remuneration Plan, pursuant to article 114-*bis* of Legislative Decree 58/98 (Consolidated Finance Act), as described in the aforesaid Information Document on the 2024 Share-based Remuneration Plan;
- to attribute to the Board of Directors, with the right to sub-delegate, all the powers necessary for the concrete implementation of the aforesaid Plan, to be exercised in compliance with the relevant Information Document".

Point 3) on the agenda: Resolutions concerning treasury shares:

a) Authorisation to purchase and sell treasury shares pursuant to art. 8 of the Articles of Association and articles 2357 and 2357-*ter* of the Italian Civil Code, art. 132 of Legislative Decree 58/98 (Consolidated Finance Act), and Article 144-*bis* of Regulation No. 11971 approved by Consob resolution of 14 May 1999;

b) Authorisation for the use of treasury shares already held in service of the 2024 Share-based Remuneration Plan, pursuant to article 114-*bis* of Legislative Decree 58/98 (Consolidated Finance Act);

letter a) Authorisation to purchase and sell treasury shares pursuant to art. 8 of the Articles of Association and articles 2357 and 2357-*ter* of the Italian Civil Code, art. 132 of Legislative Decree 58/98 (Consolidated Finance Act), and Article 144-*bis* of Regulation No. 11971 approved by Consob resolution of 14 May 1999;

Shareholders,

Art. 8 of the Articles of Association states that: "The Company may, within the limits and in the forms provided for by the provisions in force, purchase and sell treasury shares".

This matter is governed by the Italian Civil Code, in particular articles 2357 *et seq.*, article 132 of Legislative Decree 58/98 (Consolidated Finance Act) and Regulation No. 11971 approved by Consob resolution of 14 May 1999, as amended ("Issuers' Regulation"), as well as articles 77 and 78 of EU Regulation No. 575/2013, as amended. In particular, articles 73, 144-*bis* and 144-*bis*.2 of the Issuers' Regulation establish how information should be communicated to the General Meeting and the procedures for carrying out purchases and sales. The instructions contained in Regulation (EU) 596/2014 (the Market Abuse Regulation or MAR) are also applicable. Finally, it is recalled that on the basis of the provisions of IAS 32 "Financial instruments: presentation in the financial statements and additional information", paragraph 33, the shares purchased must be deducted from shareholders' equity.

The proposal is to renew the authorisation granted by the Shareholders' Meeting of 29 April 2023 to purchase and sell treasury shares, which expired today.

<u>Reasons for requesting authorisation to purchase and/or sell treasury shares</u>

The purchase, trading and sale of treasury shares are intended, and are therefore appropriate and useful, to create in advance a package of shares available for special transactions designed to establish forms of partnership or collaboration with other industrial or financial operators, also active in the core business addressed by the Bank, as well as for small operations in the market designed to ensure liquidity and stable volumes for trading in the interests of the shareholders and the Bank, and avoiding uncertainties and unjustified fluctuations in the share price. In addition, treasury shares may be purchased as a medium/long-term investment or, in any case, to take advantage of market opportunities whenever appropriate, both in the market and (solely with regard to disposals) over the counter, or even off market, on condition that reference is always made to the official listed price. With a view to optimising the capital structure, treasury shares may also be purchased with a view to capital reductions by cancellation of the treasury shares acquired, which may be arranged whenever deemed to be in the interests of the Bank.

Maximum number, category and value of the shares for which authorisation is requested

Today, share capital comprises 453,385,777 ordinary shares, all of which carry normal dividend rights.

In compliance with the limits established by current legislation, the proposed authorisation concerns the purchase, in one or more tranches, of treasury shares within a maximum amount of 30,000,000 euro (thirty million) of the reserves which amount to 1,364,174,287 euro (of which 1,263,129,353 euro available), recorded in the financial statements under the Reserves item, without prejudice to the fact that the number of treasury shares in portfolio must not exceed 2% of the shares constituting the share capital.

The request for authorisation grants the Board of Directors the right to carry out repeated purchases and sales (or other forms of assignment) of treasury shares, on multiple occasions and on a revolving basis, including transactions that only involve a fraction of the maximum authorised quantity, so that – in all cases and at any time – the sum of the shares to be purchased and those already held by the Bank does not exceed the limits envisaged by law or by the Shareholders' authorisation.

Information for checking compliance with the limits referred to in art. 2357 of the Italian Civil Code

Purchases cannot be made for amounts that exceed the available reserves reported in the latest-approved financial statements of the Bank.

In this regard, it is noted that the draft financial statements at 31 December 2023, submitted for approval at the same Shareholders' Meeting called to approve this requested authorisation and assuming such approval is given, report available reserves totalling 1,364,174,287 (of which available 1,263,129,353 euro).

At the time of preparing this report, 15 March 2024, the Bank holds 3,632,633 treasury shares, representing 0.80% of the share capital, with a carrying amount in terms of reserves committed of 25,201,067 euro. The subsidiaries hold 36,730 shares in the Company, equal to 0.008% of its share capital.

Given that the treasury shares held cannot, under the proposal made, exceed 2% of the shares comprising the share capital of the Bank, it is clear that the maximum limit allowed by art. 2357, para.3, of the Italian Civil Code, being 20% of share capital, is not exceeded.

If the shares purchased are sold, it is understood that the proceeds may be used to make additional purchases until expiry of the Shareholders' authorisation granted, without prejudice to the limits and conditions established at the Shareholders' Meeting.

Duration of the authorisation

The authorisation to purchase and dispose of treasury shares is requested for the period between the date of this Shareholders' Meeting called to approve the 2023 financial statements and the date of the Shareholders' Meeting called to approve the 2024 financial statements.

The Board of Directors may make the authorised purchases on one or more occasions at any time during the period indicated above.

Minimum and maximum fee

Purchase transactions must take place at a price no more than 20% higher than the closing price recorded in the market session preceding each individual transaction and with the further limit that, due to the negotiations carried out, the possession of treasury shares in portfolio does not exceed the limit of 2% of the shares constituting the share capital. Sales must be made at a price that is not more than 20% lower than the closing price posted at the end of the market day immediately prior to each transaction.

We also recommend granting authorisation, from the date of this Shareholders' Meeting called to approve the 2023 financial statements and until the date of the Shareholders' Meeting called to approve the 2024 financial statements, for the disposal pursuant to art. 2357-*ter* of the Italian Civil Code, at any time, in whole or in part, on one or more occasions, of the treasury shares purchased in accordance with this proposed resolution or on the basis of previous authorisations, for the purposes described above and understood for all intents and purposes to be repeated here, as well as granting authorisation for the further use of all the treasury shares purchased in the context of and for the above purposes, in all cases on the terms and conditions determined by the Board of Directors.

With regard to the sale of treasury shares that may take place outside the regulated market, the Board of Directors will establish the criteria for determining the relative price and/or the methods, terms and conditions of use of the treasury shares in portfolio, having regard to the implementation methods actually used, the performance of share prices on the regulated market and the best interests of the Bank.

Any cancellations of the treasury shares purchased pursuant to this proposed resolution or previous authorisation must comply with the law and the articles of association, using the reserve for treasury shares held to cover any differences between their cancellation value and the purchase price.

Method for purchasing and selling shares

Pursuant to art. 132 of Legislative Decree No. 58/1998 and articles 144-*bis* and 144-*bis*.2 of the Issuers' Regulation, the purchase of treasury shares will be carried out, also in more than one occasion, according to one or more of the following methods: i) public offer to purchase or exchange (article 144-bis, paragraph 1, letter a, Issuers' Regulation); ii) in regulated markets following the operating procedures established in compliance with regulations governing the organisation and management of those markets, which do not allow proposed purchase trades to be matched directly with specific proposed sale trades (art. 144-*bis*, para.1.b, Issuers' Regulation); iii) by purchasing and selling derivative instruments traded in regulated markets that envisage physical delivery of the underlying shares, on condition that the regulations governing the organisation and management of the market establish procedures for the purchase and sale of the above instruments that do not allow proposed purchase trades to be matched directly with specific proposed sale trades and that guarantee ready participation by investors in the trading of the above derivative instruments used for the purchase of treasury shares (art. 144-*bis*, para.1.c, Issuers' Regulation); iv) in the context of systematic internalisation activities that are non-discriminatory and envisage the automated and non-discretionary execution of trades on the basis of predetermined parameters (art. 144-*bis*, para.1.d-*bis*, Issuers' Regulation); v) with the methods established by market practices accepted by Consob pursuant to art. 13 MAR (art. 144-*bis*, para.1.d-*ter*, Issuers' Regulation); vi) under the conditions indicated in art. 5 MAR (art. 144-*bis*, para. 1-*bis*, Issuers' Regulation).

With regard to the volume of shares, purchases and sales - the latter if carried out on the market - shall not exceed 25% of the daily average volume of shares traded on Borsa Italiana S.p.A.. The average volume is calculated based on the average daily trading volume over the 20 trading days prior to the date of each transaction.

The treasury shares will be sold, on one or more occasions, even before having purchased the maximum quantity, on the basis and with the timing deemed most appropriate in the interests of the Bank, using any means considered suitable in relation to the objectives pursued, including off-market sales, sales of blocks of shares and/or assignments consistent with the objectives identified above, without prejudice in all cases to compliance with the duration of the Shareholders' authorisation, the requirements established for the minimum and maximum fees and all applicable regulations, as well as what is established in relation to compensation plans based on financial instruments, article 114-*bis* of Legislative Decree 58/98 (Consolidated Finance Act).

<u>Capital reductions by cancellation of the treasury shares acquired or held</u>

Any cancellations of treasury shares will have to take place in compliance with the law and the articles of association, using the reserve for treasury shares to cover any differences between their cancellation value and purchase price.

* * *

In implementation of above articles of association and in compliance with the relevant regulations, the Board of Directors recommends that the Shareholders' Meeting adopt the following resolution:

"The Ordinary Shareholders' Meeting of Banca Popolare di Sondrio, held today,

- taking note of the recommendation of the Board of Directors;
- taking note of the current legal requirements and the provisions of the Articles of Association;
- acknowledging that, today, the Bank holds 3,632,633 treasury shares, representing 0.80% of share capital, with a carrying amount in terms of reserves committed of 25,201,067 euro, while subsidiaries hold 36,730 shares representing 0.008% of the share capital of the Bank.

hereby resolves

- to authorise the Board of Directors to purchase and/or dispose of ordinary treasury shares and/or to cancel them, pursuant to current legislation and the Articles of Association, for the period of time between today's date and the date of the Shareholders' Meeting called to approve the 2024 financial statements, on the basis specified below, on condition that the start of the purchase programme, or its suspension and/or its termination is authorised by the Board of Directors, with the right to delegate to the Executive Committee, which will therefore publish the information required pursuant to art. 144-*bis*, para.3, of the Issuers' Regulation on the programme start date;

Purchases of treasury shares

- purchases may be made up to a maximum amount of 30,000,000 (thirty million) euro without exceeding the available reserves, on condition in all cases that the number of treasury shares held never exceeds 2% of the shares representing share capital;
- purchase transactions may be made at any time until the date of the Shareholders' Meeting called to approve the 2024 financial statements;
- the purchase price of the shares must not be more than 20% greater than the official price for Banca Popolare di Sondrio shares posted by Borsa Italiana S.p.A. at the end of the market day immediately prior to each transaction;
- purchases must be made in one of the ways specified in para.1, letters a), b), c), d-*bis*), d-*ter*), or in para.1-*bis* of art. 144-*bis* of Regulation No. 11971 approved by Consob on 14 May 1999, as subsequently amended.

Trading and sale of treasury shares

- the treasury shares purchased in execution of this Shareholders' resolution, as well as those purchased pursuant to previous Shareholders' resolutions, may be traded and disposed of and, therefore, assigned even prior to making the maximum purchase covered by this requested authorisation, on one or more occasions, in the manner deemed most appropriate for the reasons expressed in the directors' report and in the interests of the Bank;
- the disposals or dispositions may be made at any time prior to the Shareholders' Meeting called to approve the 2024 financial statements;
- the treasury shares purchased may be disposed of, on one or more occasions, even prior to making the maximum authorised purchase of treasury shares;
- the disposals may be made on the basis and with the timing deemed most appropriate in the interests of the Bank, in any manner considered suitable in relation to the objectives pursued, without prejudice in all cases to compliance with the authorisation conditions and the applicable regulations;
- the selling price of the shares – if sold in the market – must not be more than 20% lower than the official price for Banca Popolare di Sondrio shares posted by Borsa Italiana S.p.A. at the end of the market day immediately prior to each transaction.

Maximum volumes

- the purchases and sales – in the latter case if made in the market – must not exceed 25% of the average daily volume of the shares traded on the market run by Borsa Italiana S.p.A., calculated with reference to the average daily volume of trades in the 20 trading days prior to the date of each transaction.

<u>Cancellation of treasury shares</u>

- the treasury shares purchased in execution of this Shareholders' resolution, as well as those purchased pursuant to previous Shareholders' resolutions, may be cancelled on one or more occasions, in the manner deemed most appropriate for the reasons expressed in the directors' report and in the interests of the Bank, without prejudice to compliance with the regulatory requirements and the Articles of Association, using the reserve for treasury shares held to cover any differences between their cancellation value and their purchase price.

- to grant the Board of Directors, and the Managing Director, on its behalf, all powers needed to implement this resolution, as well as to make any changes to it that might be needed or suggested by the Supervisory Authorities or those that manage the market.

letter b) Authorisation for the use of treasury shares already held in service of the 2024 Share-based Remuneration Plan, pursuant to article 114-*bis* of Legislative Decree 58/98 (Consolidated Finance Act).

Shareholders,

the Bank has updated the remuneration policies for 2024 which are submitted to the approval of the Meeting, to which the 2024 Share-based Remuneration Plan is also submitted, pursuant to article 114-*bis* of Legislative Decree 58/98 (Consolidated Finance Act).

Such Plan is set out in the Information Document relating to the 2024 Share-based Remuneration Plan, which has been made available in the manner required by law, in particular by publication on the Company's website at https://istituzionale.popso.it/en/investor-relations/shareholders-meeting and is annexed to the file containing the draft Annual Financial Report.

Such Plan provides for the recognition of all or part of the variable remuneration to the persons identified in them through Banca Popolare di Sondrio shares.

In consideration of the theoretical estimates of the needs of such Plan to cover the variable portion of remuneration to be paid through Banca Popolare di Sondrio shares, equal to a maximum of 540,000 euro, the granting of an authorisation is submitted to today's Shareholders' Meeting for approval to the Board of Directors to use Banca Popolare di Sondrio ordinary shares already held at the date of this resolution up to a maximum total value of 540,000 euro to service the 2024 Share-based Remuneration Plan. The number of shares used to service the above Plan shall be determined with reference to the closing price struck on the date on which the Board of

Directors resolves to assign the variable remuneration.

In this regard, we note that at 31 December 2023 and at today's date, the Bank holds 3,632,633 treasury shares with a book value of 25.201 million euro.

Given the above and in compliance with the relevant laws and provisions of the articles of association, the Board of Directors invites the Shareholders' Meeting to adopt the following resolution:

"The Ordinary Meeting of the Shareholders of Banca Popolare di Sondrio, met today, having heard the proposal made by the Board of Directors:

hereby resolves

to authorise the Board of Directors to use, up to a maximum total amount of 540,000 euro, the ordinary shares in Banca Popolare di Sondrio already held by the Bank to service the 2024 Remuneration Plan based on financial instruments during the life of that plan. The number of shares used to service the above Plan shall be determined with reference to the closing price struck on the date on which the Board of Directors resolves to assign the variable remuneration.

The Board of Directors, and the Managing Director, on its behalf, is also granted all powers needed to implement this resolution, as well as to make any changes to it that might be needed or suggested by the Supervisory Authorities or those that manage the market".

Point 4) on the agenda: Appointment for the audit of Banca Popolare di Sondrio Spa accounts for the financial years 2026-2034 and determination of the fee;

Shareholders,

With the approval of the Financial Statements of Banca Popolare di Sondrio spa as at 31 December 2025, the assignment for the legal audit conferred on EY spa by the Shareholders' Meeting of 29 April 2017 for the nine-year period 2017-2025 will expire.

On the basis of current legislation (European Regulation 537/2014 and Legislative Decree No. 39/2010, supplemented by Legislative Decree No. 135/2016 that transposed Directive 2014/56/EU), said assignment is not renewable and the new statutory audit assignment must be entrusted by the Shareholders' Meeting on the basis of a recommendation prepared by the Board of Statutory Auditors in its capacity as the Internal Control and Audit Committee pursuant to Art. 19 of Legislative Decree No. 135/2016, formulated following a specific selection procedure in accordance with the criteria and procedures set forth in Article 16 of European Regulation 537/2014.

In accordance with Art. 16 of EU Regulation 537/2014, this recommendation contains at least two possible alternatives for conferring and expresses a duly justified preference for one of them.

Considering the size acquired by the Group, it was decided, in line with the practices currently in place at the main banks in the system, to proceed, in advance, with the activation of the procedure for the selection of the statutory auditing company for the 2026-2034 financial years.

The early appointment of the auditor allows for a more successful handover between the outgoing auditor and the new auditor and compliance with the time limits set to safeguard the auditor's independence (so-called Cooling-period, pursuant to art. 5 of European Regulation 537/2014).

The Shareholders' Meeting is also called upon to decide on the remuneration of the Independent Auditors as well as on any criteria for adjusting the fees, which are always subject to the reasoned proposal of the Board of Statutory Auditors. Pursuant to the provisions of the aforementioned Article 16 of the European Regulation, since it is a matter of entrusting the legal audit engagement to a Public Interest Entity (PIE), the proposal formulated by the Board of Statutory Auditors to be submitted to the Shareholders' Meeting for approval, envisages at least two possible alternatives for the entrustment of the engagement and indicates the reasoned preference for one of them.

* * * *

Recommendation of the Board of Statutory Auditors of Banca Popolare di Sondrio S.p.A. for the appointment of the statutory audit of accounts for the period 2026-2034 pursuant to Articles 13, paragraph 1 and 17, paragraph 1 of Legislative Decree No. 39/2010 and Article 16 of EU Regulation No. 537/2014

Shareholders,

With the approval of the Financial Statements as at 31 December 2025 of Banca Popolare di Sondrio S.p.A. (**"Bank"**) by the Shareholders' Meeting of the Bank that will be convened in 2026, will be the expiry - without the possibility of renewal, as the period provided for in Article 17 paragraph 1 of Legislative Decree No. 39/2010[1] will be completed at the end of the financial year 2025 - of the engagement for the statutory audit conferred (on 29 April 2017) by the same Shareholders' Meeting on EY S.p.A. (**"EY"**) for the nine-year period 2017-2025.

The decision to proceed with the early appointment of the Independent Auditors, a common practice among listed companies, especially large and complex ones, was taken by the Board of Directors, after consulting the Board of Statutory Auditors, taking into account, first and foremost, the usefulness of a more organised and planned handover between the outgoing auditor and the new auditor, the need to comply with the time limits set to safeguard the auditor's independence (so-called Cooling in period provided for by Article 5 of EU Regulation No. 537/2014[2]), as well as the need to allow the appointment process of the auditor to be started also by the other companies of the Group, considering that, in continuity with the approach already adopted in the past, the Parent Company prefers the figure of the Group auditor, for greater efficiency of the audit process of the Banca Popolare di Sondrio Group, given that the company in charge of the legal audit of the consolidated financial statements is responsible for expressing the opinion on the entire Group. However, the decision-making autonomy of the competent bodies of the Group companies was ensured.

In view of this, on 10 October 2023, the Bank's Board of Directors approved the Regulations for the appointment of the Group's statutory auditors, which had previously been examined by the Board of Statutory Auditors and on whose compliance with the reference standards (Article 16 of European Regulation No. 537/2014, Articles 13 and 17 of Legislative Decree No. 39/2010 and Article 44 of the Bank's Articles of Association) the Compliance Function expressed its opinion with endorsement No. 46 of 21 September 2023.

The Bank's Board of Statutory Auditors - in its role as the Internal Control and Audit Committee, responsible for the procedure for the selection of the Independent Auditors in accordance with Article 16 of European Regulation No. 537/2014 - has complied, in addition to the aforementioned reference legislation, with the Standard of Conduct for the Board of Statutory Auditors of Listed Companies No. Q.8.1, issued by the National Council of Chartered Accountants.

[1] Legislative Decree No. 39/2010 on statutory audits of annual accounts and consolidated accounts, as amended by Legislative Decree 135/2016 transposing Directive No. 2014/16 of 16 April 2014, together with EU Regulation No. 537/2014 of 16 April 2014 on the statutory audit of Public Interest Entities ("PIE"), is the reference legislation for the appointment of statutory auditors. Article 17(1) of Legislative Decree No. 39/2010 provides that "*the audit engagement shall have a duration of nine financial years [...] and may not be renewed or re-assigned unless at least four financial years have elapsed since the termination of the previous engagement*".

[2] The cooling-in period rule provides that the statutory auditor, entities belonging to the relevant network, partners, directors, members of supervisory bodies and employees of the statutory auditor may not provide, directly or indirectly, to the audited public-interest entity (its parent company or its controlled undertakings within the Union), the services prohibited by Article 5(1) of EU Regulation No. 537/2014 in the period between the beginning of the audited period and the issuance of the audit report; this prohibition starts from the immediately preceding financial year for the services of "*design and implementation of internal control and risk management procedures relating to the preparation and/or control of financial reporting, or design and implementation of financial reporting technology systems*".

In accordance with the provisions of the aforementioned Article 16 of the EU Regulation, since it concerns the engagement of a Statutory Auditor for a Public Interest Entity (PIE), the recommendation made by the Board of Statutory Auditors, as further detailed below, envisages at least two possible alternatives for the engagement of the Statutory Auditor and indicates a reasoned preference for one of the two.

1 Stages in the selection process

1.1 Introduction

The selection procedure was defined and conducted in full compliance with Article 16 of the EU Regulation No. 537/2014 with the aim of ensuring a high quality of the statutory audit service, appropriate to the concrete size and articulation of the Group.

In the selection procedure, the Board of Statutory Auditors availed itself of the operational support of the "Internal Working Group" composed of the Manager responsible for preparing the company's accounting documents, the Manager and an additional resource from the 262 Regulations Office, a member of the Bursar's Office and the Manager of the Accounting and Financial Statements Office.

The selection process took place in several stages and in the course of it, the Board has:

1) ensured that the Bank had an adequate written procedure;
2) examined and supervised the preparation of transparent and objective criteria, which resulted in a "grid" for the evaluation of bids;
3) examined the documents and information prepared by the Bank for the bid requests and sent to the Independent Auditors invited to participate in the selection process;
4) assessed and agreed with the underlying reasons for the decision to let larger companies with an adequate international network participate in the selection procedure;
5) participated in the opening phase of the bids received and ensured that all were subjected to a similar, non-discriminatory evaluation;
6) examined with the Internal Working Group the criteria and rationale for the allocation of evaluation scores. The Internal Working Group issued its Final Report on 9 February 2024.

The Board of Statutory Auditors held ten meetings between September 2023 and March 2024 on the selection procedure for the statutory auditor.

The Board of Statutory Auditors met with representatives of each of the auditing companies that participated in the tender in order to acquire further information and clarifications necessary or appropriate for the formulation of this Recommendation. The Board of Statutory Auditors, in particular, requested additional information with reference to any assignments taken on after the reference date of the offer submitted, as well as the confirmation, by the Offering Companies (as defined below), of the assessment of independence, taking into account the unavoidable compatibility between the time required to complete the existing assignments and the compliance with the so-called Cooling-in period.

1.2 Requesting and Collecting Offers

The Internal Working Group, in consultation with the Bank's Board of Statutory Auditors, carried out an assessment aimed at identifying the Independent Auditors to which the "Letter of Invitation" was to be sent, focusing attention:

- on the legal form of joint-stock company;

- on belonging to a network present in the Group's geographical areas of operation;
- on professional appointments/services performed for banks with shares listed on the Italian regulated market that are subject to supervision by the European Central Bank.

Consequently, on 11 October 2023, the Bank sent to the three identified companies (as they were deemed compliant with the aforementioned standards), Deloitte & Touche S.p.A. ("Deloitte"), PricewaterhouseCoopers S.p.A. ("PwC") and KPMG S.p.A. ("KPMG"), the letters of invitation to submit the offer ("Offer" or "Offers") for the performance of the statutory audit services for the Banca Popolare di Sondrio Group starting from 1 January 2026 and until the approval of the financial statements for the financial year 2034. The Letter of Invitation contained:

- the terms and conditions for submitting the Offer;
- the list of requested information: (i) useful for the verification of the potential conditions for the performance of the statutory audit activities provided for by the aforementioned applicable provisions and the possible existence of situations of incompatibility with respect to the conferral of the statutory audit engagement (administrative section), (ii) pertaining to the structure of the offering company (general section) (iii) relating to the audit process, useful for assessing the level of technicality, automation and strategy guiding it (technical section), (iv) relating to the team assigned to the engagement, either directly or as support, useful for assessing their level of professionalism, seniority, relationship and availability (professional section);
- the specific request for an indication of the economic terms of the Offer, the number of hours envisaged, a maximum percentage for any expenses necessary to carry out the assignment (economic section);
- the criteria for the evaluation of the Offers, based on criteria of transparency and non-discrimination, in accordance with Article 16(3) of the Regulation.

The "Letter of Invitation" listed the services required for each of the entities of the Banking Group included in the scope of the audit (Banca Popolare di Sondrio Spa, Banca Popolare di Sondrio Suisse S.A. and the Munich branch, Factorit S.p.a, BNT Banca S.p.a., Sinergia Seconda S.r.l., Rent2Go S.r.l., Popso Covered Bond, Centro delle Alpi SME, Pirovano Stelvio S.p.a., Immobiliare Borgo Palazzo S.r.l. and Immobiliare San Paolo S.r.l.).

By the deadline, following (equal) information exchanges between the Invited Companies and the Bank and clarification meetings, the Bank received the Offers from Deloitte, PwC and KPMG ("**Offering Companies**"), accompanied by the requested information and documents**.**
All the Offering Companies have expressed their commitment - in the event of the appointment - to discontinue the performance of any ongoing consultancy activities that may be incompatible with the audit engagement in compliance with the aforementioned "cooling-in period".

1.3 Offer Evaluation Criteria

The evaluation areas identified were as follows:

1.3.1 <u>Administrative Section</u>

In this section, the information useful for verifying the potential conditions for the performance of the statutory audit activities envisaged and the possible existence of situations of incompatibility, with respect to the assignment of the statutory audit engagement, for the Offering Company. In particular, the following were requested:

- a declaration by the Offering Company: (i) to not be, with reference to the financial years to be audited (or to not be in a position to remove prior to the appointment), in any causes of incompatibility that may exist pursuant to articles 10 and 17 of Legislative Decree No. 39 of 27 January 2010, Article 149-*bis et seq.* of Consob Regulation No. 11971, the combined provisions of Articles 2409-*quinquies* and 2399 of the Italian Civil Code or pursuant to other applicable professional rules/principles; as well as (ii) to comply, with reference to the financial years for which the assignment is envisaged, with the situations of prohibition set forth in Article 5 and the conditions and requirements set forth in Article 6 of Regulation (EU) No. 537/2014;

- a declaration by the Offering Company that it is in possession of the conditions set forth in Articles 10-*bis* and 10-*ter* of Legislative Decree No. 39/2010, the ability to comply with the requirements set forth in Articles 10-*quater*, 10-*quinquies* and 26-bis of Legislative Decree No. 39/2010 and that it possesses the skills and capacities to perform the statutory audit activities envisaged;
- the findings or conclusions of any reports communicated to the candidate statutory auditor or audit firm pursuant to Article 26(8) of Regulation (EU) No. 537/2014 and published by the Competent Authority pursuant to Article 28(d) of the same Regulation;
- the list of existing and prospective consulting/professional assignments already agreed, with indication of the relevant fees, between the Offering Company and each of the companies belonging to the Banca Popolare di Sondrio Group, with a reasoned indication of the absence of causes of incompatibility with the audit activities or prejudicial to the auditor's independence pursuant to the applicable laws and regulations, as well as of compliance with the limits set forth in Article 4 of Regulation (EU) No. 537/2014.

1.3.2 General Section - Characteristics of the Independent Auditors and related Network

This section requested the general characteristics of the structure of the Offering Company including:

- general presentation of the Offering Company (organisational chart and document illustrating its structure and work organisation) and its international network;
- technical structures and centres of excellence operating in Italy and their relations with international technical structures and centres of excellence and governance;
- interdependencies and synergies between the Italian structure of the Offering Company and the related international network, including Switzerland;
- list of the main audit engagements carried out in respect of companies operating in the Italian and Swiss banking sector and European banking groups under the direct supervision of the ECB;
- list of major audit engagements of listed companies in Italy outstanding as at 30 June 2023;
- list and type of assignments carried out in support of the European Central Bank;
- presence of representatives of the Independent Auditors in institutional and association bodies in Italy and abroad;
- transparency Report 2022 (pursuant to Article 18 of Legislative Decree No. 39/2010), if already available, or the latest available.

1.3.3 Technical Section - Methodological Approach

Information on the review process should be specified in this section, including:

- brief description of the audit strategy/plan, the methodology used to prepare the plan, with particular reference to the areas that are considered most significant in the consolidated financial statements of the Banca Popolare di Sondrio Group;
- description of any tools used to support the review process, with evidence of constraints and opportunities associated with them;
- process of interaction with corporate and/or control functions;
- plan for managing the transition/handover with the outgoing auditor, both in the case of taking

- over the role of sole auditor and, if different, of principal auditor;
- description of the process of analysing and identifying audit risk and defining audit plans;
- illustration of the internal discipline and monitoring processes regarding the maintenance of the requirement of independence and objectivity in compliance with the relevant regulations, both in Italy and Switzerland.

1.3.4 Professional Section - Composition of the Audit Team

This section should contain information on the team assigned to the assignment, either directly or as support, useful for assessing their level of professionalism, seniority, relationship and availability and, in particular:

- composition of the team actually engaged in the audit activity;
- CV and professional references of the partner responsible for the audit and signatory of the relevant reports; for the partner responsible for the audit of BPS (SUISSE) SA, indication of the languages known and their level;
- CV and professional references of any other partners in the review team;
- CV and professional references of the executives actually engaged in the audit activity;
- names and CV of specialists in at least the following main areas: International Accounting Standards, Capital Markets, Treasury and Finance, Taxation, Legislation and Regulation, Information Technology and ITGC;
- degree of knowledge of the Banca Popolare di Sondrio Group.

1.3.5 Economic Section

Among other things, components related to economic, time and experience profiles were also evaluated, in particular:

- the number of hours envisaged, also in relation to the different areas of activity;
- the availability, commitment and experience in the banking field, in particular of the partners, managers and specialists that can be employed in the audit engagement, in relation to the needs related to the different areas of the Group's operations;
- the required fees.

In defining the evaluation criteria, the Board of Statutory Auditors agreed with the Internal Working Group that priority should be given to technical and professional characteristics over the economic conditions of the Offers, so as to avoid that the Independent Auditors would be chosen primarily on the basis of the economic convenience of the relevant proposal.

The “specifications” therefore provided for the allocation of a total of 100 points to the evaluation areas, distributed as follows:

- technical and professional elements (i.e., qualitative part): total points 75;
- economic elements (i.e., quantitative part): total points 25.

With regard to the technical and professional elements, the following profiles were identified, each of which was assigned a score:

	Technical and Professional Sections	Points (weight)
1	Administrative: presence of the conditions for carrying out statutory audit activities	5
2	General: structure of the Offering Company in terms of experience, presence in the international network, existing assignments, advisory relationships with the ECB	15
3	Technical: level of technicality, automation and strategy guiding the audit process, including transition plan with outgoing auditor, internal quality control processes	25
4	Professional: quality of the team assigned to the assignment in terms of professionalism, seniority, relationship and availability	30
	Total weight of technical and professional sections	**75**

The economic elements taken into account are as follows, each of which has been assigned a score:

	Economic Section	Points (weight)
1	Total hours expected	8
2	Qualitative-quantitative composition of the team	4
3	Willingness, commitment and experience in banking (partner's seniority)	4
4	Fees	9
	Total weight of the economic section	**25**

1.4 Development of the comparative evaluation procedure

With the support of the Internal Working Group, in-depth analyses and verifications were also conducted on the declarations provided by the Offering Companies; in addition, specific investigations were conducted on the existence of the independence requirement, also taking into consideration the offices held by the Offering Companies after the presentation of the Offer. The analyses of the Offers also took into account the provisions and/or indications of the Supervisory Authorities on statutory audits (e.g. on independence, mandatory insurance coverage, professionalism of the team). The Bids received showed, *inter alia*, that:

- the audit procedures, also considering the hours and professional resources established, are adequate in relation to the scope and complexity of the appointment;
- all Offers contain a specific and reasoned declaration concerning the commitment to prove the possession of the independence requirements provided for by the regulations, with particular reference to Articles 10 and 17 of Legislative Decree No. 39/2010;
- all the offering audit firms are found to have, albeit with different characterisations and levels, an organisation and technical-professional suitability appropriate to the size and complexity of the assignment, pursuant to Articles 10-*bis*, 10-*ter*, 10-*quater* and 10-*quinquies* of the aforementioned Decree, and possession of the requirements provided for by the aforementioned EU Regulation.

2. Outcome of the comparative evaluation of the Offers

The Internal Working Group shared with the Board of Statutory Auditors, during a number of specific meetings, the attribution of scores to the individual elements making up the evaluation grid initially defined and brought to the attention of the Offering Companies. The final results are analytically presented in the Final Report sent to the Board of Statutory Auditors. In particular, on the basis of the described evaluation activities of the Offers, as well as the technical, professional and economic criteria set out in paragraph 1.3, the following overall scores were awarded:

	DELOITTE	**KPMG**	**PWC**
TECHNICAL-PROFESSIONAL ELEMENTS	67.60	66.26	67.14
ECONOMIC ELEMENTS	20.46	23.65	22.00
TOTAL	***88.06***	***89.91***	***89.14***

3. Conclusions of the Board of Statutory Auditors

Considering that, as mentioned in the introduction, Article 16 of the EU Regulation No. 537/2014 provides that the reasoned Recommendation of the Board of Statutory Auditors must contain at least two possible alternatives for the assignment of the legal audit engagement, taking into account the aforementioned score assigned to the three Offering Companies at the end of the comparative evaluation procedure described above, the Bank's Board of Statutory Auditors identifies the two Offers with the highest overall score as the ones to be submitted to the Shareholders' Meeting.
Therefore, the Board of Statutory Auditors, in its capacity as the “Internal Control and Audit Committee”, pursuant to Section 1(f) of Art. 19 of Legislative Decree No. 39/2010 and in relation to the conferment of the audit engagement of Banca Popolare di Sondrio S.p.A. for the nine-year period 2026 - 2034, at the outcome of the evaluation and selection procedure described above and unanimously:

RECOMMENDS

to the Shareholders' Meeting of Banca Popolare di Sondrio S.p.A., pursuant to Article 16 paragraph 2, of EU Regulation No. 537/2014, as well as Articles 13 and 17 of Legislative Decree 39/2010, alternatively, the Offers formulated by **KPMG S.p.A.** and **PricewaterhouseCoopers S.p.A.**, which, in terms of the overall score assigned, are preferable to the one formulated by Deloitte & Touche SpA.

The economic terms of the Offers submitted by the two Offering Companies selected at the outcome of the above evaluation process are indicated in the schedule annexed hereto (**annex 1**).

Art. 16 of the aforementioned EU Regulation also requires the Board of Statutory Auditors to express a reasoned preference for one of the two Offers subject to the Recommendation; the Rule of Conduct for the Board of Statutory Auditors of Listed Companies No. Q.8.1 requires that the preference for one of the two Offers subject to the Recommendation be expressed *“providing adequate reasons”*. In accordance with said provisions, the Board of Statutory Auditors unanimously:

EXPRESSES ITS PREFERENCE

for the Offer formulated by the company **KPMG S.p.A.** as it was characterised by a higher score in the following aspects**:**

- the methodological approach of the review, supported by specific IT tools and detailed also with regard to the review of ESG data;

- the definition of the audit risk analysis and identification process and audit plans;
- the wide availability in terms of time indicated by the reference partner;
- proven experience in the transition with the outgoing auditor;

as well as more economically advantageous at Group level**.**

The Board of Statutory Auditors, in compliance with Article 16, paragraph 2 of the EU Regulation 537/2014, declares that said recommendation has not been influenced by third parties and that none of the type clauses referred to in paragraph 6 of the aforementioned Article 16 of the EU Regulation have been applied.

***

Sondrio, 14 March 2024

For the Board of Statutory Auditors

The Chair

Serenella Rossano

Annex 1 - FEES REQUESTED

The following table sets forth the economic components and the quantification of the budgeted working hours, referring to: i) activities covered by the statutory audit mandate of Banca Popolare di Sondrio S.p.A. and ii) additional activities related to the statutory audit, also with reference to its Subsidiaries.

It should be noted that both offers provide that the hours and fees indicated may vary, during the contractual term, only in the event of circumstances that are non-recurring, unforeseeable or cannot be reliably estimated at the time the Offer is drawn up (e.g. changes in the structure and size of the bank and/or the Group, changes in regulations, accounting and/or auditing principles).

Fee details for Banca Popolare di Sondrio - Annual fees (net of lump sum expenses, ISTAT increases, out-of-pocket expenses, VAT and supervisory fee)

Amounts in €	**KPMG**	**PWC**
Annual Financial Statements	125,183	210,000
Consolidated Financial Statements	31,296	52,000
Judgement of consistency - conformity of the Report on Corporate Governance and Ownership Structure and the Report on Operations with the contents of the financial statements	15,648	6,000
Verification of regular accounting	12,518	8,000
Limited audit of the Condensed Half-Year Consolidated Financial Statements and Half-Year Financial Statements of the Parent Company included in the Condensed Half-Year Consolidated Financial Statements	50,073	68,000
Issuance of attestations to the European Central Bank related to the audit work performed (e.g. ISAE 3000 attestations for the purpose of including the profit in progress at the end of the first half-year and/or the profit for the year before adopting a formal decision to confirm the final result for the year, in the calculation of Primary Tier 1 Capital, pursuant to Article 26(2)(a) of Regulation (EU) No. 575/2013 of 26 June 2013)	6,259	15,000
Limited audit of the financial statements for the determination of interim profit as at 31 March and 30 September, for the issuance of ISAE 3000 Attestation, for the purpose of the inclusion of the interim result in the calculation of Primary Tier 1 Capital pursuant to Article 26(2)(a) of Regulation (EU) No. 575/2013 of 26 June 2013	56,332	63,000
Audits related to the signing of tax returns	6,259	8,000
Checks on the calculation of the contribution to the National Guarantee Fund and the Single Resolution Fund	3,130	14,000
Verification of the English translation of the annual, consolidated and condensed half-year financial statements	6,259	8,000
Total	**312,957**	**452,000**
Total hours	***6,840***	***8,650***

Limited review of Corporate Sustainability Reporting (CSRD) - Range	100,000-150,000	70,000-100,000
Total hours	***2,300-3,400***	***1,350-1,950***

Other services		
Comfort letters on Covered Bond Programme, Euro Medium Term Note Programme, Green Bond Programme (*)	40,000/45000	22,000
Report of the independent auditors pursuant to Article 23 paragraph 7 of the implementing regulation of Articles 4-*undecies* and 6, paragraph 1, letters b) and c-*bis*) of Legislative Decree 58/98	40,000	33,000
Independent Auditor's Report on the Green Bond Report (*)	35,000	30,000

(*) per unit

The lump-sum expenses for carrying out the assignment were quantified by KPMG at 5% (plus out-of-pocket expenses) and 8% for PWC.

Detail of fees for Subsidiaries

	KPMG		PWC	
Group Companies	**Fees** (€)	**Hours**	**Fees** (€)	**Hours**
Banca Popolare di Sondrio Suisse SA	316,200	2,700	358,000	1,925
Factorit SpA	30,060	657	39,000	750
BNT Banca SpA	51,473	1,125	67,800	1,300
Sinergia Seconda Srl	11,777	257	6,000	120
Immobiliare Borgo Palazzo Srl	5,143	112	5,000	100
Immobiliare San Paolo Srl	4,675	102	5,000	100
Rent2Go Srl	23,884	522	34,000	650
Popso Covered Bond	11,777	257	6,000	120
Centro delle Alpi SME	11,777	257	24,000	470
Pirovano Stelvio SpA	5,889	129	6,000	120
Total	**472,655**		**550,800**	

* * * *

Shareholders,

In consideration of the above, with reference to the entrusting of the assignment of the legal audit of the accounts of Banca Popolare di Sondrio S.p.A. for the nine-year period 2026-2034, taking into account the Recommendation of the Board of Statutory Auditors of Banca Popolare di Sondrio Spa in its capacity as Internal Control and Audit Committee, you are invited:

1) primarily, to appoint the Independent Auditors KPMG Spa for annual fees: of 312,957 euro for the audit of the annual and consolidated financial statements and related activities; up to a maximum of 150,000 euro for the limited audit of the Corporate Sustainability Reporting (CSRD), and so for a total amount of annual fees up to a maximum of 462,957 euro (plus 5% flat-rate expenses, ISTAT increases, out-of-pocket expenses, VAT and supervisory fee). The fees are all analytically listed in Annex 1 to the Board of Statutory Auditors' Recommendation, which also includes other ancillary services (in body) and the proposed fees for activities relating to subsidiaries, the latter amounting to a total of 472,655 euro;

or

2) alternatively, should the vote on the above proposal not result in the approval of the relevant resolution, to appoint the audit firm PricewaterhouseCoopers Spa for annual fees: of 452,000 euro for the audit of the annual and consolidated financial statements and related activities; up to a maximum of 100,000 euro for the limited audit activity of Corporate Sustainability Reporting (CSRD), and so for a total amount of annual fees up to a maximum of 552,000 euro (plus flat fees of 8%, ISTAT increases, VAT and supervisory fee). The fees are all analytically listed in Annex 1 to the Board of Statutory Auditors' Recommendation, which also includes other ancillary services (in body) and the proposed fees for activities relating to subsidiaries, the latter amounting to a total of 550,800 euro;

as well as to grant the Board of Directors all powers necessary for the implementation of the shareholders' resolution, also through delegated persons.

For the Board of Directors
The Chair - Francesco Venosta

Point 5) on the agenda: Appointment of five directors for the three-year period 2024-2026;

Shareholders,

In accordance with the articles of association, the Shareholders’ Meeting is called upon to renew the appointment of members whose office is expiring. The term of office is expiring for the directors Alessandro Carretta, Loretta Credaro, Donatella Depperu, Attilio Piero Ferrari, Pierluigi Molla.

The provision of art. 20(2) of the Articles of Association applies, pursuant to which:

“The composition of the Board of Directors shall ensure collegial adequacy, as well as the presence of the minimum number of independent directors and gender balance in accordance with the legislation in force from time to time."

The requirements of the directors and the causes of ineligibility are governed by Article 21 of the Articles of Association, as follows:

""""""

Article 21
Requisites – Reasons for ineligibility

1. Members of the Board of Directors shall be eligible to serve, in accordance with the provisions of the laws in force from time to time and these Articles of Association. In particular, they must meet the requirements of professionalism and integrity and comply with the criteria of competence, fairness and dedication of time and the specific limits on the accumulation of offices prescribed by law for the performance of the office of director of a bank issuing shares listed on regulated markets.
2. Without prejudice to the fact that the activities of all Directors must be characterised by independence of judgement, with regard to the minimum number of Directors required by the legislation in force from time to time, the specific requirements for the qualification of independent director set out in art. 147-*ter*, fourth paragraph, of Legislative Decree No. 58/1998 and in the implementing legislation of art. 26 of Legislative Decree No. 385/1993 must be met. If an independent director no longer meets the specific independence requirements, the term of office does not expire if the remaining number of independent directors is sufficient to ensure compliance with the minimum number required by the legislation in force from time to time. However, the loss of the specific independence requirements determines the termination of the director's appointment to those positions for which the status of independent director is required by the Articles of Association or the legislation in force from time to time.
3. Without prejudice to compliance with the limits and prohibitions prescribed by the legislation in force from time to time, including, in any case, those provided for by the European Directive No. 36 of 26 June 2013, by means of specific regulations approved by the Board of Directors, the limits to the accumulation of offices in other companies by the Directors may be established.

""""""

Still on the subject of directors' requisites, mention should also be made of the regulations dictated by Decree No. 169 of 23 November 2020 of the Ministry for the Economy and Finance on the subject of requisites and eligibility criteria for the performance of the offices of corporate officers of banks, as well as the criteria published by the European Central Bank for the performance of the suitability assessment to be carried out as part of the fit and proper procedure to which the directors who are elected will be subject (Guide to the verification of the suitability requirements - December 2021). It is also noted that for the purposes of assessing the existence of the independence requirement, the provisions of the Corporate Governance Code to which the Bank adheres are also relevant.

The presentation of the lists of candidates is governed by article 23 of the Articles of Association, as follows:

""""""

Article 23
Presentation of lists of candidates

1. The directors are appointed on the basis of lists containing up to the maximum number of Directors to be elected, in which the candidates are listed with progressive numbering.
2. The lists containing a number of candidates equal to or higher than three must be composed so as to ensure the minimum number of independent directors and gender balance required by the law in force from time to time in the composition of the Board of Directors resulting from the vote, taking into account - in the assignment of the sequential number to the candidates - the election mechanism set out in article 24 below.
3. Each candidate may appear on only one list under penalty of ineligibility.
4. The Board of Directors and shareholders who, alone or jointly, represent at least 1% of the share capital may submit a list, unless the law and regulations in force from time to time establish a lower percentage, to be indicated in the notice of call of the Meeting.
5. Each shareholder may take part in the submission of a list by signing at the bottom of it. A shareholder may not submit for more than one list, even through a third party or through trust companies. Shareholders belonging to the same group - i.e. the parent company, the subsidiaries and the companies subject to joint control - and shareholders who signed a shareholders' agreement pursuant to art. 122 of Legislative Decree No. 58/1998 concerning the issuer's shares, may not submit more than one list, even through a third party or trust company. In case of non-compliance, the stipulation will not be counted for any list.
6. The lists shall be filed at the registered office - also by means of distance communication - according to the methods notified in the notice of call, which allow to identify the persons who filed them, by the twenty-fifth day prior to the date set for the Meeting, or within any other term set out by the law in force from time to time.
7. The lists shall be accompanied by the information related to the identity of the shareholders who have submitted them, with an indication of the number of shares and of the corresponding total percentage held by the submitting shareholders and - within the terms set out by the law in force from time to time - by a notice proving the ownership of the equity investment, as well as by any other information required by said law. Shareholders who submit a list and who are different from shareholders holding a controlling stake or a relative majority shall also submit a statement certifying the absence of any relationship with such shareholders, which can be qualified as significant according to the law in force from time to time.
8. The ownership of the number of shares necessary to submit the lists is determined by taking into account the shares that are registered in favour of the individual legitimated person or group of legitimated persons submitting the list, on the day when the lists are

filed at the registered office. In order to prove the ownership of the number of shares suitable for the submission of lists, the persons entitled to do so shall file - together with the list - the notice issued by an intermediary authorised by law, showing the ownership of the related number of shares. The communication required in order to prove the ownership of shares may be made even after the filing of the list, provided that it is made at least twenty-one days before the date of the Meeting and according to the methods set out by the law in force from time to time.

9. Together with each list, detailed information on the personal and professional characteristics of the candidates and the list of offices held in other companies shall be filed at the registered office, as well as the declarations in which the candidates accept the candidature and, under their own responsibility, state that they are suitable for the office, by certifying, in particular, the non-existence of any reasons for ineligibility and incompatibility and the possession of the requirements set out by current legislation and by these Articles of Association for holding the office of director. Candidates shall state whether they comply with the specific independence requirements set out in the legislation in force from time to time for the position of independent director, and this quality shall be indicated in the lists.
10. Lists for which the above requirements are not observed shall be considered as not submitted. However, any irregularities in lists concerning single candidates shall not automatically imply the exclusion of the whole list, but only of the candidates to whom the irregularities refer.

""""""

Only shareholders who, on the date of submission of the list, own - alone or together with others - voting shares representing a total of at least 1% of the share capital are entitled to submit a list.

Lists of candidates for the office of director must be filed at the registered office by the twenty-fifth day prior to the date of the Meeting, i.e. by 2 April 2024.

Submitting shareholders have to prove the ownership of the required number of shares by means of specific documents issued by an authorised intermediary in compliance with current legislation, with regard to the shares registered in their favour on the day on which the lists are filed with the Bank; if not available at the time of filing the lists, such documents shall be received by the Bank by the twenty-first day before the date set for the Shareholders' Meeting, i.e. by 6 April 2024.

Lists for the election of the Board of Directors can also be filed electronically by certified e-mail to segreteria@postacertificata.popso.it.

Pursuant to the current "Supervisory Regulations for Banks", Circular No. 285 of 17 December 2013, the Board of Directors carried out a preliminary analysis to determine the optimal quali-quantitative composition of the Board and the profile of suitable candidate directors.

The results of this analysis are reported in the document entitled "Optimal qualitative and quantitative composition of the Board of Directors of Banca Popolare di Sondrio", published on the Bank's website https://istituzionale.popso.it/en/investor-relations/shareholders-meeting.

This document has been made known to the Bank's shareholders, so that the choice of candidates to be submitted for the renewal of the Board of Directors can take into account the professional skills required to perform the tasks entrusted to the Board.

The Board of Directors, availing itself of the provisions of Article 23, paragraph 4, of the Articles of Association mentioned above, reserves the right to submit its own list of candidates - in compliance with the procedure for the submission of a list of candidates by the Board of Directors to the Shareholders' Meeting published on the company website (at the following address https://istituzionale.popso.it/en/investor-relations/shareholders-meeting) -, which will be made public well in advance of the deadline for shareholders to file their lists.

The election of directors is governed by art. 24 of the Articles of Association, as follows:

""""""

Article 24
Election of directors

1. A shareholder may not vote for more than one list, even if through an intermediary or trust company. Shareholders belonging to the same group - i.e. the parent company, the subsidiaries and the companies subject to joint control - and shareholders who signed a shareholders' agreement pursuant to art. 122 of Legislative Decree No. 58/1998 concerning the issuer's shares, may not vote for more than one list, even through a third party or trust company.
2. The election of directors is conducted as follows:
   a) from the list that obtained the highest number of votes are taken, in the progressive order in which they are listed in the list, all of the Directors to be elected, except the last one;
   b) the candidate in first place is taken from the list that obtained the second highest number of votes and that was not submitted or voted by shareholders connected with the shareholders who submitted or voted the list that obtained the highest number of votes, according to the legislation in force from time to time.
3. If it is not possible to complete the Board's composition, due to a possible lack of candidates on the list that obtained the highest number of votes, this shall be carried out by taking from the list that obtained the second highest number of votes - in the order in which they are listed - any candidate that was not yet elected, so as to comply with the provisions in force from time to time concerning the minimum number of independent directors and gender balance.
4. Lists that have not obtained at the Shareholders' Meeting a number of votes equal to at least half of the percentage of capital necessary for the submission of the lists will not be taken into consideration.

5. If only one list exceeds this limit, and the same applies to the submission of a single list, all the Directors shall be taken from that list, subject to compliance with the legislation in force from time to time concerning the minimum number of independent Directors and gender balance.
6. If two or more lists among those from which the candidates are to be drawn have obtained the same number of votes, the same shall be subject to a second ballot until the number of votes obtained ceases to be equal.
7. If the composition of the Board of Directors resulting from the vote does not ensure the appointment of the minimum number of independent directors required by the law in force from time to time, the non-independent candidate elected in the list that obtained the highest number of votes and that is marked by the highest sequential number is replaced by the next candidate of the same list who complies with the specific independence requirements set out by the law in force from time to time for the position of independent director. If this does not identify suitable substitutes, the director appointed from the list that obtained the second highest number of votes also gets substituted. If no suitable replacements can be found, or if it is impossible to apply the mechanism, the Meeting shall resolve by relative majority among single candidates who comply with the specific independence requirements set out by the law in force from time to time for the position of independent director, upon proposal of the persons who have the right to vote, and replacements shall be carried out in the above-mentioned order.
8. Furthermore, in the event that the composition of the Board of Directors resulting from the outcome of the vote does not comply with the principle of gender balance, the director, without the requisite required, is elected from the list that obtained the highest number of votes and characterised by the highest progressive number, it is replaced by the next candidate on the same list belonging to the less represented gender. If this does not identify suitable substitutes, the director appointed from the list that obtained the second highest number of votes also gets substituted. Even if suitable substitutes are not identified, or if the mechanism cannot be applied, the Shareholders' Meeting resolves on the spot by a relative majority between individual candidates belonging to the less represented gender, on the proposal of the persons present who have the right to vote, proceeding with replacement in the order indicated above.
9. If no list is validly submitted, the election shall be carried out by means of a relative majority of the candidates submitted to the meeting together with the filing of the required documentation, provided that the independence requirements are met in the number required by these Articles of Association and that the rules on gender balance in force from time to time are complied with.

""""""

Lastly, reference should be made to the recommendations made by Consob in Notice No. DEM/9017893 of 26 February 2009 with regard to the relations between lists pursuant to art. 147-*ter*, paragraph 3 of Legislative Decree 58/98 (Consolidated Finance Act), and Article 144-

quinquies of Regulation No. 11971 approved by Consob resolution of 14 May 1999, to which reference should be made.

The Board of Directors therefore invites you to appoint five directors through the voting list to replace the ones whose mandate has expired.

Point 6) on the agenda: Determination of directors' emoluments;

Shareholders,

Pursuant to art. 30 of the Articles of Association, it is up to the Shareholders' Meeting to set the annual remuneration of the Board of Directors. Pursuant to the Remuneration Policies of the Banca Popolare di Sondrio Banking Group, this remuneration is always set as a fixed amount without impact on the financial statements, given that the amount involved is small. Forms of incentive pay based on financial instruments or linked to the company's performance are not foreseen for directors.

Last year, the proposal put forward by the Board of Directors, and then approved by the Shareholders' Meeting, provided for an increase in the remuneration of the directors, also in relation to the results of a remuneration benchmarking analysis on the remuneration of the Board of Directors and its Committees performed by a qualified consultant. In this regard, it must be said that approaching the average salaries practised by our competitors is a necessary condition to continue to have suitably qualified directors capable of making an effective contribution to the governing body.

In view of this, and considering the commitment required of the Board of Directors to perform its important and delicate functions and the workload placed on the Board Committees, the Board of Directors, at its meeting of 15 March, approved the proposal on the annual remuneration of directors, formulated by the Remuneration Committee, which provides for the adjustment of expense reimbursements for attending Board and Committee meetings. This is also in light of the general economic and social context and the bank's balance sheet and economic situation, and in line with the prudential approach contained in the Remuneration Policies.

Shareholders,

Having regard for the above, the Board of Directors invites the Shareholders' Meeting to adopt the following resolution:

"The Ordinary Shareholders' Meeting of Banca Popolare di Sondrio, held today, having examined the Board of Directors' report on setting the annual compensation of the directors:

hereby resolves

- directors’ emoluments: 65,000 euro for each director, giving a total of 975,000 euro;
- remuneration to the members of the Board Committees:
    - for each of the members of the Remuneration Committee, the Appointments Committee, Sustainability Committee and the Related Party and Affiliated Party Transactions Committee: 10,000 euro; for the Chairpersons of the Remuneration Committee, the Appointments Committee, the Sustainability Committee and the Related Party and Affiliated Party Transactions Committee: additional 10,000 euro;
    - for each of the members of the Control and Risks Committee 20,000 euro; for the chair of the Control and Risks Committee an additional 10,000 euro;
    - for the members of the Executive Committee appointed pursuant to Article 34(3) of the Articles of Associations in addition to the Deputy Chair, the Managing Director and the Director referred to in Article 26(3) of the Articles of Association: 10,000 euro;
- individual attendance fees:

  600 euro for attending meetings of the Board of Directors and for attending meetings of the Executive Committee and other committees established within the Board of Directors;
- personal flat-rate reimbursements for the travel expenses incurred in order to attend meetings of the Board of Directors, the Executive Committee, the other Board committees:
    - for residents in the province: 100 euro;
    - for residents in the region: 250 euro;
    - for residents outside the region: 400 euro.”

Point 7) on the agenda: Appointment of the Board of Statutory Auditors for the three-year period 2024-2026

Shareholders,

In compliance with legal and statutory requirements, the Shareholders' Meeting is called upon to elect the entire Board of Statutory Auditors for the three-year period 2024-2026. The terms of office of Serenella Rossano, Massimo De Buglio and Laura Vitali, standing auditors, and Alessandro Mellarini and Paolo Vido, alternate auditors, are expiring.

On the subject of the requirements for auditors, Article 38 of the Articles of Association, which is reproduced below, applies:

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Article 38

Composition - Duration - Ineligibility

1. The Board of Statutory Auditors consists of three standing and two alternate members, elected by the Ordinary Meeting, which also appoints the Chair of the Board.
2. Statutory Auditors remain in office for three financial years, expire on the date of the Shareholders' Meeting called to approve the financial statements for the third financial year of their term of office, and may be re-elected.
3. Auditors may only be dismissed by the Meeting for just cause. The revocation decision shall be approved by the Court, after hearing the person concerned.
4. Members of the Board of Statutory Auditors shall be eligible to serve, in accordance with the provisions of the laws in force from time to time and these Articles of Association. In particular, they must possess the requirements of professionalism, integrity and independence, must comply with the criteria of competence, correctness and dedication of time, as well as the specific limits to the accumulation of tasks prescribed by the legislation in force from time to time for the performance of the task of auditor of a bank issuing shares listed on regulated markets.
5. In any event, auditors may not hold offices in bodies other than control bodies at other Group companies, as well as at companies in which the bank holds, even indirectly, a strategic shareholding. Subject to compliance with the limits and prohibitions prescribed by the laws in force from time to time, persons who are members of the administrative or supervisory bodies of other banks may also not hold the office of auditor.
6. The composition of the Board of Statutory Auditors must ensure gender balance in accordance with the legislation in force from time to time.

""""""

Still on the subject of the requirements for statutory auditors, mention should also be made of the rules dictated by Ministry of Economy and Finance Decree No. 169 of 23 November 2020 on the subject of the requirements and criteria for eligibility for the performance of duties of corporate officers of banks. It is also noted that for the purposes of assessing the existence of the independence requirement, the provisions of the Corporate Governance Code to which the Bank adheres are also relevant.

The presentation of the lists of candidates is governed by article 39 of the Articles of Association, as follows:

""""""

Article 39

Presentation of lists of candidates

1. The Board of Statutory Auditors is elected on the basis of lists submitted by the shareholders, in which the candidates are listed in numerical order.
2. Each list consists of two sections: one for candidates for the office of standing auditor, the other for candidates for the office of alternate auditor. Each list includes up to three candidates for standing auditor and up to two candidates for alternate auditor.
3. The lists shall be filed at the company's registered office within the terms provided for by the laws in force from time to time.
4. Each list containing no less than three standing auditor candidates shall ensure gender balance in its composition, in accordance with the principles established by the laws and regulations in force from time to time.
5. Each candidate may appear on only one list under penalty of ineligibility.
6. Shareholders who, alone or jointly, represent at least 1% of the share capital may submit a list, unless the law and regulations in force from time to time establish a lower percentage, to be indicated in the notice of call of the Meeting.
7. In the event that only one list, or only lists submitted by shareholders who are connected with each other, have been filed by the deadline provided for by the laws in force at the time, the company shall promptly notify the same in the manner provided for by the laws in force at the time; in this case, lists may be submitted up to the third day following the deadline provided for by the laws in force at the time and the threshold for submission provided for in paragraph 6 is reduced by half.
8. Each shareholder may take part in the submission of a list by signing at the bottom of it. A shareholder may not submit for more than one list, even through a third party or through trust companies. Shareholders belonging to the same group - i.e. the parent company, the subsidiaries and the companies subject to joint control - and shareholders who signed a shareholders' agreement pursuant to art. 122 of Legislative Decree No. 58/1998 concerning the issuer's shares, may not submit more than one list, even through a third party or trust company. In case of non-compliance, the stipulation will not be counted for any list.
9. The lists shall be filed at the registered office - also by means of distance communication - according to the methods notified in the notice of call, which allow to identify the persons who filed them, by the twenty-fifth day prior to the date set for the Meeting, or within any other term set out by the law in force from time to time.
10. The lists shall be accompanied by the information related to the identity of the shareholders who have submitted them, with an indication of the number of shares and of

the corresponding total percentage held by the submitting shareholders and - within the terms set out by the law in force from time to time - by a notice proving the ownership of the equity investment, as well as by the law in force from time to time. Shareholders who submit a list and who are different from shareholders holding a controlling stake or a relative majority shall also submit a statement certifying the absence of any relationship with said shareholders, which can be qualified as significant according to the law in force from time to time.

11. The ownership of the number of shares necessary to submit is determined by taking into account the shares that are registered in favour of the individual legitimated person or group of legitimated persons submitting the list, on the day when the lists are filed at the registered office. In order to prove the ownership of the number of shares suitable for the submission of lists, the persons entitled to do so shall file - together with the list - the notice issued by an intermediary authorised by law, showing the ownership of the related number of shares. The communication required in order to prove the ownership of shares may be made even after the filing of the list, provided that it is made at least twenty-one days before the date of the Meeting and according to the methods set out by the law in force from time to time.

12. Together with each list, detailed information on the personal and professional characteristics of the candidates and the list of offices held in other companies shall be filed at the registered office, as well as the declarations in which the candidates accept the candidature and, under their own responsibility, state that they are suitable for the office, by certifying, in particular, the non-existence of any reasons for ineligibility and incompatibility and the possession of the requirements set out by current legislation and by the Articles of Association for holding the office of auditor.

13. Lists for which the above requirements are not observed shall be considered as not submitted. However, any irregularities in lists concerning single candidates shall not automatically imply the exclusion of the whole list, but only of the candidates to whom the irregularities refer.

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Lists for the election of the Board of Statutory Auditors can also be filed electronically by certified e-mail to *segreteria@postacertificata.popso.it*.

In the event that, by the deadline of 2 April 2024, only one list has been filed, or only lists submitted by shareholders who are connected with each other, lists may be submitted until 5 April 2024 in the manner described above, and the threshold for filing lists will be reduced by half, i.e. to 0.50% of the share capital.

In compliance with the provisions of current legislation, the Board of Statutory Auditors has carried out an analysis aimed at preventively identifying its optimal qualitative and quantitative composition and the profile of the candidates for the office of Auditor.

The results of this analysis are reported in the document entitled “Optimal qualitative and quantitative composition of the Board of Statutory Auditors of Banca Popolare di Sondrio”, published on the Bank’s website https://istituzionale.popso.it/en/investor-relations/shareholders-meeting.

This document has been made known to the bank’s shareholders, so that the choice of candidates to be submitted for the renewal of the Board of Statutory Auditors can take into account the professional skills required to perform the tasks entrusted to the Board.

The election of auditors is governed by art. 40 of the Articles of Association, as follows:

““““““

Article 40

Election of Auditors

1. A shareholder may not vote for more than one list, even if through an intermediary or trust company. Shareholders belonging to the same group - i.e. the parent company, the subsidiaries and the companies subject to joint control - and shareholders who signed a shareholders' agreement pursuant to art. 122 of Legislative Decree No. 58/1998 concerning the issuer's shares, may not vote for more than one list, even through a third party or trust company.
2. The Board of Statutory Auditors shall be elected as follows:
   a) two standing auditors and one alternate auditor shall be taken from the list obtaining the highest number of votes, in the sequential order in which the candidates are listed in the section of the list;
   b) from the list that obtained the second highest number of votes and that was not presented or voted for by shareholders connected, according to the legislation in force at the time, with the shareholders who presented or voted for the list that came first in terms of number of votes, a standing auditor and an alternate auditor are cast in the progressive order in which the candidates are listed in the list section. The statutory auditor nominated in this list is entitled to the chair of the Board of Statutory Auditors.
3. If it is not possible to complete the Board of Statutory Auditors' composition, due to a possible lack of candidates on the list that obtained the highest number of votes, this shall be carried out by taking from the list that obtained the second highest number of votes - in the order in which they are listed - any candidate that was not yet elected, so as to comply with the provisions in force from time to time concerning gender balance.
4. If two or more lists among those from which the candidates are to be drawn have obtained the same number of votes, the same shall be subject to a second ballot until the number of votes obtained ceases to be equal.
5. If only one list is submitted, all standing and alternate auditors shall be drawn from it, subject to compliance with the gender balance rules in force from time to time. In this case, the chair of the Board of Statutory Auditors shall go to the candidate indicated in first place on the list.
6. If the composition of the Board of Statutory Auditors resulting from the outcome of the vote does not respect the principle of gender balance, the auditor elected from the list that

obtained the highest number of votes belonging to the most represented gender and characterised by the highest progressive number is replaced by the next candidate from the same list belonging to the less represented gender. If this does not identify suitable substitutes, the auditor appointed from the list that obtained the second highest number of votes also gets substituted. Even if suitable substitutes are not identified, or if the mechanism cannot be applied, the Shareholders' Meeting resolves on the spot by a relative majority between individual candidates belonging to the less represented gender, on the proposal of the persons present who have the right to vote, proceeding with replacement in the order indicated above.

7. If no list is validly submitted, the election shall be carried out by means of a relative majority of the candidates submitted to the Meeting together with the filing of the required documentation, provided that the regulations on gender balance in force from time to time are complied with.

""""""

The Board of Directors therefore invites you to proceed with the appointment of the Board of Statutory Auditors and its Chair through list voting.

Point 8) on the agenda: Determination of the annual remuneration of auditors for the three-year period 2024-2026.

Shareholders,

Pursuant to Article 43 of the Articles of Association, it is up to the Shareholders' Meeting to determine the annual emolument, valid for the entire term of office, due to the auditors. The Shareholders' Meeting also determines the amount of the attendance fees for the participation of the auditors in the meetings of the Board of Directors and the Executive Committee and, if necessary, the reimbursement of expenses incurred in the performance of their duties.

According to the Remuneration Policies of the Banca Popolare di Sondrio Banking Group, there are no compensation based on financial instruments and bonuses linked to economic results.

At the meeting of 15 March, the Board of Directors defined, upon indication of the Remuneration Committee, the proposal regarding the annual emolument of the Board of Statutory Auditors, which is then submitted to the Shareholders' Meeting. In light of the financial and economic situation of the bank, having assessed the commitment to which the Board of Statutory Auditors is required to fulfill its important and delicate functions, considering the results of a remuneration benchmarking analysis relating to the remuneration of auditors carried out by a qualified consultant, we intend to submit the following proposal to the Meeting for approval.

Shareholders,

Having regard for the above, the Board of Directors invites the Shareholders' Meeting to adopt the following resolution:

"The Ordinary Shareholders' Meeting of Banca Popolare di Sondrio, convened today, examined the report of the Board of Directors on the determination of the annual remuneration of the Board of Statutory Auditors, valid for the entire duration of the office:

hereby resolves

- for the Chair of the Board an annual emolument of 100,000 euro;
- for each of the standing auditors an annual emolument of 67,500 euro;
- individual attendance fees:
  600 euro for attending meetings of the Board of Directors and the Executive Committee;
- individual lump-sum reimbursements for travel expenses for attending meetings of the Board of Directors and the Executive Committee, differentiated as follows:
  - for residents in the province: 100 euro;
  - for residents in the region: 250 euro;
  - for residents outside the region: 400 euro;
- individual lump-sum allowances for carrying out trade union audits, as follows:
  150 euro if carried out in the province of residence of the auditor;
  250 euro if carried out outside of the province of residence of the auditor;

Sondrio, 15 March 2024

THE BOARD OF DIRECTORS

BANCA POPOLARE DI SONDRIO S.P.A. REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING CONVENED FOR THE APPROVAL OF THE FINANCIAL STATEMENTS AT 31 DECEMBER 2023

Shareholders,

This Report of the Board of Statutory Auditors (hereinafter also referred to as the "Board" or "Board of Statutory Auditors") of Banca Popolare di Sondrio S.p.A. (hereinafter also referred to as the "Bank" or "Parent Company") is prepared pursuant to Article 153 of Legislative Decree No. 58/1988 ("TUF") and Article 2429, paragraph 2, of the Italian Civil Code to report to the Shareholders' Meeting on the results of the 2023 financial year and on the results of the supervisory activity carried out, including that performed in its capacity as the Internal Control and Audit Committee.

1. <u>General introduction on the activity carried out.</u>

The Bank's Board of Statutory Auditors, in addition to the aforementioned legal provisions, the relevant provisions of the Articles of Association and the provisions of Article 19 of Legislative Decree 39/10, has complied with the Rules of Conduct of the Board of Statutory Auditors of Listed Companies, recommended by the National Council of Chartered Accountants and Accounting Experts and has taken into account, in the performance of its duties, the provisions and communications issued by Consob (e.g., Communication No. 1025564/2001 and its subsequent amendments and additions) and by the national and European Supervisory Authorities, as well as the recommendations of the Corporate Governance Code promoted by Borsa Italiana and published by the Corporate Governance Committee in January 2020, to which the Bank resolved to adhere on 30 June 2023.

During the 2023 financial year, the Board of Statutory Auditors met 54 times and attended all the meetings of the Board of Directors (14) and the Annual Shareholders' Meeting; it also attended 47 meetings of the Executive Committee, 17 meetings of the Control and Risks Committee, 5 meetings of the Remuneration Committee, 16 meetings of the Appointments Committee, 15 meetings of the Related Party Transactions Committee and 6 meetings of the Sustainability Committee, which was newly formed in 2023.

The activities of the Board of Statutory Auditors are also governed by the newly adopted Regulation of the Control Body, which was approved on 17 July 2023 and is still being implemented as far as the Bank's management and Board of Directors are concerned.

The work carried out by the Board mainly concerned the following areas and/or topics:

a) <u>Corporate Governance Code</u>: as also desired by the Board of Directors, the Board of Directors resolved to fully adhere to the Code on 30 June 2023.

b) Succession Plan: the work of the Appointments Committee, assisted by a leading independent advisor, on the revision of the plan is ongoing; the Board of Statutory Auditors actively participated in this work.
c) Organisational Model pursuant to Legislative Decree 231/2001: the activities involved in revising and updating the Model took longer than originally planned by the Board of Directors. The Board constantly monitored this activity, especially with regard to the rules concerning the composition of the Supervisory Body, its remuneration, and the process of appointing its members. At the date of drafting this Report, the revision of the aforementioned Model is still in progress. On 21 December 2023, the Board of Directors resolved to change the composition of the Supervisory Body and appointed the new members.
d) Gender equality and gender pay gap: as in the previous year, the Board of Statutory Auditors continued its efforts to encourage the Bank to adopt specific measures that would allow, in the short/medium term, to rebalance the existing gender gap in terms of both presence in the workforce in percentage terms and in terms of classification and, consequently, remuneration. While the competent structure certifies that there is no gender discrimination, the current gap does not appear to be bridged unless a specific project is adopted, so as to ensure the effective and timely achievement of the objectives that the Bank has undertaken and will undertake in this regard. With this in mind, the Board welcomed the appointment, as of 1 January 2024, of two executives belonging to the female gender, as well as the very recent appointment of one of them as Manager responsible for preparing the accounting documents, activities that go in the direction suggested by the Board.
e) Procedure for the formation of a list of candidates by the Board of Directors: the Board, also during the 2023 financial year, continued its activities to stimulate the timely approval of a procedure to regulate the process for the formation of a list of candidates for the role of Board Member of the Bank in view of the partial renewal of said body. The Board of Statutory Auditors participated in the work of the Appointments Committee by providing its observations, until the procedure was approved on 21 December 2023. The procedure was then applied in the first quarter of 2024 for the formation of the list of the Board of Directors, filed in accordance with the Articles of Association in view of the Shareholders' Meeting convened for 27 April 2024.
f) Regulation on the Verification of the Independence Requirement of Directors: during the financial year covered by this Report, as requested by the ECB's letter of 21 March 2023, the Board shared with the Bank's Legal Department the actions to be implemented to regulate the periodic verification of the existence of the independence requirements set forth in the Consolidated Finance Act and the Corporate Governance Code for Directors. These actions were communicated to the ECB by the assigned deadline of 31 May 2023 and implemented during the financial year covered by this Report, until the Board of Directors' approval on 19 January 2024 of the Regulation on the Verification of the Independence Requirements of Directors.

In the following section, a more detailed account will be given of the activities relating to relations with the Supervisory Authorities.

Finally, the Board also benefited from the specific training meetings organised for Board members, which dealt, among other things, with sustainability, money laundering risk and the management of non-performing loans.

2. Supervisory activities.

2.1 Compliance with the law and the Articles of Association

During the course of the financial year, the Board of Statutory Auditors became acquainted, also through its participation in the meetings of the Board of Directors and the Executive Committee, with the general performance of operations, its development and the most significant transactions implemented by the Bank. As part of this activity, it was noted that the meetings of the Board of Directors were conducted in compliance with the rules governing its functioning and that the resolutions passed complied with the law and the Bank's Articles of Association and were not manifestly imprudent, reckless, implemented in conflict of interest or such as to compromise the integrity of the Bank's assets. In the financial year 2023, there were no atypical or unusual transactions or transactions outside the Bank's normal operations that could have a negative impact on the Bank's assets or conflict with shareholder protection.

The Board of Statutory Auditors also monitored the implementation of new laws and regulations pertaining to the Bank's activities, as well as the gradual adaptation, still in the process of implementation, of the recommendations set forth in the Corporate Governance Code to which the Bank adhered during the year covered by this Report; in particular, the Board of Statutory Auditors took due account of the new anti-money laundering regulations and commented on the Board of Directors' obligation to appoint a person responsible for such matters at the first partial renewal of the administrative body placed on the agenda of the Shareholders' Meeting called for 27 April 2024.

2.2 Compliance with the principles of proper management.

The Board of Statutory Auditors monitored compliance with the principles of proper administration by obtaining information from the Chief Executive Officer and General Manager, the heads of the Control Functions and the Manager responsible for preparing the Company’s accounting documents, as well as through periodic meetings with the Independent Auditors.

In addition, participation in the meetings of all the Board Committees made it possible to collect information also from the Bank's operational structures on the internal control system and the main corporate risks, thus ensuring constant monitoring of the information flows underlying the decision-making processes adopted by the Bank's top bodies. During the Committee meetings, the Board was able to observe a constant flow of information from the Control Functions and corporate operational structures, on the breadth and depth of which areas for improvement were noted, with the aim of making the most risky or priority issues evident to the Directors in a timely manner.

The Board considers that the Directors have fully reported in the Report on Operations on the development of the Bank's business and its future prospects, as well as on the most important events of the year and the subsequent period. In particular, the Board mainly recalls the following:

1) Extraordinary tax on banks' "extra-profits": Article 26 of Decree-Law No. 104 of 10 August 2023, converted into Law No. 136/2023, introduced a one-off extraordinary tax to be paid by banks, calculated on the increase in the net interest income, to be paid by 30 June 2024. On 10 October 2023, the Board of Directors of the Bank resolved to avail itself of the option provided for in Article 26, paragraph 5-*bis* and to propose to the Shareholders' Meeting called to approve the Financial Statements as at 31.12.23 to allocate the amount of 107.059 million euro, from the profit for the year, to an unavailable equity reserve instead of paying the tax.
2) Covered Bond Issuance Programme: on 30 June 2023, the Board of Directors of the Bank approved the update of the Covered Bond Issuance Programme for a maximum amount of up to 5 billion euro based on the assignment to a special purpose vehicle of residential mortgages and land loans originated by the Parent Company itself, incorporating the changes introduced by the implementing provisions of Title I-*bis* of Law No. 130 of 30 April 199, amending the relevant part of Bank of Italy Circular No. 285 of 17 December 2013. The Bank issued one tranche of covered bonds in the amount of 500 million euro on 24 October 2023 and a second tranche in the same amount on 15 January 2024.

2.3 Adequacy of the organisational structure.

The Bank's organisational structure did not undergo any substantial changes during the year covered by this Report; there were reorganisations in the Anti-Money Laundering Function, which is described in section 2.4, and in the Commercial area, with the establishment of the Commercial Department.

In addition, in early 2024, specific reinforcements were made to the Credit and NPE area, as well as to the control functions involved in the credit risk management process, also as a result of assessments inspired by the outcome of the specific inspection on corporate credit concluded by the ECB in 2023.

With regard to the organisational structure, the Board of Statutory Auditors notes that digitalisation, the increasing focus on ESG aspects - including the pursuit of gender equality, the valorisation of younger resources and inclusiveness - and the use of artificial intelligence may have an increasing impact on the business model and work organisation; it is therefore necessary to maintain constant attention on the adequacy of the Bank's workforce and the inclusion of specific skills in the above issues.

With regard to the organisational structure - also in consideration of the increasing involvement of the Manager in charge of non-financial reporting, which is currently entrusted to the Sustainability Department - the Board of Statutory Auditors once again pointed out to the company management and the Board of Directors that they should consider placing this function within the CFO area (on which the Sustainability Department depends).

2.4 Adequacy of the internal control system.

The Bank's system of internal controls complies with the provisions of Bank of Italy Circular No. 285 and is structured on three levels: the first level provides for controls on the proper performance of activities and is entrusted to the corporate structures; the second level relates to the control of risks, entrusted to the CRO (Chief Risk Officer) Area, to which the Validation Function also belongs, and of regulatory compliance, which is the responsibility of the Compliance Function; the third level relates to the verification of the overall functionality of the internal control system to safeguard the effectiveness and efficiency of business processes and information systems and is entrusted to the Internal Audit Function.

The first- and second-level functions report to the Chief Executive Officer and General Manager, while the third-level function reports to the Board of Directors.

At Group level, the second-level Control, Compliance and Anti-Money Laundering Functions are centralised at the Parent Company as far as Banca della Nuova Terra S.p.A. is concerned, while Factorit S.p.A. has outsourced the Compliance Function and manages the Anti-Money Laundering Function internally. These structures operate according to the guidelines and standards defined by the Parent Company, with a view to developing a comprehensive approach to risk according to suitably uniform methodological criteria.

Risk Management and Internal Audit are outsourced to the Parent Company by both subsidiaries.

BPS SUISSE has autonomous control functions, which act in compliance with Swiss laws and regulations, taking into account the policies adopted by the corresponding Parent Company functions. As far as possible, appropriate measures have been taken to ensure continuous interaction between the respective Heads of Function, with particular reference to anti-money laundering legislation, which is regulated differently in the two countries. The Board held a specific meeting at the Swiss subsidiary in order to obtain information on the operations implemented and the coordination between functions.

The Board periodically met with the Heads of the second and third level Control Functions of the Bank, with the aim of maintaining constant monitoring of the risk controls, of the performance of the annual plan of checks planned by them, as well as the implementation, within the assigned deadlines, of the remedial actions to remedy the findings raised as a result of the audit activities.

With regard to the Compliance, Anti-Money Laundering and Internal Audit Functions, with which the Board maintained a constant flow of information during the year (the Board met 6 times with the Head of the Compliance and Anti-Money Laundering Function and 7 times with the Head of the Internal Audit Function), the positive self-assessment by the related Managers was confirmed both in terms of quality and in terms of the size of the respective structures.

The Board of Statutory Auditors examined the reports issued by the Control Functions in implementation of the scheduled annual plans and the annual reports of the Control Functions, which show a substantially positive assessment of the structure of internal controls and the ability to monitor risks.

Moreover, the outcome of the ECB's on-site inspection of corporate credit, the process of which has not yet reached the Authority's final decision, has revealed, among other things, the need for a review and reassessment of the overall internal control system, in order to improve the flow of information to and from the Board of Directors and the Board of Statutory Auditors, the powers and incisiveness of the action of the Control and Risks Committee, and the effectiveness of the action of the second and third-level Control Functions. Together with the heads of the Internal Audit and Credit Risk Function (CRO Area), the Board reviewed the findings expressed by the inspection team and referred to these Functions and examined the proposed actions - both operational and organisational - formulated by the Functions in anticipation of the ECB's follow up letter. These proposals were also examined with the help of an independent consultant, appointed by the Control and Risks Committee, who confirmed that the operational measures, both those proposed by the Head of Credit Risk and those proposed by the Internal Audit Function, appear to meet the expectations of the Supervisory Authority.

Compliance Function

The Compliance Function oversees internal and external regulatory areas and acts as the Manager of the internal system for reporting violations (so-called whistleblowing).

The Board examined the periodic reports of the aforementioned Function and the progressive development of the annual audit plan, also focusing on the examination of the implementation of the remedial plans assigned to the structures.

The annual report summarises the activities of the aforementioned Function with a focus on New Product Approval and the regulation of the transparency of banking and financial transactions and services, areas that present, at the end of the 2023 financial year, the highest risk profiles of non-compliance and the still incomplete implementation of the Function's recommendations.

In the 2023 audit plan, the Board of Statutory Auditors requested, in parallel with the assessment on the Internal Regulation adopted by the Bank and entrusted by the Related Party Transactions Committee to an independent legal advisor, the inclusion by the Function of a specific intervention relating to the concrete verification of transactions with related and connected parties. After an initial intervention, the Board requested an in-depth study that was completed in February 2024, the results of which, mostly satisfactory as regards compliance with internal rules, were shared with the aforementioned Committee and the Board of Directors. The improvement actions identified by the Compliance Function are already in progress.

The Function also reported on the complaints received during the financial year 2023, in particular relating to banking services and products (516), up from 2022, mainly due to computer fraud. In this regard, the Bank, in connection with the above, has put in place constant information and attention initiatives for the benefit of its customers.

The Annual Report of the Head of the Internal Reporting System gives an account of the update, which took place during the year, of the Policy on internal reporting of violations - so-called whistleblowing with the transposition of the regulatory changes made by Legislative

Decree No. 24/2023 (implementing European Directive No. 1937/2019). In the financial year 2023, three reports were received, which, after evaluation, the manager decided to close.

Anti-Money Laundering Function

The Anti-Money Laundering Function underwent a reorganisation in 2023; on 30 June 2023, the Board of Directors approved the *Policy on the Prevention of Money Laundering* and *Terrorist Financing of Banca Popolare di Sondrio and the Banca Popolare di Sondrio Banking Group,* which regulates the coordination activities within the Group.

The Anti-Money Laundering Function has become a first-level unit, known as the Group Anti-Money Laundering Service, divided into two second-level units: the Bank AML Office and the Group AML Office; the latter has the task of coordinating the anti-money laundering structures of the Group companies, so that they implement policies and adopt adequate and appropriate systems and procedures for the effective prevention of money laundering and terrorist financing risks, in line with the structure of the Group and the size and characteristics of each intermediary.

In relation to the Swiss subsidiary, specific safeguards have been put in place taking into account the different applicable regulations; the triggers, methods and purposes of the measures taken to mitigate the risk of money laundering/terrorist financing are set out in the Policy.

At the end of 2023, the Function was subject to an ordinary audit by the Internal Audit Department, with particular reference to its organisational and management structure and with the aim of verifying its structure, the results of the activities carried out, the control measures adopted and the related information flows. On the basis of the analyses carried out, the Internal Audit expressed an opinion that was mostly favourable.

At the end of 2023, the exposure to money laundering and terrorist financing risk is rated "Low".

Risk Control Function

The Risk Control Function is entrusted with monitoring the risks to which the Bank is exposed, with particular reference to credit and operational risks.

The Supervisory Relations Function during the year was particularly involved, with the support of the Head of the Credit Risk Office, in discussions with the ECB concerning, among other things, the on-site inspection of corporate credit.

The Risk Control Function presented its Annual Report in which it summarised the activities carried out in the various areas of competence (among others, RAF, ICAAP, ILAAP, SREP stress test, ESG, recovery plan, credit risks, market risks), the training plan, the projects underway and which will also be developed in 2024.

In the financial year 2023, the Operational and ICT Risks Office was established to monitor the processes for the detection, measurement and assessment of IT and reputational operational risks with the task of preparing the most suitable safeguards.

The Board examined the processes of capital self-assessment (ICAAP), which quantifies the current and prospective internal capital to be held against risks, and liquidity (ILAAP), which assesses the adequacy of the liquidity held by the Bank. The processes and related statements were approved by the Board of Directors on 29 March 2024. In this regard, the Board concurred with what the Internal Audit Function pointed out regarding the need for more precise time scheduling of the process.

In relation to the risks taken, the process of determining the ICAAP and ILAAP is consistent with the Risk Appetite Framework (RAF). The Board reviewed the 2024 Risk Appetite Framework (RAF) document, which shows capital and liquidity ratios consistent with regulatory limits.

During the 2023 financial year, the Board of Statutory Auditors obtained information on the activity of the aforesaid Function mainly through its participation in the meetings of the Control and Risks Committee; this modality was implemented in order to make the risk supervision activity more efficient, taking into account the degree of in-depth analysis that, in such contexts, is guaranteed thanks to the dialectic that develops between the members of the Committee and the Function itself. In particular, the Board of Statutory Auditors focused its attention on the SREP process and on the results of the on-site inspection on corporate credit carried out by the ECB, which revealed areas for improvement in the Function's action in that area. To this end, a strengthening of the CRO area in second level controls and increased powers of escalation are planned, among other measures designed to address the observations of the inspection team.

Internal Audit Function

With regard to third level controls, the Board of Statutory Auditors maintained continuous contact with the Internal Audit Function. The Board received and examined all the reports issued by the aforementioned Function and frequently exchanged information on the processes supervised by the Board, including the drafting and approval of the internal regulation on the independence of Directors, the work of the Appointments Committee, which is still in progress, relating to the succession plan, as well as inspections and reports from the Supervisory Authorities.

The aforementioned Function has reported in its Annual Report (and previously on a quarterly basis) on its activities, as well as on the achievement of the targets set at the beginning of the reporting year.

The Board also shared with the same Function the status of the action plans related to the outcomes of the 2021 on-site inspection on Governance (fully implemented) and the risk culture report issued in 2022.

The Board also discussed with the aforesaid Function the results of the on-site inspection on corporate credit, which highlighted the need for more incisive action by Internal Audit. In this regard, the Function has been preparing corrective measures, also examined by the Advisor appointed by the Control and Risks Committee, since the beginning of the financial year 2024, measures that have already been put into operation.

Adequacy of Control Functions

The assessment of the system of internal controls is based on the operational methods that the Control Functions adopt to develop their activities according to the approved plans. The Functions all appear to have carried out a self-assessment of their size and level of available skills; the Board has received regular reassurances in this regard.

As far as the Board of Statutory Auditors has been able to ascertain, the Control Functions operate according to the directives of the body to which they report, as well as by virtue of and within the limits of the powers and proxies conferred by the Board of Directors, in compliance with corporate procedures and policies.

The Board of Statutory Auditors agreed with the Control Functions on the continued existence of adequate resources with respect to the business plan prepared by each of them with reference to the financial year 2024.

With regard to the periodic coordination meetings between the Control Functions, the Board receives summary information in the meetings held with each of them; in this regard, it would seem appropriate to assess greater coordination in this sense, including the evaluation of the introduction of an integrated report of the Functions that would allow the Board of Statutory Auditors and the Board of Directors to have an overall picture of the functioning of the internal control systems considered as a whole, with consequent opportunities in terms of the effectiveness and efficiency of the controls themselves.

On the whole, the actions of the Control Functions appear to be adequate, although it emerged, during the year and also as a result of the Supervisory Inspection Reports and the consultancy activities requested by the Control and Risks Committee, that the internal controls system should be refined. This activity, as anticipated, is the subject of a specific action plan, which is still being drawn up and constantly updated.

2.5 Adequacy of the administrative accounting system and statutory auditing activities, independence of auditors and other tasks entrusted to the independent auditors

The administrative and accounting system

The Board of Statutory Auditors carried out its ordinary activity of supervising the adequacy of the administrative and accounting system as well as its reliability in correctly recording and representing operational events.

The activity was carried out by acquiring the necessary information from the Manager responsible for preparing the Company’s accounting documents (hereinafter also referred to as the “Reporting Officer”) and the Bank's Auditor.

In the context of the Report referring to the 2023 financial year for the purposes of issuing the certification required by Article 154-*bis*, paragraph 5, of the Consolidated Finance Act, the Reporting Officer acknowledges, *inter alia*, that in 2023, the structure was engaged in the performance of two projects aimed at strengthening the methodological tools for the monitoring and control of financial reporting at Group level: (i) the first, aimed at extending the

Parent Company's 262 model also to the relevant Subsidiaries, also in consideration of what emerged from the audits conducted by the Internal Audit Department; and (ii) the second, aimed at implementing the mapping of ITGC controls for both the Parent Company and the Subsidiaries within the perimeter.

Given the task attributed to the Board of Statutory Auditors in the financial reporting process, also in its capacity as Internal Control Committee, the Board maintained coordination with the Head of the Administration and General Accounting Service, with whom it had periodic exchanges of information on the system administrative-accounting, as well as on the reliability of the latter for the purposes of a correct representation of operating facts in compliance with current international accounting standards, not learning of significant deficiencies in the operational and control processes that could invalidate the judgement of overall adequacy and effective application of administrative-accounting procedures.

The Board also discussed the results of the ECB's inspection of corporate loans with the Bank's Reporting Officer and the Independent Auditors in order to obtain information on their possible impact on accounting policies and results for the year. The Board was informed of the decision taken to apply the accounting policies in use by adopting a particularly prudent attitude, also in order to take into account the observations made by the inspection team regarding the credit risk estimation process. Partly as a result of this approach, the economic effects of the action plan prepared by the CRO Area have been recorded in the Financial Statements as at 31 December 2023.

Although it is not the task of the Board of Statutory Auditors to carry out the statutory audit pursuant to Legislative Decree No. 39/2010, as this is delegated to the Independent Auditors, it is believed, on the basis of the analyses carried out and the information gathered in discussions with the Reporting Officer and the Independent Auditors mentioned above, that the administrative and accounting system is, on the whole, adequate in relation to the provisions of the current reference regulations and that operating facts are detected correctly and with due timeliness, without prejudice to the opportunities for strengthening the area already reported by the Board.

Lastly, with regard to the accounting information contained in the financial statements at 31 December 2023, the Board notes that the Managing Director and the Manager responsible for preparing the Company’s accounting documents have issued an unqualified attestation pursuant to art. 154-*bis* of the Consolidated Finance Act, having regard for the requirements of art. 81-*ter* of CONSOB Regulation No. 11971 dated 14 May 1999, as amended.

Lastly, following the intention expressed by Mr. Bertoletti to resign from the position of Reporting Officer, on 29 March 2024, the Bank's Board of Directors resolved, with the favourable opinion of the Board of Statutory Auditors, to appoint Simona Orietti in his place, who also assumes the role of new head of the Administration and General Accounting Service.

<u>Statutory auditing activities, independence of the auditor and other tasks entrusted to the Independent Auditors</u>

Pursuant to the combined provisions of Legislative Decree No. 39 of 27 January 2010 (supplemented by Legislative Decree No. 135/2016, which transposed Directive 2014/56/EU) and European Regulation No. 537/2014, the engagement for the statutory audit of the accounts was entrusted by the Shareholders' Meeting of 29 April 2017, for the nine-year period 2017-2025, to the Independent Auditors E.Y. S.p.A., together with the attribution of the judgement of consistency and conformity with the law pursuant to Article 123-*bis*, paragraph 4, of the Consolidated Finance Act.

In accordance with the provisions of Article 19 of Legislative Decree No. 39 of 2010, as amended by Legislative Decree 135/2016, the Board of Statutory Auditors, identified as the “Internal Control and Audit Committee”, monitored the activities of the Independent Auditors during the 2023 financial year and up to the date of this Report; as provided for by Article 150 of the Consolidated Finance Act, the Board of Statutory Auditors held a continuous exchange of information in the periodic meetings organised with the Independent Auditors and in turn provided the latter with information on its supervisory activities and, to the best of its knowledge, on the most significant events concerning the management and operation of the Board of Directors.

The Board confirms that no matters have emerged that are deemed censurable and/or that require mention pursuant to art. 155(2) of the Consolidated Finance Act.

On 5 April 2024, the Independent Auditors issued, pursuant to Article 14 of Legislative Decree No. 39/2010 and Article 10 of Regulation (EU) No. 537/2014, the Audit Report on the annual financial statements and the consolidated financial statements for the year ended 31 December 2023, the content of which complies, in form, attestations and disclosures provided, with the reference standards. The auditors’ reports on the separate and consolidated financial statements do not contain any qualifications or emphases of matter. In addition, in accordance with regulatory requirements, the auditing standards applied and the key aspects of the audit conducted are reported.

On the same date, the Auditor submitted to the Board of Statutory Auditors the Additional Report required by Article 11 of Regulation (EU) No. 537/2014, from which it appears that no deficiencies in the internal control system in relation to the financial reporting process were found that, in the Auditor's opinion, are sufficiently material to be brought to the attention of the Board of Statutory Auditors.

The Board of Statutory Auditors obtained the report on the independence of the Independent Auditors EY S.p.A. on 5 April 2024 and confirms that there are no critical aspects regarding independence or causes of incompatibility pursuant to articles 10, 10-*bis* and 17 of Legislative Decree No. 39/2010 and articles 4 and 5 of Regulation (EU) 537/2014.

The Board also took note of the Transparency Report, prepared by the Bank's Independent Auditors and published on its website pursuant to Article 18 of Legislative Decree No. 39/2010.

The same Independent Auditors also issued the required Limited Examination Report on the “Consolidated Non-Financial Statement” discussed below.

In compliance with the provisions of article 17(9)(a) of Legislative Decree No. 39/2010 and article 149-*duodecies* of CONSOB Regulation No. 11971, as well as the provisions of articles 4 and 5 of EU Directive No. 537/2014, the Board of Statutory Auditors informs of the total fees deriving from the services rendered to the BPS Group during the 2023 financial year by the Independent Auditors EY S.p.A. and the network to which it belongs, as also reported in the explanatory notes to the Financial Statements to which reference should be made for anything not reported in detail here.

Amounts in euro	**Parent Company**		**Group Companies**		**Total**	
Type of services	**EY S.p.A.**	**EY Network**	**EY S.p.A.**	**EY Network**	**EY S.p.A.**	**EY Network**
Audit services	446,889	-	235,811	534,948	682,700	534,948
Certification services	251,123	-	7,500	5,400	258,623	5,400
Other services	58,592	199,000	-	-	58,592	199,000
Total	**756,604**	**199,000**	**243,311**	**540,348**	**999,915**	**739,348**

"Certification services" include activities in addition to the statutory audit entrusted to the auditor either by law or by an authority, such as the limited audit of the Consolidated Non-Financial Statement, the Certification in connection with the deposit and sub-deposit of clients' and intermediaries' assets, the compliance endorsement of tax returns as well as comfort letters on bond issues.

With reference to the activities and related payments regarding the items listed above as "other services" requested from EY SpA and the companies of the EY network, we certify that, where necessary, they have been pre-authorised by the Board pursuant to art. 4 and 5 of the EU Regulation No. 537/2014.

The Independent Auditors have confirmed to us that they did not issue any opinions pursuant to the law during the year of this Report, given that the conditions that would have required them did not arise.

2.6 Consolidated Non-financial Statement

The Board of Statutory Auditors during its supervisory activities and thanks to its participation in the meetings of the Sustainability Committee, set up on 26 May 2023, noted the progressive and ever-growing attention of the Banking Group to ESG issues, which transversally affect all areas of the Bank's operations, in addition to the adaptation of internal regulations following the evolution of ESG regulations.

In adherence to the provisions of Legislative Decree No. 254/2016, implementing Directive 2014/95/EU, the Bank has prepared the "Consolidated Non-Financial Statement" (hereinafter also referred to as "CNFS") for the financial year 2023.

In addition, the Board of Statutory Auditors acquired information on the activities carried out on the Group's CNFS in specific meetings with the contact persons of the Independent Auditors, from which no issues emerged.

The Independent Auditors appointed to carry out the limited audit of the CNFS pursuant to art. 3, paragraph 10, of Legislative Decree 254/2016, in the report issued on 5 April 2024 highlights that no evidence has come to its attention that the CNFS of the Banking Group relating to the year ended 31 December 2023 has not been prepared, in all significant aspects, in accordance with the requirements of articles 3 and 4 of Legislative Decree 254/2016 and the "Global Reporting Initiative Sustainability Reporting Standards".

In the CNFS, the Board of Directors notes that "*the selection of personnel is also carried out taking into account gender balance, according to the strategic guidelines on Diversity and Inclusion adopted in 2022*"; recalling the above, the Board of Statutory Auditors has highlighted to the Board of Directors the need to set commitments also of a quantitative nature in this document for the future.

2.7 Concrete implementation of corporate governance rules and adherence to the Corporate Governance Code

As previously mentioned, with the Board of Directors' resolution of 30 June 2023, as advocated by the Board of Statutory Auditors since the Bank's transformation into a joint-stock company, it was resolved to adhere to the "Corporate Governance Code" approved by the Corporate Governance Committee, addressed to all companies with shares listed on the Italian Stock Exchange managed by Borsa Italiana.

Pursuant to the provisions of Article 123-*bis* of the Consolidated Finance Act, the Bank's Board of Directors, in its meeting of 15 March 2024, approved the "Report on Corporate Governance and Ownership Structure", which is published on the Bank's website; in the various sections of the aforementioned report, the Board of Directors illustrated how the Bank adheres to the Principles and Recommendations of the Corporate Governance Code, specifying any deviations still being resolved.

The Board of Statutory Auditors noted that the same report highlighted the initiatives undertaken and planned by the Bank to ensure its full and constant alignment with the Recommendations provided by the Corporate Governance Committee.

The aforementioned Report also illustrates the outcome of the evaluation of the functioning, size and composition of the Board of Directors and the Board Committees conducted in 2023. The Board of Directors has also identified its optimal qualitative and quantitative composition and the profile of the candidates for the office of Directors for the 2024 financial year, in compliance with and implementation of the provisions of Circular No. 285 of the Bank of Italy on corporate governance, of the MEF Decree, as well as taking into account the indications of the Corporate Governance Code. The related document was approved by the Board of Directors on 6 February 2024 and was made public, so that the selection by the Shareholders of the candidates to be included in the list to be presented for the partial renewal of the Board of Directors could take into account the skills and professionalism required, the causes of incompatibility and forfeiture, as well as the limits on the accumulation of positions provided for by the legal and regulatory framework in force, including the prohibition on interlocking.

In compliance with the Supervisory Provisions and also in line with the recommendations of the Rules of Conduct for the Board of Statutory Auditors of Listed Companies prepared by the

CNDCEC, the Board of Statutory Auditors carried out its self-assessment with a positive outcome as to whether the individual members still met the requirements necessary to hold office.

At the meeting of 21 March 2024, the Board of Directors resolved to present its own list of candidates for the appointment of Directors of the Bank consisting of five names, two of whom are currently already in office and whose mandate is expiring, made public pursuant to law. The selection of the other three candidates was carried out by the Appointments Committee with the help of a Consultant of primary standing, with the supervision and coordination of the Chair of the Board of Directors, who was entrusted with the task - supported by an independent Director - of carrying out discussions with Shareholders.

At the same meeting, the Board of Directors also resolved on the promotion of proxy solicitation, with the help of a specialised consultant, in view of the Shareholders' Meeting called for 27 April 2024.

The Board of Statutory Auditors became acquainted with the entire process by taking part in the work of the Appointments Committee and the Board of Directors, with the exclusion of discussions with shareholders.

Lastly, following the results of the ECB Inspection on corporate credit, the Board of Directors and the Control and Risks Committee, with the help of external consultants, are also in the process of preparing a specific action plan concerning the role of top management and executive bodies in ensuring the proper functioning of the internal control system and credit risk management. The Board of Statutory Auditors pointed out to the Board of Directors the need to complete the approval process of this action plan as soon as possible.

2.8 Relations with subsidiaries

As part of its supervisory activities, the Board of Statutory Auditors met with the Board of Statutory Auditors of Banca della Nuova Terra S.p.A. (BNT), which produced an exchange of information with a view to integrated governance, with particular reference to issues specific to the entities themselves.

The exchange of information and supervision of the Group directives given to Factorit S.p.A. was ensured by the Chair of the Board of Statutory Auditors of the aforementioned subsidiary, who also sits on the Bank's Board of Statutory Auditors as a full member.

The Board of Statutory Auditors has monitored the adequacy of the instructions given by the Bank to its subsidiaries, in compliance with art. 114 of the Consolidated Finance Act, considering them suitable for the purpose of complying with the disclosure requirements imposed by law.

In November 2023, the Board of Statutory Auditors met with the General Manager and the representatives of the Control Functions of the Swiss subsidiary BPS Suisse, in the presence of the Compliance and Anti-Money Laundering Function of the Parent Company.

The relations maintained by the Bank with the other Group companies were also described at meetings of the Board of Directors; these exchanges of information were facilitated by participation in the administrative bodies of subsidiaries by the General Manager, top managers and/or directors of the Bank.

With regard to the management, coordination and control activities carried out by the Parent Company in relation to the subsidiary companies, the Board of Statutory Auditors notes that:

- because Swiss regulations do not require Banca Popolare di Sondrio (SUISSE) SA (100%) to have a Board of Statutory Auditors, control activities consist in constant interaction between the Internal Audit and AML/Compliance Department of the Bank and the equivalent department within the subsidiary. This company operates in accordance with the instructions issued by FINMA, which is the authority that supervises financial activities in Switzerland. Based on the results of the checks carried out by the Bank's Internal Audit Department, the Board has not identified any critical matters or information to report about compliance by the subsidiary with the regulations.
- as regards Factorit S.p.A. (100%), the control activity was carried out through the interaction with the Internal Audit Department of the Parent Company, in charge of carrying out the outsourcing function of internal audit of the subsidiary itself, as well as by examining the periodic reports of the activity carried out, presented to the Board of Directors of the Bank. Moreover, information was exchanged with EY S.p.A., the Independent Auditors, concerning accounting aspects. As part of the exchange of information between the two boards of auditors and during meetings of the Bank's Executive Committee, the Board of Statutory Auditors became aware of a computer fraud that occurred in February 2024 against the subsidiary, which is also being investigated by the Internal Audit Function;
- for Popso Covered Bond S.r.l. (60%), a company involved in the issuance of covered bonds, the Board of Statutory Auditors examined both the Report issued by the company BDO Italia S.p.A., which performs the activity of asset monitor, and the results of the interventions carried out by the Bank's Internal Audit Department;
- for Banca della Nuova Terra S.p.A. (100%), the control activity of the Board of Statutory Auditors in 2023, as mentioned, was mainly carried out through meetings with the Board of Statutory Auditors of the subsidiary, through interaction with the Internal Audit Department of the Parent Company, in charge of carrying out the internal audit function in outsourcing of the subsidiary itself, as well as by examining the periodic reports of the activity carried out, presented to the Board of Directors of the Bank. The Board of Statutory Auditors has also held discussions with EY S.p.A., the Independent Auditors, obtaining all necessary information on economic and financial matters;
- for Sinergia Seconda S.r.l. (100%), Pirovano Stelvio S.p.A. (100%) and Rent2GO S.r.l. (100%) the Board of Statutory Auditors has obtained information during the meetings of the Board of Directors and in the meetings with EY S.p.A., the Independent Auditors.

2.9 Transactions with related parties

With regard to transactions with related parties and connected persons, the Bank has complied with the rules set out in the Related Party Transactions Regulation issued by CONSOB Resolution No. 17221/2010 and subsequent amendments, Bank of Italy Circular No. 285/2013 reflected in the specific internal Regulations adopted by the Bank.

The financial statements contain information on transactions with related parties and connected parties as required by Article 2497 *bis* of the Civil Code and Consob Communication DEM 6064293 of 28 July 2006.

On the basis of what was represented to the Board of Statutory Auditors, on the occasion of the latter's participation in the meetings of the Related Party Transactions Committee, the transactions were settled under normal market conditions, also taking into account the assessments of objective mutual convenience and fairness and did not have a significant influence on the equity and economic situation of the Bank and/or the Group.

During the financial year 2023, the Related Party Transactions Committee completed the project initiated in 2022, with the help of an independent external consultant, to update the internal regulations adopted by the Bank. This process was concluded on 31 March 2023 with a resolution of the Board of Directors that implemented the proposed changes, among which is the reduction of the threshold that demarcates the operations that fall within the cases of exclusion from the application of the RPT Procedure adopted by the Bank.

In the 2023 financial year, as already highlighted above, the Board of Statutory Auditors conducted, with the assistance of the Compliance Function, an audit on the correct application of the relevant internal Regulations and on compliance with the Operations Manual adopted by the Bank.

The audit was completed in February 2024 and updates are currently underway as a result of the outcome of this audit, which revealed certain needs for adaptation of the IT systems in use, as well as the appropriateness of a specific professional development activity for the benefit of the central operating structures and the network.

3. <u>Omissions and censurable facts.</u>

No complaints were received by the Board during the year pursuant to art. 2408 of the Italian Civil Code.

The reports received from customers were passed on to the Bank's Organisation and Regulations Department, which reported to the Board of Statutory Auditors on the outcome of its activities.

4. Opinions rendered and reasoned recommendation for the appointment of the statutory auditor

During 2023, the Board of Statutory Auditors issued the following opinions, as required by law:

- favourable opinion regarding the compliance of the Covered Bond Programme and the activities described therein with the provisions of the New CB Rules, as implemented by the Instructions, and on the impact of the Programme and the activities described therein on the Bank's balance sheet and income statement, as well as on the suitability of the risk management procedures adopted;
- favourable opinion on the determination of the remuneration of directors holding special offices.

Furthermore, in 2023, the Board of Statutory Auditors, on the basis of what was specifically indicated by the ECB in its letter of 21 March 2023, carried out the required discussion with the Legal Department, which in turn coordinated with the General Secretariat, in order to arrive at a programme of actions to be implemented by the end of the year to define the rules for verifying the independence of Directors.

On 14 March 2024, the Board of Statutory Auditors then issued its Recommendation to the Shareholders' Meeting for the conferment of the audit assignment for the period 2026-2034, to which we refer for a detailed illustration of the selection procedure followed, submitting to the shareholders the proposals formulated by PricewaterhouseCoopers S.p.A. and KPMG S.p.A. and unanimously expressing its reasoned preference for KPMG S.p.A. In fact, the Bank's Board of Directors, having consulted with the Board of Statutory Auditors, has decided to proceed with the appointment of the Independent Auditors one year in advance, taking into account both the usefulness of a more organised and planned handover between the outgoing auditor and the new auditor, and the need to respect the time limits set to safeguard the auditor's independence, as well as the need to allow the appointment process of the auditor to be started also by the other Group companies.

Lastly, as already mentioned, during the Board of Directors' meeting of 29 March 2024, the Board of Statutory Auditors issued, pursuant to Article 154-*bis* of the Consolidated Finance Act, the mandatory opinion on the appointment of the new Manager responsible for preparing the Bank's accounting documents.

5. Other activities.

5.1 Remuneration Policies.

The Board of Directors approved the Remuneration Report made available to Shareholders, as well as the Public Information on Remuneration that illustrates the training process and the recipients of the policy, the objectives for variable remuneration, as well as the criteria for application thereof in relation to the year 2024; please refer to these documents for a detailed examination.

The Board of Statutory Auditors took cognizance of this process during the Remuneration Committee meetings, as well as examined the Regulatory Compliance Endorsement issued by the Remuneration Committee Function and noted the consistency with the RAF attested by the CRO Function.

5.2 Relations with Supervisory Authorities

During the 2023 financial year, the Board of Statutory Auditors held two meetings, in March and November, with the Joint Supervisory Team (JST) and one meeting, in January, with Consob officials. Furthermore, in March 2024, the Board held a further meeting with the JST.

The Board monitored the implementation of the activities planned by the Bank to respond to the findings and suggestions expressed by the Supervisory Authorities during the inspections and/or the most important thematic investigations.

In carrying out this activity, the Board was assisted by the Internal Audit Function.

The main processes, communications and inspections by the Supervisory Authorities with regard to which the Board of Statutory Auditors has been involved during 2023, and in 2024, up to the date of this Report, are as follows.

ECB and Bank of Italy

- Annual Prudential Review and Evaluation Process SREP 2023, as a result of which the Bank received notification from the European Central Bank of the new decision regarding prudential requirements to be met on a consolidated basis, effective 1 January 2024. The additional Pillar 2 Requirement or "P2R" is 2.79% (compared to the previous 2.66%). The new ratio, to be held in the form of Tier 1 (CET 1) capital for at least 56.25% and Tier 1 capital for at least 75%, includes a quota of 0.04% as an increase in the second pillar requirement for non-performing exposures. As a result, the minimum level of Common Equity Tier 1 ratio required is 8.57% (compared to the previous 8.50%); the Tier 1 ratio required is 10.59% (compared to the previous 10.50%); the minimum Total Capital Ratio is 13.29% (compared to the previous 13.16%). On the basis of data at 31 December 2023, the Banca Popolare di Sondrio Group has capital ratios that are well above the aforementioned minimum thresholds.
- Inspection of the ECB "Credit File Review" on the Non-Financial Corporate segment (OSI-NFC), which began in October 2022 and was concluded in March 2023, during which various aspects of a methodological nature were examined, linked to the Bank's

ability to promptly identify the deterioration of exposures, to record appropriate provisions on these and to undertake the necessary management actions to mitigate the risk. The Board of Statutory Auditors, as already reported, reviewed the results of this inspection with the Control Functions, the Reporting Officer and the Independent Auditors, as well as in the meetings of the Board of Directors and the Control and Risks Committee of the Bank.

- Governance inspection (OSI-Governance), performed by a Bank of Italy team between November 2021 and February 2022. During the 2023 financial year, the Board of Statutory Auditors monitored the execution of this programme of activities approved by the Board of Directors with the assistance of the Internal Audit Function to which the ECB entrusted the expression of a specific opinion with respect to its implementation. At the date of drafting this Report, as far as the Function is concerned, all planned actions have been successfully implemented.
- Supervisory inspection on “Digital Transformation”, with on-site presence of the inspection team between October 2023 and January 2024, aimed at analysing digital transformation strategies, operational and execution capacity, profitability of affected businesses and aggregation and reporting of risk data. At present, the inspection activity has not been formally concluded as reported by the CRO Area.
- In a letter dated 9 February 2023, the ECB provided the Bank with the results of its supervisory assessment regarding the disclosure of climate and environmental risks, expressing its expectation that the Bank would take specific actions to address the deficiencies identified. At its meeting of 17 March 2023, the Board of Directors approved a specific action plan containing the actions necessary to overcome the gaps identified by the Supervisor.
- By letter of 21 March 2023, the ECB provided the Bank with comments on the practices concerning the composition and functioning of the Board of Directors, also in light of the problems encountered in past years. The contents of the missive were examined and discussed by the Board of Directors and the Appointments Committee, which took them into account when identifying the candidates included in the list submitted by the Board of Directors for the annual renewal of one-third of the Bank's Board Directors. Reference has already been made to the activity required of the Board of Statutory Auditors, which was concluded on 19 January 2024 with the approval by the Board of Directors of the “Regulation on the Control of the Independence Requirements of Directors”.
- In October 2023, the Bank received authorisation from the Supervisory Authority to put into production the models for which an application had been submitted in September 2021. The request for changes to the regulatory models followed the update of internal estimates of PD, LGD and EAD parameters. The “Final Decision” revealed some shortcomings in relation to the way parameters were estimated and calibrated, their use within credit processes, and the documentation and reporting produced. Remedial activities are incorporated in a specific Action Plan shared with the Supervisory Authority in November 2023.

CONSOB

- By letter dated 27 December 2022, pursuant to Article 115 of the TUF and in relation to previous communications, CONSOB requested an informative meeting with the Board of Statutory Auditors, which was held 18 January 2023.
- By letter dated 19 February 2023, CONSOB requested, pursuant to Article 115 of the TUF, information from the Board of Statutory Auditors concerning the process of forming the so-called “Non-Financial Statement”. The Board of Statutory Auditors provided the requested information and clarifications.
- By letter dated 10 March 2023, CONSOB requested, pursuant to Article 115 of the Consolidated Finance Act, information from the Bank concerning the assessments related to the adoption of a procedure for the formation of a list of candidates for the partial renewal of the Board of Directors, as well as related to the adherence to the Corporate Governance Code promoted by the Corporate Governance Committee of Borsa Italiana. The Bank provided the information requested.
- In a communication received on 31 October 2023, CONSOB, referring to the previous note of 21 March 2023 and the Bank's reply, requested, pursuant to Article 6-*bis*, paragraph 4, letter A) of Legislative Decree No. 58/1998 - ESG survey, an update on the implementation of the activities and an update on the profiling of customers “with respect to sustainability preferences”. The Bank provided the information requested.
- By letter dated 2 November 2023, CONSOB requested, pursuant to Article 115 of the Consolidated Finance Act, information from the Bank on the application of IFRS 9 with regard to the classification and measurement of loans. The Bank provided the information requested.
- By letter dated 29 February 2024, CONSOB requested, pursuant to Article 115 of the Consolidated Finance Act, information from the Bank on the Procedure, approved by the Board of Directors of the Bank, for the submission of a list of candidates to the Shareholders' Meeting by the Board of Directors. The Bank provided the information requested.

5.3 Relations with the Supervisory Body

The Board of Statutory Auditors interacted with the Supervisory Body, whose meetings were always attended by at least one of its members, thus encouraging a constant and fruitful exchange of information on the safeguards against the risks of commission of the offenses envisaged in the relevant legislation.

In the financial year 2023, there was a continuous update on the activities to revise the Organisational Model, which was prepared, as scheduled, for the Board of Directors' meeting of 31 March 2023; during this meeting, further needs for updating and refinement emerged, which should have been completed by 31 December 2023.

On 21 December 2023, following the resignation tendered by the Chair of the SB, the Board of Directors resolved to amend only the clause relating to the composition of the Supervisory Body, which now includes 3 members, including an Auditor, to whom the further activities of revising the Model are now entrusted.

5.4 Operational and IT risks

The Board of Statutory Auditors reviewed the IT Risk Situation Report and the Security and ICA Risk Self-Assessment Report prepared by the Bank's IT Function.

The supporting documents illustrate the risks and related safeguards adopted by the Group, as well as the incidents that occurred in 2023. The analysis of IT risks also covered cyber threats and the related organised protection of said Function.

In this regard, the Board of Directors provides adequate information in its Report on Operations, to which reference is made.

6. Proposals on the Financial Statements

Financial Statements and Report on Operations

The financial statements of the Bank and of the Banking Group headed by Banca Popolare di Sondrio for the year ended 31 December 2023 were approved by the Board of Directors on 15 March 2024 and were sent to the Board of Statutory Auditors, together with the Report on Operations and the other documents required by law.

As far as it is responsible, the Board of Statutory Auditors examined the financial statements for the year ended 31 December 2023, accompanied by the Directors' Report on Operations and the explanatory notes, submitted for your examination and approval, as well as the Consolidated Non-Financial Statement.

On 5 April 2024, the Independent Auditors released the "Auditing Report" pursuant to art. 14 of Legislative Decree No. 39/2010 and Art. 10 of Regulation (EU) No. 537/2014, the content of which complies, in form, certifications and information provided, with the provisions of the regulations in force.

The auditors' reports on the separate and consolidated financial statements do not contain any qualifications or emphases of matter. In addition, in accordance with regulatory requirements, the auditing standards applied and the key aspects of the audit conducted are reported.

On 5 April 2024, the Independent Auditors submitted to the Board of Statutory Auditors the Additional Report required by article 1 of Regulation (EU) No. 537/2010, which shows no significant deficiencies in the internal control system in relation to the financial reporting process to be brought to the attention of the Board of Statutory Auditors.

Lastly, with regard to the Report on Operations approved by the Board of Directors, the Auditor certified that it is consistent with the Financial Statements and has been prepared in accordance with the law.

The financial statements are accompanied by the certification referred to in paragraph 5 of the art. 154-*bis* of the Consolidated Finance Act, drawn up and signed by the Managing

Director and the Manager responsible for preparing the Company's accounting documents.

For its part, the Board of Statutory Auditors verified the Directors' compliance with the provisions of the Italian Civil Code and the provisions of the Supervisory Authority concerning the preparation of financial statements.

In this regard, we can confirm that:

- the financial statements for 2023 have been prepared in accordance with the IAS/IFRS endorsed by the European Community and applied in the manner described in the explanatory notes;
- the Report on Operations provides an illustration of the facts and operations that characterised the reference financial year, both with regard to economic and financial information and with regard to “other information” such as, for example, the management of risks connected to the activity of the Bank, human resources, promotional and cultural activities;
- the Report on Operations also describes the significant events and transactions that have taken place subsequent to the end of 2023.

<u>Consolidated Financial Statements</u>

As regards the consolidated financial statements for the financial year ended 31 December 2023, which closed with a net profit of 461.162 million euro compared to 251.321 million euro for the financial year 2022, the Auditor has certified, among other things, the correct preparation thereof in relation to the accounting principles applicable in the specific case, to the definition of the consolidation area and to compliance with the relevant legislation. The consolidated financial statements are also accompanied by the certification referred to in para. 5 of art. 154-*bis* of Legislative Decree No. 58/1998, duly prepared and signed by the Managing Director and the Manager responsible for preparing the Company’s accounting documents.

7. Conclusions

Shareholders,

From the supervisory activity performed by the Board of Statutory Auditors no reprehensible facts, omissions, or irregularities arose that require disclosure in this Report.

For all of the above, having also taken note of the reports of the Independent Auditors EY SpA and the certifications issued by the Managing Director and the Manager responsible for preparing the Company’s accounting documents, we observe that there is no obstacle to the approval of the proposed resolutions on the Financial Statements financial year to 31 December 2023 formulated to the Shareholders' Meeting by the Board of Directors, including everything relating to the allocation of the profit for the year, taking into account the constant compliance with the prudential capital requirements.

As you are aware, with the approval of the Financial Statements as at 31 December 2023, the three-year term of office of the Board of Statutory Auditors in its current composition will expire; we therefore invite you to resolve on the appointment of members for the next three-year period.

Sondrio, 05 April 2024

The Board of Statutory Auditors
Serenella Rossano – Chair
Massimo De Buglio – Standing Auditor
Laura Vitali – Standing Auditor

equity investments

international service

our digital bank

the bank and young people

multiplus account

card +ma

personal loans collateralized by the assignment
of up to one-fifth of salary or pension

severance pay advance (tfs)

asset management

bancassurance and pensions

publishing activities

cultural activities, initiatives and meetings

POPSO COVERED BOND

BNT BANCA
Banca della Nuova Terra

Factorit

SINERGIA SECONDA

PrestiNuova

EQUITY INVESTMENTS

The portfolio of equity investments maintained during the year in review the established configuration.
In addition to the other components of the banking Group, the holdings relate mainly to companies supplying products and providing services that functionally complement the typical commercial offer.

MAIN AFFILIATES

Unione Fiduciaria SPA

Arca Holding SPA

Arca Vita SPA

Alba Leasing SPA

Polis Fondi SGR PA

SUBSIDIARIES

Banca Popolare di Sondrio (SUISSE) SA

Factorit SPA

Banca della Nuova Terra SPA

PrestiNuova SRL

Rent2Go SRL

Pirovano Stelvio SPA

Sinergia Seconda SRL

Popso Covered Bond SRL

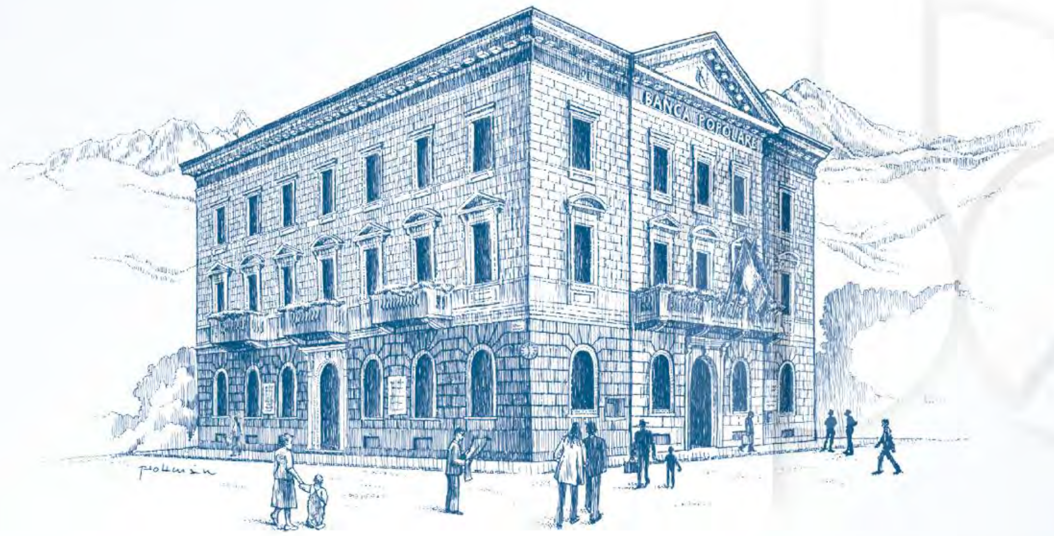
Rajna Immobiliare SRL

Servizi Internazionali e Strutture Integrate 2000 SRL

**ONE-STOP SHOP
FOR INTERNATIONALISATION**

*With us,
anywhere in the world!*

#StayLocalBeGlobal



SCRIGNO *azienda*

The digital banking service
with dedicated business operations.

ALL THE ADVANTAGES OF OPERATING REMOTELY, SECURELY AND QUICKLY

SCRIGNO *Internet Banking*

DIGITAL BANKING is more and more:

- **COMPLETE**
  thanks to multiple operations available;
- **SECURE**
  thanks to notifications Push IdentiTel and QR IdentiTel;
- **CONVENIENT**
  even for booking an appointment at the branch.

HIGHLIGHTS

- **COMMUNICATIONS**
  to send requests to the branch and consult the messages the bank sends you;
- **AIS**
  to consult on SCRIGNO balances and transactions of accounts held with a third-party bank (soon also for companies);
- **PIS**
  to send credit transfers from SCRIGNO with debit to a third bank (soon also for companies);
- **SHOWCASE**
  to discover our opportunities, also of a non-banking nature;
- **DEADLINES**
  to be in control.

THE BANK AND YOUNG PEOPLE

Banca Popolare di Sondrio
offers a complete range of products dedicated to young people.

MULTIplus minors
is the current account designed for the daily needs of children and for parents who wish to empower their children, aged between 10 and 17, in managing their first savings.

44 Gatti account
is the savings book reserved for children aged between 0 and 12 (not yet celebrated).

ateneo+
the university badge is also prepaid contactless card with IBAN.
www.ateneopiu.it

SoPOP
is the online current account dedicated to university students.
www.sopop.it

The current account the way you want it!

MULTIPLUS ACCOUNT

Dedicated current account for individuals and families offering a varied combination of services.

You compose it... according to your needs!

Complete and flexible!

BONUS under 27

Are you less than 27 years old?

MULTIplus recognises to you a **special discount** on the monthly fee

BONUS credit salary or pension

Do you credit to your current account your salary or pension?

With **MULTI**plus you get a **reduction** of the monthly fee

BONUS BPS SHAREHOLDER

Are you a Shareholder with at least 100 shares of Banca Popolare di Sondrio?

MULTIplus reserves for you an **exclusive advantage** on the monthly fee

CARD +MA

The reloadable prepaid card with IBAN that,
in a single payment instrument,
has multiple functionalities, from 14 years of age.

PERSONAL LOANS COLLATERALIZED BY THE ASSIGNMENT OF UP TO ONE-FIFTH OF SALARY OR PENSION

Financing from BNT Banca and PrestiNuova ideal for employees and pensioners.

SIMPLE | SECURE | SUSTAINABLE | TRANSPARENT

PrestiNuova

Agency in Financial Activities
of BNT Banca

Toll-free number
800-770033
free service

bntbanca.it

BNT BANCA

Gruppo Banca Popolare di Sondrio

SEVERANCE PAY ADVANCE (TFS)

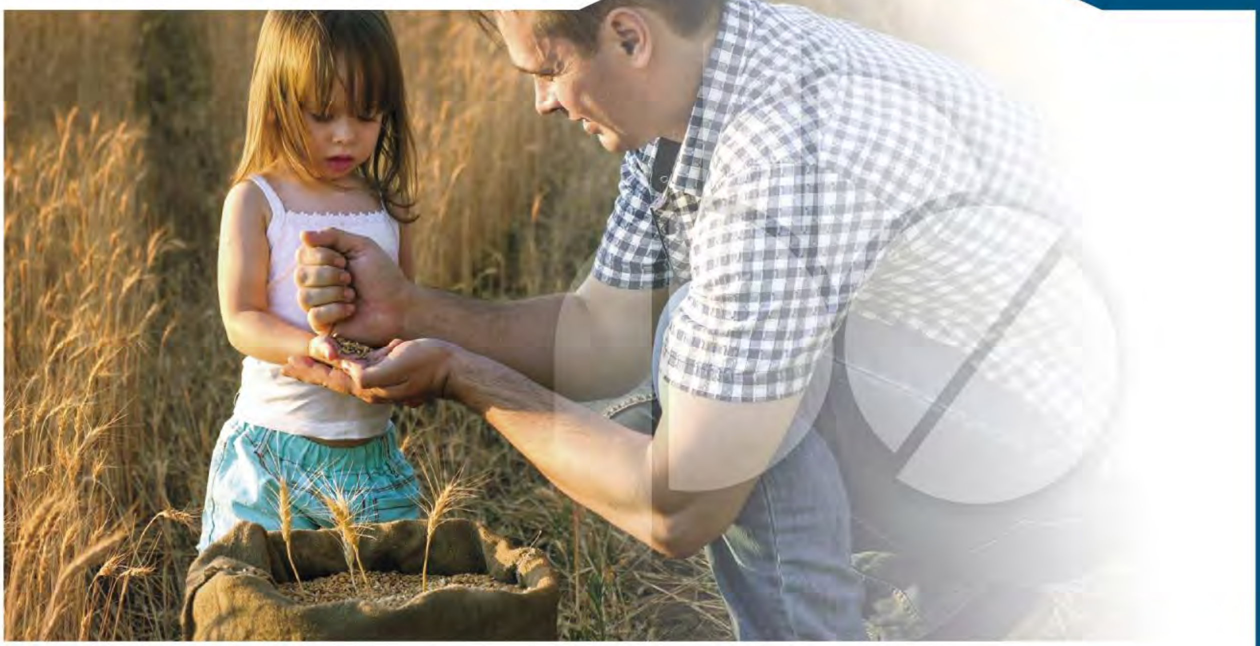
Reserved exclusively for retired civil servants,
allows pensioners to obtain an advance on their accrued TFS.

For retired civil servants

Advance
Severance pay

tfs
Termination indemnities

Obtaining **TFS in advance:**
today it is possible!



ASSET MANAGEMENT

Many years of experience and professionalism to best satisfy the most diverse investment objectives of savers.

POPSO (SUISSE) INVESTMENT FUND SICAV

Popso (SUISSE) Investment Fund SICAV

ARCA SGR

ARCA SGR Mutual Funds

ARCA VITA
ARCA VITA international

Insurance solutions

J.P.Morgan ASSET MANAGEMENT

JPMorgan Investment Funds
JPMorgan Funds

PICTET 1805 Asset Management

Pictet SICAV

etica SGR

Etica SGR Mutual Funds

GPM GPF

Securities and Fund Management

SIDERA FUNDS SICAV

Sidera Funds SICAV

BANCASSURANCE AND PENSIONS

The Bank offers comprehensive and innovative solutions in the insurance sector, thanks to its collaboration with UniSalute, Arca Vita and Arca Assicurazioni, both in the pension sector with Arca Fondi SGR.

BANCASSICURAZIONE
At all times, the safe haven

ARCA SGR

ARCA VITA

Arca Previdenza
OPEN PENSION FUND

ARCA ASSICURAZIONI

UniSalute
HEALTH INSURANCE SPECIALISTS

PUBLISHING ACTIVITIES

Testimonies of events that always remind of being part of a more complex and structured ecosystem, and not owners, we wanted to celebrate Nature with our traditional calendar, focusing in particular on water, source of life and symbol of hope. What makes it special is the signature of the eminent biblical scholar, cardinal Gianfranco Ravasi, who with his introductory paper "The Waters of God" guides us through the profound meanings attributed even in Holy Scripture to water, which has always been the bearer of spiritual and transcendent values.
As accompaniment, the bright images captured by the lens of Mauro Lanfranchi, Matteo Berbenni and Roberto Moiola.

The 150th anniversary of

NOTIZIARIO della Banca Popolare di Sondrio

The *Newsletter*, which began in April 1973 as "in-house bulletin, albeit enriched by a few elements of authoritative signatures", as the then bank president Annibale Caccia Dominioni wrote, has grown in fifty years to the point of establishing itself today in Italy as one of the most authoritative cultural magazines of banking publishing, in spite of the modesty of its very title, which emphasises its link of continuity with its origins. "In-house" with that care and craftsmanship honed over the years, today constitutes a distinguishing feature of sober understatement, in singular contrast to the richness of its contents.

NEWSLETTER
of **BANCA POPOLARE**
DI SONDRIO

On the site **nonsolobanca.popso.it**
all issues can be viewed
published since April 1999


1973
2023
TERZA PAGINA
Maria incinta di Gesù
Storia di una mamma speciale
The story of a special mother


NOTIZIARIO della
Banca Popolare di Sondrio
N148 apr
N149 ago
N150 dicem
N151 apri
N152 ago
N153 dicembre 2023

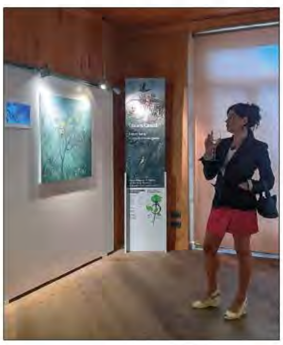
CULTURAL ACTIVITIES, INITIATIVES AND MEETINGS

A bank that pursues, on the strength of its more than 150 years of history, the commitment to culture, with a variety of initiatives aimed at the community: conferences, conventions, exhibitions, participation in and support for cultural events in the area.

22 July 2023

LA MILANESIANA

At the historic agency No. 1 in Bormio took place the inauguration of the evocative exhibition *Interiors*, by artist-photographer Chiara Caselli, introduced by art critic Vittorio Sgarbi. An event as part of the stage in the Upper Valley of the 24th edition of *La Milanesiana*, a prestigious cultural event conceived and directed by Elisabetta Sgarbi and which, since its inception, has moved between literature, music, cinema, science, art, philosophy, theatre, law, economics and sport.



3 August 2023

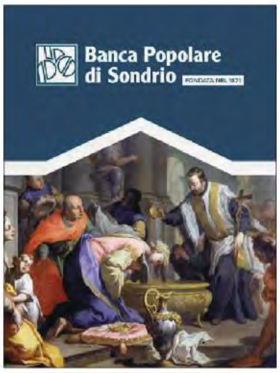
FOUR **E-BIKES TO THE POLICE** FOR **SAFETY IN THE CAPITAL OF VALTELLINA**

Prompt vigilance and respect for the environment. This is the sense of the "E-bike for safety" project promoted by the Sondrio Police Headquarters, within which we donated to the Mobile Squad of electric bicycles to support it in an agile and environmentally friendly manner during city service. A small gesture to say thank you to those who work every day to ensure the safety of all citizens on the roads in our territory. The ceremony was also attended by cycling champions Francesco Gavazzi and Sonny Colbrelli.

10 August 2023

MEETING WITH **FAUSTO DE STEFANI**

Humanitarian commitment, environmental protection, the fascination of the mountain, its teachings. In the Bormio branch, an exciting appointment with Fausto De Stefani, humanitarian and environmental activist even before being a legendary mountaineer of the eight-thousanders. At the end, sociologist and essayist Aldo Bonomi dialogued with the distinguished guest. In recounting his missions, De Stefani dwelt on the importance of social commitment and solidarity, values that led him to Nepal to build a school complex and an outpatient school complex and an outpatient clinic. A testimony that highlighted the right priorities in life through values that, as Bank of the territory, we have always felt close.



7 October 2023

È CULTURA

We joined "È Cultura", a festival organised by ABI ACRI, which involves the Banks and their foundations in cultural and educational initiatives, exceptionally opening our Head Office and the "Luigi Credaro" Library to the public. Many visitors were able to admire our art collections, as well as the valuable historical documents stored in our library. In addition, thanks to the collaboration with FeduF, from 9 to 13 October, financial education lessons were offered to secondary school students, focused on the circular economy.

11 November 2023

10th EDITION **VALTELLINA WINE TRAIL**

In the role of main sponsor, we were alongside the 10th edition of the spectacular "Valtellina Wine Trail". 3500 athletes from all over the world competed over the three marathon distances with the focus on the heart of Sondrio. Our attention was focused on the "Mini Wine Trail" in which the youngest competed. The VWT is a fascinating journey through nature, in which the combination of gastronomy-territory is enriched with the values of inclusiveness and sociability typical of sport and an event that goes beyond sporting competition. An extraordinary opportunity to promote and protect our territory and its enterprises.

17 - 26 November 2023

37th EDITION **SONDRIO FESTIVAL**

An absolute triumph for the 37th edition of the *Sondrio Festival*, an important event that Banca Popolare di Sondrio continues to support with conviction as an expression of the values of which it is a daily spokesperson: the protection of the environment and the territory, through cultural activities and actions oriented towards environmental and social sustainability. Over the course of two weekends, film directors from all over the world enchanted the packed audience with documentaries featuring breathtaking images. For guests and spectators, the Bank once again this year reserved a special gift: *Plants, humans, animals. A right for the environment*, limited edition brochure of the "Habitat" series published by the *Newsletter* on the occasion of the event and dedicated to the coexistence of humans, animals and plants. The volume is signed by some of the most authoritative Italian specialists of environmental sciences and was presented by Massimiliano Ossini on the opening night.

1 - 17 December 2023

PAOLO PUNZO. MOUNTAINS OF LOMBARDY

The exhibition *Paolo Punzo. Mountains of Lombardy*, which started in Lecco, after stops in the Lombardy Region and Lariofiere, has arrived in Bergamo, where it was inaugurated at the Sala Manzù. The exhibition of the "painter of the mountains", included 5 works among the 20 in our collection. For our Bank, the valorisation of artistic heritage has always been of absolute importance. A commitment materialised in 2004 with the realisation of **popsoarte.it**, a virtual art gallery that makes available the main works owned, accompanied by critical cards, bibliographical entries and extensive biographies of the artists catalogued.

2 December 2023

PRESENTATION OF THE VOLUME **"THE CHRISTMAS TRUCE"**

The "Christmas Truce" is a well-known historical episode from 1914; soldiers from opposite sides, engaged in the fighting of World War I, met to embrace, exchange gifts and become human again. The book of the same name, published by Donzelli Editore and presented at the "Fabio Besta" Hall, sought to narrate, to young readers, the joy of life and contagious hope of children incapable of being enemies. An opportunity to illustrate a project of the National Association of Disabled and Invalids of War and Foundation of Sondrio and Lecco on the universal values of Peace. Our Bank, in its role as an intermediary for the circulation of culture in the region, wanted to contribute to make this noble aim possible.

5 December 2023

MEETING WITH **PROFESSOR CARLO COTTARELLI**

At the "Fabio Besta" Hall,
Carlo Cottarelli, one of the most authoritative
and well-known economists,
in the presence of a large audience presented his book
Chimere. Dreams and failures of the economy
during an event moderated by Simone Bini Smaghi,
Deputy General Manager of ARCA Fondi SGR.

29 December 2023

NINTH MEETING WITH **NOBEL PRIZE WINNERS FOR LITERATURE**

The ninth Christmas meeting dedicated to Nobel Prize winners for Literature paid tribute to the playful and irreverent theatre of Dario Fo, awarded in 1997 for his bubbly social satire inspired by the practice of medieval comedians. The meeting, held in the Congress Hall of Bormio Terme, was coordinated by Professor Leo Schena and conducted by Guido De Monticelli and Lucia Valcepina. The appointment was part of the customary cultural meeting realised in collaboration with the Cultural Department of the Municipality of Bormio.

FINANCIAL STATEMENTS
OF THE COMPANY AT
31 DECEMBER 2023

BALANCE SHEET

(in euro)

	ASSET ITEMS	31/12/2023	31/12/2022
10.	**Cash and cash equivalents**	**3,699,902,541**	**5,988,587,809**
20.	**Financial assets measured at fair value through profit or loss**	**705,967,786**	**1,265,271,071**
	a) financial assets held for trading	149,816,849	167,091,231
	c) other financial assets mandatorily measured at fair value	556,150,937	1,098,179,840
30.	**Financial assets measured at fair value through other comprehensive income**	**3,204,667,497**	**2,552,450,859**
40.	**Financial assets measured at amortised cost**	**40,061,556,130**	**39,519,378,873**
	a) Loans and receivables with banks	4,179,860,730	3,842,174,996
	b) Loans and receivables with customers	35,881,695,400	35,677,203,877
50.	**Hedging derivatives**	**1,483**	**247,973**
60.	**Change in value of macro-hedged financial assets (+/-)**	**1,775,301**	**(197,821)**
70.	**Equity investments**	**755,645,487**	**695,768,070**
80.	**Property, equipment and investment property**	**387,177,632**	**387,794,652**
90.	**Intangible assets**	**15,381,899**	**15,241,789**
100.	**Tax assets**	**227,731,802**	**307,977,292**
	a) current	-	15,588,448
	b) prepaid	227,731,802	292,388,844
120.	**Other assets**	**2,331,473,052**	**1,786,775,650**
	TOTAL ASSETS	**51,391,280,610**	**52,519,296,217**

	LIABILITIES AND EQUITY	31/12/2023	31/12/2022
10.	**Financial liabilities measured at amortised cost**	**46,820,066,615**	**48,509,904,000**
	a) Due to banks	8,645,911,852	10,350,930,945
	b) Customer deposits	33,763,841,588	34,541,008,874
	c) Securities issued	4,410,313,175	3,617,964,181
20.	**Financial liabilities held for trading**	**20,423,256**	**47,579,043**
40.	**Hedging derivatives**	**1,803,139**	**115,899**
60.	**Tax liabilities**	**57,269,555**	**19,948,705**
	a) current	38,574,912	-
	b) deferred	18,694,643	19,948,705
80.	**Other liabilities**	**943,011,782**	**755,194,523**
90.	**Provision for employee severance pay**	**31,146,638**	**33,238,555**
100.	**Provisions for risks and charges**	**338,917,644**	**280,458,030**
	a) commitments and guarantees given	95,997,953	62,771,976
	b) pension and similar obligations	159,186,862	158,507,633
	c) other provisions for risks and charges	83,732,829	59,178,421
110.	**Valuation reserves**	**7,796,519**	**(30,086,242)**
140.	**Reserves**	**1,364,174,287**	**1,276,171,128**
150.	**Share premium accounts**	**78,949,045**	**78,977,670**
160.	**Share capital**	**1,360,157,331**	**1,360,157,331**
170.	**Treasury shares (-)**	**(25,201,067)**	**(25,264,093)**
180.	**Profit (Loss) for the year (+/-)**	**392,765,866**	**212,901,668**
	TOTAL LIABILITIES AND EQUITY	**51,391,280,610**	**52,519,296,217**

INCOME STATEMENT

(in euro)

ITEMS		31/12/2023	31/12/2022
10.	INTEREST AND SIMILAR INCOME	1,675,703,819	726,504,232
	of which: interest income calculated using the effective interest method	1,659,632,343	*716,850,823*
20.	INTEREST AND SIMILAR EXPENSES	(828,815,187)	(144,295,504)
30.	**NET INTEREST INCOME**	**846,888,632**	**582,208,728**
40.	FEE AND COMMISSION INCOME	362,344,794	346,786,890
50.	FEE AND COMMISSION EXPENSE	(16,464,122)	(15,596,310)
60.	**NET FEE AND COMMISSION INCOME**	**345,880,672**	**331,190,580**
70.	DIVIDENDS AND SIMILAR INCOME	44,069,930	35,542,567
80.	NET TRADING INCOME	48,645,867	18,514,076
90.	NET HEDGING GAIN (LOSS)	(54,572)	(32,261)
100.	GAINS (LOSSES) FROM SALES OR REPURCHASES OF:	6,565,353	40,823,903
	a) financial assets measured at amortised cost	7,643,604	*28,971,501*
	b) financial assets measured at fair value through other comprehensive income	*(1,165,555)*	*11,847,612*
	c) financial liabilities	*87,304*	*4,790*
110.	NET GAINS/LOSSES ON OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	5,620,661	(66,299,580)
	b) other financial assets mandatorily measured at fair value	*5,620,661*	*(66,299,580)*
120.	**TOTAL INCOME**	**1,297,616,543**	**941,948,013**
130.	NET ADJUSTMENTS/WRITE-BACKS FOR CREDIT RISK RELATED TO:	(187,295,128)	(158,407,824)
	a) financial assets measured at amortised cost	(187,642,307)	*(158,047,658)*
	b) financial assets measured at fair value through other comprehensive income	*347,179*	*(360,166)*
140.	GAINS/LOSSES FROM CONTRACTUAL AMENDMENTS NOT RESULTING IN DERECOGNITION	6,549,655	3,565,479
150.	**NET FINANCIAL INCOME**	**1,116,871,070**	**787,105,668**
160.	ADMINISTRATIVE EXPENSES:	(516,543,537)	(474,297,535)
	a) personnel expenses	(228,541,248)	*(205,543,369)*
	b) other administrative expenses	(288,002,289)	*(268,754,166)*
170.	NET ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES	(55,767,944)	(30,527,436)
	a) commitments for guarantees given	(33,225,977)	*(19,867,865)*
	b) other net provisions	(22,541,967)	*(10,659,571)*
180.	DEPRECIATION AND NET IMPAIRMENT LOSSES ON PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY	(37,003,767)	(32,390,758)
190.	AMORTISATION AND NET IMPAIRMENT LOSSES ON INTANGIBLE ASSETS	(15,832,143)	(14,655,422)
200.	OTHER OPERATING INCOME/EXPENSE	76,406,680	62,636,314
210.	**OPERATING COSTS**	**(548,740,711)**	**(489,234,837)**
220.	GAINS (LOSSES) ON EQUITY INVESTMENTS	(501,991)	1,018,573
230.	NET RESULT OF FAIR VALUE MEASUREMENT OF PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY AND INTANGIBLE ASSETS	(38,103)	118,000
250.	GAINS (LOSSES) ON SALES OF INVESTMENTS	26,786	12,328
260.	**PRE-TAX PROFIT (LOSS) FROM CONTINUING OPERATIONS**	**567,617,051**	**299,019,732**
270.	INCOME TAXES FOR THE YEAR FROM CURRENT OPERATIONS	(174,851,185)	(86,118,064)
280.	**POST-TAX PROFIT (LOSS) FROM CONTINUING OPERATIONS**	**392,765,866**	**212,901,668**
300.	**PROFIT (LOSS) FOR THE YEAR**	**392,765,866**	**212,901,668**

STATEMENT OF OTHER COMPREHENSIVE INCOME

(in euro)

ITEMS		2023	2022
10.	**Profit (loss) for the year**	**392,765,866**	**212,901,668**
	Other income items net of income taxes that will not be reclassified to profit or loss		
20.	Equity securities measured at fair value through other comprehensive income	(4,778,758)	(5,550,430)
50.	Property, equipment and investment property	-	630,732
70.	Defined-benefit plans	4,195,948	7,237,188
	Other income items net of income taxes that may be reclassified subsequently to profit or loss		
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	38,465,571	(84,491,284)
170.	**Total other income items net of income taxes**	**37,882,761**	**(82,173,794)**
180.	**Other comprehensive income (Item 10+170)**	**430,648,627**	**130,727,874**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in euro)

				Allocation of prior year result		Changes during the year								
							Equity transactions							
	Balance at 31.12.2022	Changes in opening balances	Balance at 1.1.2023	Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Other comprehensive income at 31.12.2023	**Equity at 31.12.2023**
Share capital														
a) ordinary shares	1,360,157,331	-	1,360,157,331	-	-	-	-	-	-	-	-	-	-	1,360,157,331
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium accounts	**78,977,670**	**-**	**78,977,670**	**-**	**-**	**-**	**(28,625)**	**-**	**-**	**-**	**-**	**-**	**-**	**78,949,045**
Reserves														
a) from earnings	1,276,171,128	-	1,276,171,128	86,675,651	-	1,327,508	-	-	-	-	-	-	-	1,364,174,287
b) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves	**(30,086,242)**	**-**	**(30,086,242)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**37,882,761**	**7,796,519**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**(25,264,093)**	**-**	**(25,264,093)**	**-**	**-**	**-**	**63,026**	**-**	**-**	**-**	**-**	**-**	**-**	**(25,201,067)**
Profit (loss) for the year	**212,901,668**	**-**	**212,901,668**	**(86,675,651)**	**(126,226,017)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**392,765,866**	**392,765,866**
Equity	**2,872,857,462**	**-**	**2,872,857,462**	**-**	**(126,226,017)**	**1,327,508**	**34,401**	**-**	**-**	**-**	**-**	**-**	**430,648,627**	**3,178,641,981**

On 24 May 2023, a dividend of 0.28 euro per share was paid to shareholders for a total of 126.948 million euro for 2022. For 2023, the directors have proposed the payment of a dividend of 0.56 euro. This dividend is subject to shareholder approval and therefore has not been included as a liability in these financial statements. The proposed dividend is payable from 22 May. The payout envisaged totals 253.896 million euro.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in euro)

				Allocation of prior year result		Changes during the year								
							Equity transactions							
	Balance at 31.12.2021	Changes in opening balances	Balance at 1.1.2022	Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Other comprehensive income at 31.12.2022	**Equity at 31.12.2022**
Share capital														
a) ordinary shares	1,360,157,331	-	1,360,157,331	-	-	-	-	-	-	-	-	-	-	1,360,157,331
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium accounts	**79,005,128**	**-**	**79,005,128**	**-**	**-**	**-**	**(27,458)**	**-**	**-**	**-**	**-**	**-**	**-**	**78,977,670**
Reserves														
a) from earnings	1,153,959,091	-	1,153,959,091	121,851,990	-	360,047	-	-	-	-	-	-	-	1,276,171,128
b) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves	**52,087,552**	**-**	**52,087,552**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(82,173,794)**	**(30,086,242)**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**(25,321,549)**	**-**	**(25,321,549)**	**-**	**-**	**-**	**57,456**	**-**	**-**	**-**	**-**	**-**	**-**	**(25,264,093)**
Profit (loss) for the year	**212,099,145**	**-**	**212,099,145**	**(121,851,990)**	**(90,247,155)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**212,901,668**	**212,901,668**
Equity	**2,831,986,698**	**-**	**2,831,986,698**	**-**	**(90,247,155)**	**360,047**	**29,998**	**-**	**-**	**-**	**-**	**-**	**130,727,874**	**2,872,857,462**

CASH FLOW STATEMENT (indirect method)

(in euro)

	31/12/2023	31/12/2022
A. OPERATING ACTIVITIES		
1. Operations	**894,233,262**	**706,290,484**
- result of the year (+/-)	392,765,866	212,901,668
- gains/losses on financial assets held for trading and financial assets/liabilities measured at fair value through profit or loss (-/+)	2,920,274	71,046,583
- gains (losses) on hedging (-/+)	54,572	32,261
- net adjustments/write-backs for credit risk (+/-)	202,098,683	171,770,398
- net adjustments/write-backs for property, equipment and investment property and intangible assets (+/-)	52,874,013	46,928,180
- provisions for risks and charges and other costs/revenues (+/-)	88,413,551	57,841,310
- unpaid taxes, duties and tax credits (+)	174,851,185	86,118,064
- net impairment adjustments to disposal groups, net of tax effect (+/-)	-	-
- other adjustments (+/-)	(19,744,882)	59,652,020
2. Cash generated/absorbed by financial assets	**(1,389,537,623)**	**(2,025,355,789)**
- financial assets held for trading	28,911,628	32,138,476
- financial assets designated at fair value	-	-
- financial assets mandatorily measured at fair value	538,769,388	103,476,852
- financial assets measured at fair value through other comprehensive income	(604,047,905)	464,444,012
- financial assets measured at amortised cost	(672,956,806)	(1,416,759,876)
- other assets	(680,213,928)	(1,208,655,253)
3. Cash generated/absorbed by financial liabilities	**(1,606,779,684)**	**2,775,024,222**
- financial liabilities measured at amortised cost	(1,763,758,301)	2,952,387,834
- financial liabilities held for trading	(37,437,670)	15,410,121
- financial liabilities measured at fair value	-	-
- other liabilities	194,416,287	(192,773,733)
Net cash generated/absorbed by operating activities	**(2,102,084,045)**	**1,455,958,917**
B. INVESTING ACTIVITIES		
1. Cash generated by	**36,522,027**	**32,197,719**
- sales of equity investments	3,221	2,500,000
- dividends collected from equity investments	36,491,965	29,685,391
- sales of property, equipment and investment property	26,841	12,328
- sales of intangible assets	-	-
- sales of subsidiaries and business units	-	-
2. Cash absorbed by	**(96,067,746)**	**(113,394,798)**
- purchases of equity investments	(60,382,629)	(84,568,727)
- purchases of property, equipment and investment property	(19,712,864)	(14,634,891)
- purchases of intangible assets	(15,972,253)	(14,191,180)
- purchase of subsidiaries and business units	-	-
Net cash generated/absorbed by investing activities	**(59,545,719)**	**(81,197,079)**
C. FUNDING ACTIVITIES		
- issues/purchases of treasury shares	(63,026)	(57,456)
- issues/purchases of equity instruments	-	-
- distribution of dividends and other uses	(126,948,018)	(90,462,683)
Net cash generated/absorbed by financing activities	(127,011,044)	(90,520,139)
NET CASH GENERATED/ABSORBED IN THE YEAR	**(2,288,640,808)**	**1,284,241,699**

Key:

(+) generated (-) absorbed

RECONCILIATION

(in euro)

Items	31/12/2023	31/12/2022
Cash and cash equivalents at the beginning of the year	5,988,587,809	4,703,889,378
Total net liquidity generated/absorbed during the year	(2,288,640,808)	1,284,241,699
Cash and cash equivalents: effect of exchange rate fluctuations	(44,460)	456,732
Cash and cash equivalents at the end of the year	**3,699,902,541**	**5,988,587,809**

NOTES

PART A - Accounting policies

A.1 General information

Section 1 - Declaration of compliance with international accounting standards

Banca Popolare di Sondrio, a joint-stock company, declares that these financial statements have been prepared in accordance with the International Accounting Standards (IAS/IFRS) adopted by the International Accounting Standards Board (IASB), and the related interpretations of the International Financial Reporting Interpretations Committee, in force at 31 December 2023 and endorsed by the European Commission according to the procedure established by EU Regulation 1606/2002.

The adoption of these international accounting standards has taken advantage of the provisions of art. 4, paragraphs 1 and 2, of Legislative Decree No. 38 dated 28 February 2005 "Making the elections envisaged by art. 5 of the EC Regulation No. 1606/2002 concerning international accounting standards".

The format of the financial statements complies with the Bank of Italy's provision No. 262, dated 22 December 2005, issued within the powers defined by Legislative Decree 38/2005 and subsequent updates and additions.

The financial statements of the Bank at 31 December 2023 were approved by the Board of Directors on 15 March 2024.

Section 2 - General preparation principles

The financial statements have been prepared in accordance with the following general criteria described in IAS 1:

1) Going concern. The financial statements have been prepared on a going concern basis: assets, liabilities and off-balance sheet transactions have therefore been valued according to their operating values. In this regard, it should be noted that the board of directors and the board of the statutory auditors have carefully assessed the prospect of the company's continuation as a going concern and have not detected any symptoms in the balance sheet and financial structure or in the operating performance that could lead to uncertainties on the point of business continuity, even taking into account the difficulties highlighted in the past by the so-called "sovereign debt securities" as well as the macroeconomic context created by the pandemic, the Russian-Ukrainian conflict and the more recent Israeli/Palestinian conflict. In this regard, it is believed that the Bank, despite possible negative repercussions regarding the trend of some types of revenues and the cost of credit, and the presence of the risk and risk elements referred to in the paragraph "Risk management" can continue to operate as a going concern in the foreseeable future in accordance with the provisions of the 2022-2025 Business Plan.

2) Accruals basis. Costs and revenues are matched in the accounting periods to which they relate, regardless of when the transactions are settled.

3) Consistency of presentation. Items are presented and classified in the same way from one year to the next, in order to ensure the comparability of information, unless changes are required by an international accounting standard or related interpretation, or a different presentation or classification would be more appropriate for the meaningful and reliable disclosure of information.

If the presentation or classification of items is changed, the comparative amounts are also reclassified, if feasible, and the nature of the reclassification is explained together with the reasons for it.

4) Significance and grouping. Each significant group of similar items is shown separately in the financial statements. Items with a dissimilar nature or use are reported separately, unless they are insignificant.

5) No offsetting of balances. Assets, liabilities, costs and revenues are not offset against each other

unless required or allowed by an international accounting standard or related interpretation, or unless this is specifically envisaged in the reporting formats established for banks.

6) Comparative information. Prior period comparative information is provided for all the data reported in the financial statements, except if a different approach is allowed by an international accounting standard or its interpretation. Explanatory and descriptive information is included when this helps to provide a better understanding of the financial statements.

The financial statements are prepared in accordance with Italian regulations to the extent that they are compatible with IAS. Accordingly, the financial statements incorporate the requirements of Legislative Decree 136/2015, the articles of the Italian Civil Code and the corresponding provisions of the Consolidated Finance Act ("TUF"). All figures reported in the notes are stated in thousands of euro.

Section 3 - Significant events subsequent to financial statement date

No events have taken place between the reference date for these financial statements and the date of their approval by the Board of Directors on 15 March 2024 that would require the adjustment of such approved information, and nothing of significance has occurred that would require changes in the figures of the financial statements.

On 15 January 2024, in line with the 2022-2025 "Next Step" Business Plan, the fourth placement of a 500 million euro covered bond reserved for institutional investors was successfully concluded.

As part of the liability management transaction announced on 4 March 2024, involving a repurchase offer of its euro-denominated fixed-rate subordinated bond "*Euro 200,000,000 Fixed Rate Reset Subordinated Notes due 30 July 2029*", Banca Popolare di Sondrio successfully placed with institutional investors a new Tier 2 subordinated bond issue maturing on 13 March 2034, repayable in advance 5 years before maturity, for an amount of 300 million euro.

Section 4 - Other aspects

1. New international accounting standards endorsed and applied in the preparation of the financial statements at 31 December 2023

Below is an illustration of the new accounting standards or amendments to existing standards approved by the IASB, as well as the new interpretations or amendments to existing ones published by the IFRIC, with separate indication of those applicable in the financial year 2023 and those applicable in subsequent financial years.

New documents issued by the IASB and endorsed by the EU to be mandatorily adopted for the preparation of the 2023 financial statements

- *Regulation (EU) No. 2021/2036 of 19 November 2021*, amending Regulation (EU) No. 1126/2008 adopting certain international accounting standards in accordance with Regulation (EU) No. 1606/2002 of the European Parliament and of the Council with regard to International Financial Reporting Standard 17. IFRS 17 – Insurance contracts published on 18 May 2017 and the amendments to IFRS 17 published on 25 June 2020. It is noted that this standard had no impact on the Bank.
- *Regulation (EU) No. 357 of 2 March 2022*, amending Regulation (EU) No. 1126/2008 adopting certain international accounting standards in accordance with Regulation (EU) No. 1606/2002 of the European Parliament and of the Council, with regard to the international accounting standards IAS 1 (Presentation of financial statements) and IAS 8 (Accounting standards, changes in accounting estimates and errors).

  These amendments clarify the differences between accounting principles and accounting estimates in order to ensure the consistent application of accounting principles and the comparability of financial statements. With reference to IAS 1, the IASB introduced amendments with the aim of developing guidelines and examples in the application of materiality and relevance judgments to accounting policy disclosures. In particular, information about accounting policies is material if, taken together with other information included in the entity's financial statements, it is reasonable to expect that it will influence the decisions of users of the financial statements. With regard to the amendments to IAS 8, the IASB introduced the definition of an accounting estimate. Accounting estimates are to be understood as the "monetary amounts in the financial statements subject to valuation uncertainty".

– *Regulation (EU) 2022/1392 of 11 August 2022* amending Regulation (EU) No. 1126/2008 as regards International Accounting Standard IAS 12. These amendments clarify how companies should account for deferred taxes on transactions such as leases and decommissioning obligations and aim to reduce diversity in the recognition of deferred tax assets and liabilities on leases and decommissioning obligations. The implementation of the amendments under review had no impact on the Bank.
– *Regulation (EU) 2022/1491 of 8 September 2022* amending Regulation (EU) No. 1126/2008 as regards International Financial Reporting Standard 17. This amendment relates to financial assets for which comparative information is required to be disclosed at the date of transition of IFRS 17 and IFRS 9, which, however, is not restated under IFRS 9, with the aim of avoiding temporary accounting mismatches between the valuation of financial assets and those of insurance contracts, thereby contributing to improving the relevance of comparative information for users of financial statements.
– *Regulation (EU) 2023/2468 of 8 November 2023,* amending Regulation (EU) No. 1803/2023 as regards IFRS 12. The amendments introduced a temporary exception to the accounting for deferred taxes determined by the implementation of the OECD second-pillar rules, as well as targeted disclosures for affected entities.

With effect from 1/1/2024, the Banca Popolare di Sondrio Group, as a Multinational Group exceeding the revenue threshold of 750 million euro, for two out of the four preceding financial years falls within the scope of second-pillar income taxes (so-called Pillar II) provided for in Directive 2022/2523, adopted in Italy by Legislative Decree No. 209/2023, aimed at ensuring a global minimum level of taxation for multinational groups of companies and large-scale domestic groups in the Union. According to paragraph 4.A. of IAS 12, notwithstanding the provisions therein on disclosure of deferred tax assets and liabilities relating to second-pillar income taxes, no information is disclosed and no deferred tax assets or liabilities relating to second-pillar income taxes are recognised. The exposure to second-pillar income taxes arises, with respect to all Group companies (and jointly controlled entities, if any) that are located in each individual jurisdiction, from the level of effective taxation, which, for each such jurisdiction, depends on various and interrelated factors, such as primarily the income generated there, the level of the nominal tax rate, the tax rules for determining the tax base, and the provision, form and enjoyment of incentives or other tax benefits. Moreover, given the novelty and complexity underlying the determination of the level of effective taxation, the second-pillar legislation provides, for the first periods of effectiveness (so-called transitional regime valid for periods beginning before 31/12/2026 and ending no later than 30/6/2028), the possibility of applying a simplified regime (so-called transitional safe harbour from country-by-country reporting) based mainly on accounting information available for each relevant jurisdiction which, if specific tests are passed, leads to a reduction in compliance burdens and the elimination of second-pillar taxes.

Based on the information known or reasonably estimable, the Banca Popolare di Sondrio Group's exposure to second-pillar income taxes in the three jurisdictions in which it is present (Italy, Switzerland and the Principality of Monaco) at the reporting date is estimated to be nil because, based on an initial estimate, in the jurisdictions in which it is present, the CbCR Safe harbour Test (applied taking into account the OECD clarifications available to date) is passed. The Group is organising and preparing for compliance with Pillar II legislation, also in order to manage its exposure for subsequent periods, by setting up appropriate systems and procedures to:

- identify, locate and characterise, including on an ongoing basis, all Group companies (or jointly controlled entities) for the purposes of Pillar II legislation;
- compute the simplified tests (so-called transitional safe harbour from country-by-country reporting) for each relevant jurisdiction in order to enjoy the related benefits in terms of reduced compliance burden and zero second-pillar taxes;
- perform full and detailed calculations of relevant quantities as required by Pillar II legislation for any

jurisdictions that fail any of the above tests.

New accounting standards, amendments and interpretations, whose application will become mandatory after 31 December 2023.

- *Regulation (EU) 2023/2579 of 20 November 2023* amending Regulation (EU) No. 2023/1803 as regards IFRS 16. The amendments to IFRS 16 specify how the selling lessee subsequently evaluates sale and leaseback transactions. The amendments are applicable from 1 January 2024.
- *Regulation (EU) No. 2822 of 19 December 2023* - Amendments to IAS 1 "Classification of liabilities as current or non-current and Non-current liabilities with clauses". On 23 January 2020, the IASB published an amendment to IAS 1, which seeks to clarify one of the IAS 1 criteria for the classification of a liability as non-current, namely the requirement that the entity must have the right to defer settlement of the liability for at least 12 months after the end of the reporting period.
  The amendment includes:
  - clarification that the right to defer settlement must exist at the end of the reporting period;
  - clarification that classification is unaffected by management intentions or expectations about possible exercise of the deferral right;
  - clarification about how loan conditions influence classification;
  - clarification of the requirements for classifying a liability that the entity intends to settle or might settle by the transfer of its own equity instruments.

  The amendments are applicable from 1 January 2024.

IAS/IFRS and SIC/IFRIC interpretations issued by the IASB/IFRIC, pending endorsement

- IFRS 14 Regulatory deferral accounts. IFRS 14 allows only those adopting IFRS for the first time to continue to book amounts relating to rate regulation according to the previous accounting standards adopted. Approval process suspended pending new accounting standard on "rate-regulated activities".
- Amendments to IAS 7 and IFRS 9 for supplier financing arrangements. These amendments are intended to improve the transparency of supplier financing arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk.
- Amendments to IAS 21 The effects of changes in exchange rates. The purpose of these amendments is to specify how to assess whether a currency is exchangeable and how to determine a spot exchange rate if it is not.
- Amendments to IAS 28 and IFRS 10. These amendments are intended to address the inconsistency between the requirements of IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011), in dealing with the loss of control of a subsidiary that is contributed to an associate or joint venture. The endorsement process is suspended pending conclusion of IASB project on the equity method

2. TLTRO III

The TLTRO III refinancing operation consists of a programme of ten refinancing operations, each with a three-year maturity, starting in September 2019 with a quarterly frequency, at an interest rate set at a level equal to the average interbank refinancing cost. In 2020, with the aim of further supporting lending to households and businesses, some of the parameters of existing operations were revised, with particular reference to the maximum amount that can be financed and the related remuneration. TLTRO III operations are indexed to the average interest rate on the main refinancing operations (MRO – Main Refinancing Operation rate), or alternatively, depending on the achievement of certain benchmarks, at the average interest rate on deposits at the central bank's Deposit Facility (DF). As of 27 July 2022, the ECB ended the negative rate season in order to counter rising inflation and started a series of rate increases at a steady pace to reach levels sufficiently restrictive to ensure a timely return of inflation to the 2% target in the medium term. The ECB also intervened by changing the way the final rate applicable to transactions is calculated, in order to normalise the cost of funding for the banking sector. In detail, the previous rate calculation methodology was applied for the period until 22 November 2022, and from 23 November 2022 the applicable interest rate was indexed to the average interbank rates applicable from that date onwards (essentially raising the applicable rate over the entire life).

With regard to the way in which these transactions are recognised in the accounts, they present such unique characteristics that they cannot be immediately attributed to a specific accounting principle. Ordinary interest is recorded taking into account the refinancing conditions defined by the ECB as floating market rates defined within the framework of monetary policy measures, which the Governing Council may change prospectively at any time. As of 23 November 2022, interest is then recognised time-by-time on the basis of the interest rate of the instrument defined as the average of the rate on outstanding deposits in each of the reference periods. This interest expense component in 2023 amounted to 220 million euro.

3. Self-securitisation - Centro delle Alpi SME s.r.l.

Credit self-securitisations are transactions carried out with the objective of achieving an improvement in liquidity risk management by optimising the amount of assets immediately available to meet liquidity needs. The Bank's direct and full underwriting of the securities issued by the vehicles, while not allowing it to obtain direct liquidity from the market, nevertheless provides securities that can be used for refinancing operations with the ECB and for repurchase agreements on the market, improving the safety margin against the liquidity risk of the Bank. These disposals did not have any economic impact on the balance sheet: receivables continue to be shown under assets, while subscribed securities are not represented.

On 16 June 2023, a securitisation transaction was finalised by the Bank as part of the management of medium- and long-term interbank funding. The transaction consisted in the non-recourse assignment of a granular portfolio of performing loans granted to SMEs, guaranteed or unsecured, amounting to 1,554 million euro, pursuant to Law 130/1999, to the vehicle company, named Centro delle Alpi SME S.r.l., which was set up for this purpose.

As at 31 December 2023, the value of outstanding securities subscribed by the Bank was unchanged at 949 million for senior securities, 307 million for mezzanine securities and 142 million for junior securities.

For further details, please refer to as indicated in these notes PART E - Information on risks and related hedging policies, subsection 4 “Liquidity risk”.

4. Luzzatti Pop Npls 2023 securitisation

As part of a broader programme of interventions on non-performing loans and in line with the derisking and asset quality improvement strategy, on 28 December 2023, Banca Popolare di Sondrio S.p.A. concluded - together with 11 other participating entities - the multi-originator securitisation of bad loans called “LUZZATTI POP NPLS 2023”, for a total gross book value of 313 million.

For further details, please refer to Part E - Information on risks and related hedging policies, subsection C. “Securitisation Transactions”.

5. Contributions to Resolution and Guarantee funds

The European legislator with Directives 2014/49/EU of 16 April 2014 and 2014/59/EU of 15 May 2014, respectively known as the Deposit Guarantee Schemes Directive (DGS) and the Bank Recovery and Resolution Directive (BRDD), and with the establishment of the Single Resolution Mechanism (EU Regulation No. 806/2014 of 15 July 2014) introduced significant changes to the regulation of banking crises with the aim of strengthening the single market and systemic stability. Directive 2014/49/EU (DGS) harmonises the levels of protection offered by the National Deposit Protection Funds and introduced a mixed contribution system that provides for an upfront contribution until a minimum target of 0.8% of guaranteed deposits is reached in ten years. It is foreseen that the contribution can be made through the instrument of payment commitments, up to a maximum of 30%. For 2023, the bank was asked for an ordinary contribution of 21.416 million, which was fully expensed in the income statement. For this contribution, the bank did not make use of the option of irrevocable payment commitments.

Directive 2014/59/EU(BRRD) defined the resolution rules to be applied to all banks in the Union in the presence of a state of failure. These rules provide that, under certain conditions, the financing of the resolution is to be provided by the National Resolution Fund, which each Member State is required to have. The directive envisages a mandatory contribution mechanism to collect the target level of resources of at least 1% of the amount of protected deposits of all authorised institutions in all EU states by 31 December 2023. It is foreseen that the contribution can be made through the instrument of payment commitments (IPC), up to a maximum of 30%. For 2023, the bank was asked for an ordinary contribution of 22.499 million, 17.437 million of which was expensed in the income statement, while 5.062 million was recorded as an irrevocable commitment. As at 31 December 2023, the bank therefore had irrevocable payment commitments totalling 20.174 million outstanding, against which it had set up escrow deposits for the same amount, which it recorded among its balance sheet assets. The off-balance sheet commitment is evaluated at each reporting date and/or whenever there is evidence that it is likely to be enforced. In this regard, the risk of a recall of IPC on 31 December 2023 is considered remote.

6. Interbank Deposit Protection Fund - Voluntary Scheme

In December 2015, the Bank joined the Voluntary Scheme established as part of the Interbank Deposit Protection Fund to support measures in favour of member banks in receivership or distress or in danger of collapse. This is an additional tool to resolve banking crises intended for interventions when there is a reasonable chance of turning round the Bank or when the intervention is likely to cost less than liquidating it. The Fund intervened in support of Banca Carige in 2018, resulting in a payment by the Bank of 5.257 million matched by the recognition of a financial asset represented by securities measured at fair value through profit and loss. The financial asset was fully impaired in the 2018 financial statements. No charges for other operations were recorded in subsequent years or in the year under review.

7. European Central Bank – ECB

Inspections (2022-2023)

Banca Popolare di Sondrio was involved from October 2022 to the beginning of March 2023 by an On Site Inspection on the Corporate portfolio in the area of credit and counterparty risk, which was aimed at verifying the compliance of the IFRS 9 framework with respect to the regulations in force and the relative level of implementation, analysing the credit quality on the Non-Financial Corporation portfolio and verifying the processes put in place to manage credit and the related risk.

On 23 January 2024, the "Final Report" has been issued with the concluding remarks of the inspection team on the outcome of the OSI Corporate; as of the date of this report, the bank is waiting to receive the "Draft Follow-up letter" and, finally, the "Final Follow-up letter" from the Supervisor.

In response to the recommendations made by the inspection team and also in the context of the annual SREP assessments by the ECB, several project sites were planned and launched to strengthen governance, management and control systems. The work plans mainly focus on the following aspects: credit management processes, risk management, second- and third-level controls, and implementation methods for IFRS 9. This schedule will be reviewed and possibly modified upon receipt of the final documentation by the Authority. In particular, on the basis of the observations received from the supervisory authority, the Bank has already increased the credit risk related to the positions under review and continues to carefully monitor the exposures in preparation for the possible classification to non-performing, as required by paragraphs 5.5.9 and 5.5.17 of IFRS 9.

In any case, the set of ongoing and planned actions will not result in any significant economic effects in addition to those already recorded during the year under review and the previous year.

For more details on the actions taken in 2023 as part of the quantification of expected losses on performing loans, please refer to as set forth in these Notes to the Financial Statements "Section 16 Other Information" and Part E "Information on risks and related hedging policies" Section 1 - Credit Risk.

8. Risks and uncertainties related to estimates

The preparation of the annual financial statements requires the use of estimates and valuations that may have a significant impact on the values recorded in the balance sheet and income statement concerning in particular:

- quantification of impairment losses on loans and financial assets in general;
- use of valuation models for recording the fair value of financial instruments not listed in active markets;
- assessment of the fairness of the value of goodwill and other intangible assets;
- quantification of the fair value of investment properties;
- quantification of personnel provisions and provisions for risks and charges;
- estimates of the recoverability of deferred tax assets.

The Bank defined the estimation processes to support of the carrying amount of the more significant items requiring valuation in the annual financial statements at 31 December 2023, as required by prevailing accounting standards and relevant regulation.

These processes are largely based on estimating the future recoverability of amounts reported in the financial statements in accordance with rules dictated by current regulation and have been performed on a going concern basis, i.e. valuations are not based on the assumption of a forced sale. Specifically, with reference to the estimates that could potentially be most impacted by the current post-pandemic, geopolitical and macroeconomic context, please refer to paragraph 16 of Section A.2 of these notes.

The outcome of this work supports the carrying amount of these items at 31 December 2023. It should be stated, however, that this valuation process was particularly complex in view of the current macroeconomic and market context, characterised by high levels of uncertainty about the prospects, and the consequent difficulty in making even short-term forecasts for these financial parameters which have a significant impact on estimates.

The parameters and information used to verify the above figures have been heavily affected by the macroeconomic and market environment which could experience rapid changes that are currently unforeseeable, with effects - even significant effects - on the amounts reported in the financial statements at 31 December 2023.

9. Terms for the approval and publication of financial statements

Article 154-*ter* of Legislative Decree 58/98 (Consolidated Finance Act) provides that, within one hundred and twenty days from the end of the financial year, the annual financial statements must be approved and the annual financial report including the draft financial statements, the consolidated financial statements, the report on operations, and the certification of the Manager responsible for preparing the Company's accounting documents referred to in Article 154-*bis*, paragraph 5, must be published. The draft financial statements of Banca Popolare di Sondrio were approved by the Board of Directors at its meeting of 15 March 2024 and will be submitted for approval to the Shareholders' Meeting called for 27 April 2024.

10. Information pursuant to art. 1, paras. 125-129 of Law 124/17 dated 4 August 2017 "Annual law for the market and competition - Measures on the transparency of public payments" as amended by Decree Law 30/4/2019 No. 34 (so-called "Growth Decree") art. 35

With regard to the above legislation, the contributions or aid received by the Bank in cash or kind, that were not generally available and did not represent consideration, remuneration or reimbursements, have been published on the National Register of State Aid, to which reference is made pursuant to art. 125-*quinquies* of that law.

11. External audit

The annual financial statements at 31 December 2023 are audited by EY S.p.A., which was assigned the task of auditing for the nine-year period 2017/2025 with a resolution of the shareholders' meeting of 29 April 2017, pursuant to Legislative Decree No. 39 of 27 January 2010.

A.2 Main financial statement items

Below are the accounting policies, broken down by item, that have been adopted for the preparation of the annual financial statements at 31 December 2023, with reference to the classification, recognition, measurement and derecognition of the various asset and liability items, as well as the methods for recognising revenues and costs introduced by certain general elements inherent to the classification of financial assets.

Classification of financial assets

The classification of financial assets is guided, on the one hand, by the contractual characteristics of the cash flows of the instrument itself linked to the generation of cash flows represented solely by payments of principal and interest on the principal to be repaid (i.e. which involve passing the so-called "SPPI test" – "Solely Payment of Principal and Interest test").

The other factor guiding the classification of financial assets is the business model adopted, which determines whether cash flows will arise from the collection of contractual cash flows, the sale of financial assets, or both.

Business models

Held to Collect (HTC)

The objective of this business model is to hold financial assets to collect the contractual cash flows during the instrument's life. Sales are only deemed to be eligible if they are frequent but not significant, or significant but not frequent, or if due to an increase in credit risk, and if close to the maturity date of the financial asset. Frequency is measured based on the number of sales made in the period, while significance is measured on the total amount of sales compared to the portfolio at the beginning of the period. The criteria used to determine these requisites have been included by the Bank in specific internal regulations.

Banca Popolare di Sondrio holds the following within an HTC business model:

- Almost the entire portfolio of loans to customers and banks, given that the Bank mainly undertakes traditional banking activities and holds a loan portfolio that originates from finance granted to households, individuals and businesses;
- Debt securities that may be subjected to this business model's management logic.

Held to Collect & Sell (HTC&S)

The objective of this business model is to collect contractual cash flows and to sell the financial assets. The Bank decided not to use the HTC&S business model for receivables, but decided to use it for securities.

Others (FVTPL)

This business model is adopted when the Bank takes decisions based on the fair value of financial assets and it manages them in order to realise the latter or when the objective of the business model does not fall within that of the previous two (HTC and HTC&S). Banca Popolare di Sondrio holds the following within an "Others" business model:

- Financial instruments held within a trading business model
- Financial instruments held with management on a fair value basis.

The Bank does not require *ex post* monitoring for credit and loans to verify the consistency of the loan portfolio with the HTC business model within which they are held, while it is required for securities to verify the consistency of securities portfolio management with the HTC and HTC&S business models.

SPPI Test - Solely Payment Principal Interest Test

By means of an SPPI test, it is possible to check whether a financial asset may be considered to be a “basic lending arrangement”, whereby the contractual cash flows consist solely of payments of principal and interest accrued on the principal amount outstanding. If the test of the characteristics of the contractual cash flows shows compliance with the requirements of IFRS 9 (SPPI test has been passed), the asset may be measured at amortised cost, provided that it is held within a business model the objective of which is to collect the contractual cash flows during the instrument's life (HTC business model), or at fair value through other comprehensive income (FVOCI), provided that the asset is held within a business model the objective of which is to collect contractual cash flows over the entire life of the asset and to sell the asset (HTC&S business model).

If the test of the characteristics of the contractual cash flows from a financial asset does not show compliance with the requirements of IFRS 9 (SPPI test has not been passed), the asset is measured at fair value through profit or loss (FVTPL). In accordance with guidelines, the Test is performed before a loan is disbursed or a security purchased (origination). Test procedures make use of the so-called SPPI tool.

For credit and loans, the approach for the execution of the SPPI test differs based on whether they consist of:

- Standard products (e.g. current accounts or loans), for which the test is performed at product level. Upon granting a loan, account is taken of the outcome of the SPPI test at product level, updated following verification of the remuneration of credit risk and a benchmark test, where required.
- Non-standard contracts, for which the test is performed individually for each amount.

For the securities portfolio, the results of the SPPI test and benchmark test are acquired for each ISIN from an external info provider. For amounts for which the results of the SPPI test and/or benchmark test obtained from an external info provider are not available and/or complete, the tests are performed within the Bank, using the aforementioned tool.

1. Financial assets measured at fair value through profit or loss

Classification

Financial assets held for trading (debt securities, equity securities, loans, mutual funds) have been allocated to this item. It also includes the derivative contracts with a positive fair value, except those offset pursuant to IAS 32. A derivative contract is a financial instrument whose value is linked to movements in an interest rate, the prices struck for a financial instrument, the price of a commodity, a currency exchange rate, a price index, a rate index or other type of index, is settled on maturity and requires a limited initial net investment. If the derivative qualifies as a hedging derivative, it is recognised in the item “hedging derivatives”. If a financial asset contains an embedded derivative, it is measured by measuring the entire asset at fair value. A derivative that is attached to a financial instrument but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

This item also includes financial assets designated at fair value (debt securities and loans) as the result of the exercise of the fair value option. For the time being, the Bank does not apply the fair value option, but does not exclude the exercise thereof in the future.

Lastly, it includes other financial assets mandatorily measured at fair value (debt securities, equity securities, mutual funds and loans) or financial assets that do not meet the requirements for classification at amortised cost or at fair value through other comprehensive income, since they do not pass the contractual cash flow characteristics test (SPPI test), as well as equity securities and mutual funds (that are not held for trading) and debt instruments held within a business model managed based on fair value.

Recognition

Assets measured at fair value through profit or loss are recognised at the settlement date at fair value, which normally corresponds to the consideration paid, with the exception of transaction costs and revenues that are recognised directly in profit or loss. Trading derivatives are recognised at the "contract" date and are stated at their current value at the time of acquisition.

Accounting policies

Subsequent to initial recognition, financial assets measured at fair value through profit or loss are measured at fair value at the reporting date. With regard to instruments listed on official markets, fair value is calculated with reference to their official bid price at the close of trading, while the fair value of instruments not listed on official markets is determined by reference to prices supplied by information providers such as Bloomberg and Reuters. If this is not possible, estimates and valuation models that take account of market data are used, where available; these methods are based on the valuation of listed instruments with similar characteristics, calculations of discounted cash flows or models for the determination of option prices, taking into account the credit risk profile of the issuer.

If data is not available for measurement under the above models, fair value measurement is performed using unobservable inputs (e.g. adjusted equity).

As regards loans and receivables (due from banks and customers), the models used differ based on the nature and the characteristics of the instruments being measured. Currently, three main base models are applied:

- Discounted Cash Flow Model (DCF)
- Reverse Mortgage Model (RMM);
- ABS model

The above models are used to measure performing exposures.

In the case of loans on demand or maturing in the short term, the book value is considered a good approximation of fair value.

Recognition of components affecting the income statement

Income statement components generated by changes in fair value are recognised in the income statement in the period they arise under "Net trading income" and "Net gains/losses on other financial assets and liabilities measured at fair value through profit or loss" split between the sub-items: "financial assets and liabilities designated at fair value" and "other financial assets mandatorily measured at fair value".

Interest income and dividends are reported in the income statement under "interest and similar income" and "dividends and similar income" respectively.

Derecognition criteria

Financial assets measured at fair value through profit or loss are derecognised when the contractual rights over the cash flows deriving from them expire or are closed out, or when they are sold with the transfer of substantially all the related risks and benefits, or when no control is retained over them even though substantially all the related risks and benefits are neither transferred nor retained.

2. Financial assets measured at fair value through other comprehensive income

Classification

This item includes all financial assets (debt securities, equity securities and loans) classified in the portfolio measured at fair value through other comprehensive income, distinguishing between those that will subsequently be reclassified to the income statement (debt securities and loans) and that will not (equity securities). The following are classified in the portfolio measured at fair value through other comprehensive income:

- debt securities and loans held within an HTC&S business model and that pass the SPPI test;
- equity securities for which the FVOCI option has been irrevocably exercised upon initial recognition.

Recognition

Assets included in this item are recognised at the settlement date at fair value, which normally corresponds to the consideration paid to acquire them.

With regard to debt securities and loans, the Bank requires any changes in business model due to inconsistency between the management of the portfolio and the model chosen, or to significant changes in the strategic choices made, to be decided by the Board of Directors, which will determine if, in rare circumstances, reclassification is needed.

No possibility exists for the reclassification of equity securities. The exercise of the FVOCI option, being the option envisaged by the standard that permits equity instruments to be designated at fair value through other comprehensive income upon initial recognition, is in fact irrevocable.

Accounting policies

Subsequent to initial recognition, financial assets measured at fair value through other comprehensive income are measured at fair value, determined in the same manner as financial assets measured at fair value through profit or loss.

The line “Financial assets measured at fair value through other comprehensive income” comprises equities held by way of support for the core business and to encourage the development of initiatives in the territories where the Bank operates. These instruments represent the majority in this portfolio. For these investments and in consideration of the fact that the application of valuation techniques would use significant discretionary factors, valuation at cost is considered the best expression of their fair value.

At each year-end or interim reporting date, debt securities classified in this item are subject to impairment testing based on a calculation framework similar to the one used for financial instruments measured at “amortised cost”. Any subsequent write-backs cannot exceed the impairment losses recorded previously.

As regards equity securities classified in the item “Financial assets measured at fair value through other comprehensive income”, they are not subject to impairment and changes in value, also due to deterioration in creditworthiness, are recognised in an equity reserve.

Recognition of components affecting the income statement

The interest calculated using the effective interest method, which takes account of the difference between cost, including transaction costs, and redemption value, is recorded in the income statement.

Changes in fair value of assets, net of the related deferred tax effect, are recorded in specific equity reserve, the “Valuation reserve”, consisting of “Valuation reserves: Equity securities measured at fair value through other comprehensive income” and “Valuation reserves: Financial assets (other than equity securities) measured at fair value through other comprehensive income”. An exception is made for debt securities, value adjustments and write-backs related to changes in credit risk, which are recognised in the income statement under item 130(b) “Net adjustments/write-backs for credit risk”.

If the reasons for impairment cease to apply following events subsequent to the reduction in the value of the financial asset, the write-backs relating to debt securities are reflected in the income statement, while those relating to equity securities are recorded in a specific "Valuation reserve" within equity.

Upon derecognition, the cumulative gain or loss on debt securities are recorded in the income statement while on equity securities, they are recorded in the equity reserve (item 140).

Dividends are shown under "dividends and similar income".

Derecognition criteria

Financial assets measured at fair value through other comprehensive income are derecognised when the contractual rights over the cash flows deriving from them expire or are closed out, or when they are sold with the transfer of substantially all the related risks and benefits, or when no control is retained over them even though substantially all the related risks and benefits are neither transferred nor retained.

3. Financial assets measured at amortised cost

Classification

This item includes financial assets, debt securities and loans, managed through an HTC business model that have passed the SPPI Test. The following are recognised in this item:

a) amounts due from banks (current accounts, guarantee deposits, debt securities, etc.), other than those "on demand" included under "Cash and cash equivalents". These include operating loans linked to the provision of financial services and activities as defined by the Consolidated Banking Act (TUB) and the Consolidated Finance Act (TUF) (e.g., distribution of financial products) and receivables due from Central Banks (e.g. compulsory reserve), other than current accounts and "on demand" deposits included under "Cash and cash equivalents", are also included;

b) loans and receivables with customers (mortgage loans, finance leases, factoring, debt securities, etc.). These also include deposits with post offices and Cassa Depositi e Prestiti, variation margins with clearing houses arising from derivative transactions and operating loans linked to the provision of financial services and activities as defined by the Consolidated Banking Act and the Consolidated Finance Act (for example, servicing activities).

Also included are:

- advances in respect of the assignment of receivables with recourse or without recourse without the substantial transfer of risks and rewards, and receivables acquired by the company recognised against the assigned debtor for which the substantial transfer of risks and rewards to the assignee has been recognised;
- finance leases relating to assets under construction and assets about to be leased under "transfer of risks" contracts, whereby the risks are transferred to the lessee prior to delivery of the asset and the start of lease instalments;
- loans granted through government or other public entity funding in connection with particular lending transactions provided for and governed by specific laws ("loans through third-party funds under administration"), provided that the loans and funds bear interest due and payable to the lender;
- trade notes and documents that the banks receive subject to collection or subsequent to collection and for which the banks handle the collection service on behalf of assignors (recognised only upon settlement of the related amounts).

Recognition

Financial assets measured at amortised cost are recognised on the settlement date at fair value, which normally coincides with the amount paid, including transaction costs.

Repurchase agreements are recorded in the financial statements as funding or lending transactions. In particular, spot sales with forward repurchases are recorded as a payable for the spot amount collected, while spot purchases with forward resales are recorded as a receivable for the spot amount paid.

The Bank requires any changes in business model due to inconsistency between the management of the portfolio and the model chosen, or to significant changes in the strategic choices made, to be decided by the Board of Directors, which will determine if, in rare circumstances, reclassification is needed.

Accounting policies

Subsequent to initial recognition, valuations are carried out on an amortised cost basis, using the effective interest method. Amortised cost is represented by the initial value, including transaction costs, net of any repayments of principal, as increased or decreased by adjustments or write-backs and the amortisation of the difference between the amount paid and that recoverable on maturity. The effective interest rate is the rate using which the present value of future cash flows equals the amount of the loan granted, as adjusted by directly-related costs and revenues. Short-term loans (less than 12 months) without a specific repayment date and loans repayable on demand are recognised at cost, as the calculation of the amortised cost does not produce significant differences. The effective interest rate identified initially, or when the indexing parameter for the loan is modified, is used subsequently to discount expected cash flows, even if there has been a credit change associated with the loan followed by loan forbearance measures that have led to a change in the contractual rate.

At each reporting date, financial assets measured at amortised cost are subject to impairment according to the rules set forth in IFRS 9; the value adjustments made are recognised in the income statement under item “130. Net adjustments/write-backs for credit risk: a) financial assets measured at amortised cost”. For the definition of value adjustments, financial assets measured at amortised cost are classified into different Stages:

- Stage 1: includes performing positions for which there has been no significant increase in credit risk since the date of initial recognition;
- Stage 2: includes performing positions for which there has been a significant increase in credit risk since the date of initial recognition;
- Stage 3: non-performing positions (non-performing past-due positions, unlikely to pay, bad loans) are included.

Classification in one of the stage 3 credit-impaired categories complies with the definition of “Non-performing exposures” provided by the Implementing Technical Standards (ITS) of the EBA and adopted by the European Commission, where impaired financial assets are to be split between bad loans, unlikely to pay and non-performing past due and/or overdrawn exposures.

Specifically:

- Bad loans reflect the exposure to parties that are insolvent or in essentially equivalent situations, regardless of any loss forecasts made by the Group. Accordingly, no account is taken of any guarantees received in support of such exposures.
- Exposures classified as unlikely-to-pay loans are exposures, other than bad loans, for which the bank deems it improbable that the obligor will pay its credit obligations (principal and/or interest) in full without recourse to measures such as the enforcement of guarantees.
- Non-performing past due exposures are exposures other than bad or unlikely to pay loans, which, at the reference date, are past due and/or overdrawn continuously for more than 90 days and which exceed set absolute materiality thresholds (100 euro for retail exposures or 500 euro for non-retail exposures) and relative materiality (set at one percent (1%) for both retail and non-retail exposures). Non-performing past due exposures are determined by reference to the individual debtor.

  At each reporting date, an entity must assess whether there has been a significant increase in credit risk since the date of initial recognition. The determination of a significant increase in credit risk

(SICR) and the subsequent estimation of impairment, which may either be annual (for positions classified in stage 1) or multi-annual based on the residual life of the exposure (for positions classified in stage 2), is performed via the use of specific methodologies, which combine the use of absolute criteria – specifically, information relating to the number of continuous days past due/overdrawn, any forbearance measures, loans purchased or originated credit-impaired and use of the low credit risk exemption for limited and particular types of counterparties and technical forms – and relative criteria. More precisely, the latter enable the measurement, via the analysis of an appropriate PD-based metric ("Probability of Default"), of the change in the riskiness of the position over a timescale equating to the residual life thereof that has elapsed since the origination date up to the analysis/reporting date. For the construction thereof, use is made of probability of default term structures (lifetime PD curves, which differ according to appropriate granularity), which are constructed starting with an internal rating system, where available, or that assigned by an external rating agency, and by also taking into consideration elements of a predictive-evolutionary nature and specific to the macroeconomic scenario deemed to be most plausible at the analysis/reporting date in compliance with the underlying rationale of the new accounting standard. If there has been a significant change in credit risk, there will be a transfer between stages: this model is symmetrical, and assets can move between stages. In the case of positions subject to forbearance measures, it should be noted that in accordance with prudential principles, an observation period of at least two years is envisaged before the position is returned to a better stage.

The measurement of financial assets carried at amortised cost is based on a computation of expected credit loss, which is defined as an estimate of the weighted probability of credit losses over the expected life of the financial instrument weighted for the probability of occurrence and is calculated based on the classification in stages as indicated above.

In particular:

- 12-month expected credit losses, for assets classified in stage 1. 12-month expected credit losses are those that result from default events that are possible within 12 months (or within a shorter period if the expected life is less than 12 months), weighted for the probability of occurrence of the default event.
- Lifetime expected credit losses, for assets classified in stage 2 and 3. Lifetime expected credit losses are those that result from all possible default events over the expected life of the financial instrument, weighted for the probability of occurrence of the default event.

For stage 2 positions, the provisions relating to each counterparty may be increased to a level considered appropriate by the competent business functions, based on the results of applying the statistical methodology defined by the Bank and specific operational information, if the theoretical expected loss does not accurately reflect the level of risk identified.

As regards performing positions, the measurement is performed on a collective basis, taking account of the risk parameters consisting of probability of default (PD) and loss given default (LGD), as well as exposure at default (EAD). Value adjustments for expected losses are quantified as the product of the parameters previously reported, for the estimation of which similar parameters used for regulatory purposes are used, suitably modified and adapted in relation to the different requirements between accounting regulations and prudential regulations with particular reference to (I) the logic of calibration of the aforementioned risk parameters according to the point in time approach, (II) the prospective nature of the estimates (namely, modelling of the so-called FLI-forward-looking information) and (III) their explicit conditioning on the realisation of a plurality of appropriately weighted macroeconomic scenarios (so-called scenario-dependency aspects).

As regards credit-impaired positions, measurement may be performed on a collective or detailed basis.

Impairment of individual assets measured at amortised cost is the extent to which their recoverable value is lower than their amortised cost. In the case of detailed analysis, recoverable value is defined as the present value of expected cash flows, determined with reference to the following elements:

- value of contractual cash flows net of any expected losses, estimated with reference to both the ability of the borrower to meet its obligations and the value of any collaterals or personal guarantees assisting the loan;

- expected timing of recoveries, considering the progress made by recovery procedures;
- internal rate of return.

The specific analysis of non-performing financial assets takes the following parameters into account:

- recoveries forecast by the account managers;
- expected timing of recoveries based on historical-statistical data;
- original discounting rates or the actual contractual rates applying at the time of classifying the loans as non-performing.

Collective assessments are made of positions with limited total exposures that do not exceed given “threshold values”. These thresholds are determined from time to time, using simple processes that mainly involve the automatic application of specific coefficients defined internally with reference to detailed quantitative analyses.

Unlikely-to-pay loans, which include loans subject to restructuring agreements, are also assessed on either a detailed or an overall basis. The detailed analysis takes the following parameters into account:

- recoveries forecast by the offices involved;
- expected timing of recoveries based on historical-statistical data;
- original discounting rates represented by the actual contractual rates applying at the time the loans were classified as unlikely-to-pay or, with specific reference to loans subject to restructuring agreements, in force before signing the agreement with the debtor.

Collective write-downs are made using similar methodology to that applied in relation to the overall write-down of bad loans for which no specific estimate of the loss attributable to each individual relationship has been made.

These financial assets are adjusted on an overall basis with reference to specific historical/statistical analyses of the related losses incurred in the past.

Non-performing past due exposures are identified using automated procedures that extrapolate anomalous positions with reference to specific parameters established by regulations in force from time to time.

For the positions in question, it is not possible to quantify expected losses on a detailed basis at the level of individual position. The measurement of the level of impairment thereof – and, thus, of the adjustments to be applied on a collective basis – is performed by taking account of the possibility of return to performing of the positions or of a further deterioration of default and, accordingly, of the amount of the estimated expected losses arising from the established work-out process. Measurement is also performed based on the availability of appropriate information of a macroeconomic and prospective nature that is deemed significant for the estimation of the adjustments.

It should be noted that the impairment model relating to non-performing loans (Stage 3) envisaged by IFRS 9 is based on an estimate of the difference between the original contractual flows and expected cash flows. So, in determining the expected flows, it is necessary to include estimates at the reporting date of the various expected scenarios, including any loan disposal programmes and/or settlement agreements. If the entity expects to recover a portion of the cash flow of the exposures through sales procedures or settlement agreements, these can be included in the calculation of the Expected Credit Losses verified under certain conditions.

The Bank incorporates the various recovery strategies considering the different probabilities that they will take place.

In the context of calculating the ECL, internal regulations require the expected loss and the recoverable value of non-performing loans to be estimated in disposal scenarios in accordance with a specific procedure, comprising several phases, that starts with identification of the scenarios.

In general, the accounting rules require the estimate of the loss on non-performing loans to reflect a range of possible outcomes for different scenarios, each associated with a specific probability of occurrence.

Currently, the following possible scenarios have been identified, each with different models and estimated outcomes:

- internal management of credit recovery activities;

- adoption of settlement agreements for a selected number of impaired positions;
- disposal to third parties of impaired exposures.

The next phase consists in identifying the portfolio to be sold, based on knowledge of its characteristics, the existence of any internal and/or external constraints, the monitoring of market conditions and any more complex strategic and operational objectives. The aggregate is defined with reference to the specific factors attributed to each position, such as their contractual characteristics (e.g. type of guarantee, ageing, size of the exposure etc.) and relevant operational information, including the type of recovery procedures already in progress, the geographical location of the counterparty, any impediments or obstacles to disposal, the strategic orientation, the conditions existing from time to time in the market for the disposal of loans, the strategies adopted by competitors, and any other internal and/or external factors that can be explained appropriately.

Each operational scenario identified is assigned a specific probability of occurrence. This probability is determined on both qualitative and quantitative bases, the latter taking into account the correlation between the target and extended portfolios selected for each scenario.

The next phase involves estimating the expected loss for each scenario. The estimate of losses on non-performing loans must reflect reasonable and well-founded information, available without excessive cost or effort, including details of past events, current conditions and the economic situation expected in future. In line with the internal regulations for quantifying the loss expected on non-performing exposures, an estimate is made of the cash flows expected from each operational scenario identified. Without prejudice to specific regulatory instructions, the estimate of cash flows from internal credit management scenarios takes account of macroeconomic and sector information, the situation faced by the debtor, the cash flows expected from the debt restructuring to "unlikely-to-pay exposures", any collaterals or personal guarantees, the period for which the position has been impaired and the expected time to obtain recovery.

The estimate of cash flow from loan disposal scenarios takes account of similar transactions carried out in the past by the Bank, as well as specific information available about the "underlying" (situation faced by the borrower and any loan guarantees obtained) and the market for the disposal of "non-performing" loans (e.g. prices of similar transactions carried out by other intermediaries and historical and forecast market curves).

The expected loss on each impaired position is therefore determined using the following formula:

Expected loss Single Position	=	Expected Loss - Disposal Scenario* Probability of occurrence of Disposal	+	Expected Loss - Internal Management Internal* Internal Management Probability of Occurrence

Recognition of components affecting the income statement

Interest income on financial assets measured at amortised cost is classified in the item "interest and similar income".

As regards financial assets classified in stage 3 and loans purchased or originated credit-impaired (POCI), interest is calculated using the net interest method and is recognised in the item "interest and similar income".

Adjustments and write-backs for changes in credit risk, calculated as specified above, are recognised in the income statement. Any write-backs do not exceed the (specific and general or "portfolio") impairment adjustments recorded previously.

Derecognition criteria

Financial assets measured at amortised cost are derecognised when the contractual rights over the cash flows deriving from them expire or are closed out, or when they are sold with the transfer of substantially all the related risks and benefits, or when no control is retained over them even though substantially all the related risks and benefits are neither transferred nor retained.

IFRS 9 also includes the following provisions on:

- Write-off of financial assets: when an entity does not reasonably expect to fully or partly recover contractual cash flows from a financial asset, it must directly reduce the gross carrying amount of the financial asset. This write-down constitutes partial or total derecognition of the asset.
- Change in contractual cash flows: when a change in contractual cash flows occurs, the entity must assess whether the original asset should continue to be recognised in the financial statements or whether the original instrument should be derecognised and a new financial instrument recognised. When the modification of contractual cash flows of a financial asset is substantial, the Entity should derecognise the existing financial asset and subsequently recognise the modified financial asset: the modified financial asset is deemed to be a "new" financial asset for the purpose of this standard (IFRS 9 B5.5.25). When the modification of contractual cash flows from a financial asset is not substantial, an entity should redetermine whether there has been a significant increase in credit risk and/or whether the financial asset should be reclassified to stage 3. At the time of a modification that does not lead to derecognition, the Bank adjusts their carrying amount to the present value of the modified cash flows determined using the original effective interest rate, with a matching entry to the income statement.

3.1 Commitments and guarantees given

Classification

These comprise all the collaterals and personal guarantees given for third-party obligations and commitments to grant loans.

Recognition and measurement

Endorsement loans are valued on the basis of the riskiness of this particular form of loan, taking into account the creditworthiness of the borrower. The impairment model envisaged for this category of financial assets is the same as that for financial assets measured at amortised cost (see paragraph 3 above).

Recognition of components affecting the income statement

The commissions accrued are shown in the income statement under "fee and commission income". Impairment losses, and subsequent write-backs, are booked to the income statement under "net provisions for risks and charges" with a contra-entry to "Provisions for risks and charges - a) Commitments and guarantees given".

4. Hedging transactions

Classification and recognition

Financial and credit derivatives held for hedging purposes with a positive or negative fair value are recognised in the corresponding balance sheet item. The IASB is still developing new macro-hedging requirements to complete the hedge accounting requirements already included in IFRS 9, which will replace the rules set out in IAS 39 and, accordingly, until the completion and publication of the new standard, the Bank has decided to continue to apply the hedge accounting requirements set out in IAS 39, as this option is allowed under IFRS 9.

The portfolio of hedging derivatives comprises the derivative instruments used by the Bank to neutralise or minimise the losses arising in relation to hedged assets and liabilities.

The hedging of market risks can take two different forms:

- fair value hedges, to hedge the exposure to changes in the fair value of a balance sheet item attributable to a particular risk; this also includes generic fair value hedges (“macro hedges”) whose objective is to reduce fair value fluctuations, attributable to interest rate risk, of a monetary amount, arising from a portfolio of financial assets and liabilities;
- cash flow hedges of the exposure to changes in future cash flows attributable to specific risks associated with balance sheet items.

If the test reveals that the hedge is not sufficiently effective, the instrument is reclassified to the trading portfolio. Hedging instruments are recorded using the “contract date” method.

For a transaction to be accounted for as a “hedging transaction”, the following conditions must be met: a) the hedging must be formally documented, b) the hedge must be effective at the time it starts and prospectively throughout its life. Effectiveness is tested using specific techniques and exists when the changes in the fair value (or cash flows) of the hedging instrument almost entirely offset the related changes in the hedged instrument (the results of the test fall into the 80% - 125% interval). The effectiveness of the hedge is assessed at each interim reporting date and at year end.

Derivative hedging instruments are initially recorded at fair value on the date the contract is entered into and are classified, depending on their positive or negative value, respectively, in assets under item “50. Hedging derivatives” or on the liabilities side of the balance sheet under item “40. Hedging derivatives”.

Measurement and recognition of components affecting the income statement

Fair value hedges are measured and recorded on the following basis:

- hedging instruments are stated at their fair value; the fair value of instruments listed on active (efficient) markets is represented by their closing market price, while the fair value of instruments not listed on active markets corresponds to the present value of expected cash flows, which are determined having regard for the different risk profiles of the instruments subject to measurement. The measurement techniques used are those normally adopted by the market. The resulting gains and losses are recorded in the income statement item “90. Net hedging gain (loss)”;
- hedged positions are measured by including changes in fair value attributable to the hedged risk. These changes in value are also recognised in the income statement under item “90. Net hedging result” as balancing entry against the change in book value of the hedged item.

With regard to interest-earning financial instruments, if the hedge transaction ceases to satisfy the recognition criteria of the standard, the difference between the carrying value of the hedged item at the time the hedge ceases and its carrying value had the hedge never existed is amortised to the income statement; if the financial instruments concerned do not earn interest, this difference is recorded in the income statement immediately.

In the case of generic fair value hedges (“macro hedges”), changes in fair value with reference to the hedged risk of the hedged assets and liabilities are recognised in the balance sheet respectively, under item “60. Change in value of macro-hedged financial assets” or “50. Change in value of macro-hedged financial liabilities”. The offsetting entry for changes in value referring to both the hedged item and the hedging instrument, like specific fair value hedges, is item “90. Net hedging gain (loss)” in the income statement. In the event of the discontinuation of a generic fair value hedging relationship, the cumulative revaluations/write-downs recognised in the balance sheet items above are recognised in the income statement under interest income or expense over the remaining term of the original hedging relationships, subject to verification that the underlying conditions are met.

Cash flow hedges are measured and recorded on the following basis:

- derivative instruments are stated at their fair value. The gains and losses deriving from the effective part of the hedge, net of the related deferred tax effect, are recorded among the “Valuation reserves” within equity and only released to income when the hedged change in cash flows takes place or if the hedge is ineffective;
- the hedged item continues to be valued on the basis applicable to the category concerned;
- the amounts recognised among the components of other comprehensive income are reclassified to the income statement for the year in which the hedged transaction affects the income statement, for example when charges or income are recognised in relation to the hedged instrument.

If the hedging instrument expires or is sold, cancelled or exercised without replacement (as part of the hedging strategy), or if it ceases to be designated as a hedging instrument, or if the hedge no longer satisfies hedge accounting criteria, any gains or losses previously recognised as components of other comprehensive income remain classified separately within equity until the expected transaction takes place or the commitment made in relation to foreign currency is called upon.

Derecognition criteria

Risk hedges cease to generate accounting effects when they expire, when they are closed out or terminated early, or when they cease to satisfy the recognition criteria provided.

5. Equity investments

Classification

The portfolio of equity investments comprises holdings in subsidiary companies, associated companies and companies under joint control, other than those classified as "financial assets measured at fair value through other comprehensive income". Control is presumed to exist when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Control is therefore deemed to exist in the following circumstances:

a) availability of actual and potential voting rights at a shareholders' meeting and/or other contractual rights, relations or other elements that guarantee influence over the relevant activities of the investment;
b) exposure to the variability of results, for example in terms of an overall economic interest in the investment;
c) with regard to the above points, existence of an ability to influence the economic results of the investment by the power exercised over it.

A company is an associated company if the Bank exercises significant influence over its activities or, in any case, if it holds 20% or more of the voting rights or, if it has an interest of less than 20%, if one or more of the following circumstances apply:

a) representation on the board of directors, or equivalent body, of the investee company;
b) the Bank takes part in the decision-making process, including decisions regarding dividends;
c) there are significant transactions between the parent company and the subsidiary;
d) there is an exchange of managers;
e) essential technical information is being provided.

Joint control exists when control over the investment is shared equally with others, is agreed contractually and only exists if the decisions about relevant activities require the unanimous consent of the parties sharing control.

Recognition

Equity investments are initially recognised at cost on the acquisition date, whereby cost normally coincides with the amount paid, including transaction costs.

Accounting policies

Equity investments are subsequently measured at cost. If the solvency of an equity investment appears to have deteriorated, it is subjected to impairment testing to check if there has been any loss in value. The impairment loss is the difference between the lower new value and the previous carrying value. Any subsequent write-backs cannot exceed the impairment losses recorded previously.

Measurement and recognition of components affecting the income statement

Dividends are accounted for in the year they are collected and shown under "dividends and similar income". Impairment losses, as well as profit/losses on disposal, are booked to the income statement under "net gains (losses) on equity investments".

Derecognition criteria

Equity investments are derecognised when the financial asset is sold together with the transfer of all the risks and benefits of ownership.

6. Property, equipment and investment property

Classification

This item includes buildings, land, installations, furniture, equipment, furnishings and machinery. The rights of use acquired with the lease relating to the use of a tangible asset (for lessees) are also included.

This item includes buildings held for investment purposes in order to earn rentals or enjoy capital appreciation and follow the rules laid down by IAS 40.

This item also includes property, equipment and investment property classified according to IAS 2 Inventories, mainly relating to assets acquired with a view to enhancing the value of the investment, including through renovation or redevelopment, with the explicit intention of selling them, including assets deriving from the enforcement of guarantees received.

Recognition

Property, equipment and investment property are initially recorded at cost, including all expenses directly related to the asset's installation prior to being brought into service. Expenditure on improvements that will generate future economic benefits is added to the value of the assets concerned, while routine maintenance costs are charged to the income statement.

Investment properties, at the time of purchase, are recorded under assets in the balance sheet at cost. In the presence of a change of use of the property from property for business use to investment property, the initial book value is equal to the fair value, deduced from a specific appraisal. The difference between the fair value and the book value of the property at the date of change in use is treated on the basis of IAS 16, i.e. if there is a negative difference between fair value and book value, the decrease is recognised in the income statement, whereas if there is a positive difference between fair value and book value, the increase in value is recognised in the income statement as income for the amount that adjusts any previously recognised decrease in value; any excess must be credited to a revaluation reserve included in equity.

According to IFRS 16, leases are accounted for on the basis of the right of use model, so that, at the initial date, the lessee has a financial obligation to make payments due to the lessor to compensate for his right to use the underlying asset for the duration of the lease.

The start of the lease term is the date from which the lessee is authorised to exercise his right to use the leased asset, it corresponds to the date of initial recognition of the lease and also includes the so-called rent-free period, or those contractual periods in which the lessee makes use of the asset free of charge. When the asset is made available to the lessee for its use (initial date), the lessee recognises:

– an asset consisting of the right to use the asset underlying the lease contract. The asset is recognised at cost, determined by the sum of:
  - the financial liability for the lease;
  - payments for the lease paid before or on the date on which the lease takes effect (net of the lease incentives already received);
  - initial direct costs;
  - any (estimated) costs for the dismantling or restoration of the underlying leased asset.
– a financial liability deriving from the lease agreement corresponding to the present value of the payments due for the lease. The discount rate used is the implicit interest rate, if determinable; otherwise the lessee's incremental borrowing rate is used. If a lease contract contains “non-lease components” (for example services, such as routine maintenance, to be recorded according to the provisions of IFRS 15) the lessee has to account for “lease components” and “non-lease components” separately and split the contract consideration between the various components based on the relative prices.

  The lease term is determined by taking into account:

– periods covered by a lease extension option, if it is reasonably certain to be exercised;
– periods covered by a lease termination option, if it is reasonably certain to be exercised.

Accounting policies

Subsequent to initial recognition, property, equipment and investment property used for business purposes are stated at cost, net of depreciation and any impairment in value.

Depreciation is provided on a systematic basis over the useful lives of the various categories of asset. The total book value of property has been split, based on specific appraisals, between the value of buildings and that of the related land, which is not depreciated since it has an indefinite life. Property, equipment and investment property are subjected to impairment testing at year end, or at interim reporting dates if there is evidence of a possible loss of value, and any impairment of their carrying amount with respect to their recoverable amount is charged to the income statement. Recoverable amount is defined as the asset's fair value, less any selling costs, or, if greater, its value in use as represented by the present value of future cash flows generated by the asset; subsequent write-backs do not exceed the impairment losses recorded previously.

Property, equipment and investment property (inventories) to which IAS 2 applies are valued at the lower of cost and net realisable value. This case is not subject to periodic depreciation.

For investment properties, falling within the scope of IAS 40, the Bank adopts the fair value measurement method, whereby, following initial recognition, all investment properties are measured at fair value. Consequently, these properties are not subject to depreciation, nor are they subject to impairment testing.

With regard to lease contracts, the lessee must:

– assess the right of use at cost, net of accumulated depreciation and accumulated value adjustments determined and accounted for on the basis of the provisions of IAS 36 “Impairment of assets”, adjusted to take into account any restatements of the lease liability;
– increase the liability deriving from the lease transaction following the accrual of interest expense calculated at the implicit interest rate of the lease, or, alternatively, at the incremental borrowing rate and reduce it for payments of principal and interest. In the event of changes in payments due for leases, the liability must be restated; the impact of the recalculation of the liability is recognised as a contra-entry to the asset consisting of the right of use.

Recognition of components affecting the income statement

Periodic depreciation, impairment losses and write-backs are recorded in the “depreciation and net impairment losses on property, equipment and investment property” item of the income statement.

The fair value model for investment properties requires changes in value deriving from the periodic recalculation of fair value to be recognised in the income statement as income or expenses under “Net result of fair value measurement of property, equipment and investment property and intangible assets”. For the methods used to determine the fair value and the periodicity of restatement, reference should be made to the criteria illustrated in “Part A.4 - Information on fair value” below.

With regard to leasing contracts, the amortisation of the Right of Use of the asset is recognised under the item “Depreciation and net impairment losses on property, equipment and investment property”, while the interest expense recognised on the financial liability related to the contract is included under the item “Interest and similar expense”.

Derecognition criteria

Property, equipment and investment property are derecognised on disposal or when their economic lives are over and they are not expected to generate any further economic benefits.

On disposal of an investment property, the difference between the sale consideration and the carrying amount must be recognised in the income statement, as “Gains (losses) on sale of investments”.

The right of use deriving from lease contracts is eliminated from the financial statements at the end of the lease term.

7. Intangible assets

Classification

This item comprises identifiable, intangible, non-monetary assets that will benefit future years. Existing intangible assets consist of software, goodwill and other intangible assets.

Recognition

Intangible assets are recorded at purchase cost plus any related charges, only if it is probable that the future economic benefits attributable to such assets will be realised and their cost can be measured reliably. In the absence of these conditions, the cost of the intangible asset is expensed in the period incurred; any costs incurred subsequently are only capitalised if they increase the value of or the economic benefits expected from the assets concerned. Goodwill is booked to assets when it derives from a business combination according to the criteria laid down in IFRS 3 as the residual surplus between the overall cost incurred for the operation and the net fair value of the acquired assets and liabilities that constitute businesses or business units.

Accounting policies

Subsequent to initial recognition, intangible assets except for goodwill are stated at cost, net of accumulated amortisation and any impairment. Amortisation is provided on a systematic, straight-line basis over the expected useful lives of the intangible assets concerned. At the end of each annual or interim reporting period, if there is evidence of impairment, the recoverable value of the asset is estimated: the amount of the loss is equal to the difference between the book value and the recoverable value and is posted to the income statement.

Once booked, goodwill is not amortised but tested periodically to ensure that the book value is holding up. This test is carried out once a year or more frequently if there are signs of impairment. For this reason, cash generating units (CGUs) to which the individual amounts of goodwill can be allocated are identified. The amount of any reduction in value is determined on the basis of the difference between the carrying value of the goodwill and its recoverable value, if this is less. This recoverable amount is equal to the higher of the fair value of the CGU, net of any costs to sell, and the related value in use, represented by the present value of the estimated cash flows for the years that the CGU is expected to operate, including those deriving from its disposal at the end of its useful life.

Recognition of components affecting the income statement

Periodic amortisation, impairment losses and any write-backs are allocated to the income statement under the item “Net value adjustments on intangible assets” or “Value adjustments of goodwill”. For goodwill, it is not permitted to book any subsequent write-backs.

Derecognition criteria

Intangible assets are derecognised when they are not expected to generate any further economic benefits.

8. Non-current assets held for sale

The Bank classifies non-current assets and disposal groups as held for sale if their carrying amount will be recovered principally from sale rather than from continuous use. Non-current assets are only classified in this item when disposal is considered highly probable, and the asset or disposal group is available for immediate sale in its current condition, given that Management is committed to making the sale, which should be scheduled for completion within one year of the classification date. They are measured at the lower of book value and fair value, net of selling costs.

The results of the valuation are posted in the relevant items of the income statement or in the item "Profit (Loss) from discontinued operations after tax" if these are discontinued operations.

9. Current and deferred taxation

Tax receivables and payables are reported in the balance sheet as "Tax assets" and "Tax liabilities". Current taxes include advance payments (current assets) and amounts due (current liabilities) in relation to income taxes for the year, if these amounts are likely to be recovered from or paid to the tax authorities. Tax liabilities are determined by applying the current tax rates and regulations.

The estimate of tax assets and liabilities takes into account any charges deriving from disputes notified by the Tax Authorities and not yet settled or whose outcome is uncertain, as well as any doubts about the tax treatment adopted by the Company, given the complexity of tax legislation.

If there are deductible or taxable temporary differences between the value of assets and liabilities for tax purposes and the related book values, the corresponding deferred tax assets and liabilities are recognised using the liability method. Deferred tax liabilities are recognised on all related temporary differences, with the following exceptions:

– deferred tax liabilities deriving from the initial recognition of goodwill, or an asset or liability, in a transaction that does not represent a business combination and that, at the time, does not influence the results reported for statutory and tax purposes;
– the reversal of taxable temporary differences associated with equity investments in subsidiary companies, associated companies and joint ventures can be controlled, and it is probable that such reversal will not occur in the foreseeable future.

Deferred tax assets are recognised in relation to all deductible temporary differences, tax credits and unused tax losses available to be carried forward, to the extent it is probable that sufficient taxable income will be available in future to absorb them, with the following exceptions:

– the deferred tax assets associated with deductible temporary differences derive from the initial recognition of an asset or liability in a transaction that does not represent a business combination and that, at the time, does not influence the results reported for statutory and tax purposes;
– in the case of deductible temporary differences associated with equity investments in subsidiary companies, associated companies and joint ventures, deferred tax assets are only recognised if it is probable that they will reverse in the foreseeable future and that sufficient taxable income will be available to absorb them.

Law No. 214/2011 allows, under certain situations, certain types of deferred tax assets recognised in the financial statements to be transformed into tax credits, such as those related to adjustments/reversals of impairment losses on receivables.

No deferred taxes are provided in relation to higher asset values or reserves subject to the deferral of taxation as the conditions for payment of such taxation in the future do not currently apply. Deferred tax assets are only recognised when their recovery in future years is reasonably certain.

Deferred tax assets determined on the basis of deductible temporary differences are recognised in the financial statements to the extent that there is a probability of their recovery; this probability is assessed, through the performance of the so-called "Probability test", based on the ability to continuously generate positive taxable income for the Bank or, as a result of the "Tax Consolidation" option, for the group of participating companies. Unrecognised deferred tax assets are reviewed at each reporting date and recognised to the extent that it has become probable that future taxable income will be sufficient to absorb them upon reversal.

Deferred tax assets/liabilities are calculated using the tax rates expected to be in force when they reverse or expire, being the rates currently in force or those already communicated or substantially in force at the reporting date.

Tax assets and liabilities are usually recorded with matching entries to the income statement, except when they derive from transactions whose effects are attributed directly to equity; in those cases, they are recognised respectively in the statement of comprehensive income or in equity, consistent with the element to which they relate.

10. Provisions for risks and charges

This item comprises the following provisions:

– The sub-item "commitments and guarantees given" includes provisions for credit risk in connection with commitments to grant loans and financial guarantees given that are subject to IFRS 9 impairment rules and provisions for other commitments and other guarantees that are not subject to IFRS 9 impairment rules.
– Sub-item "Pensions and similar obligations" only includes the supplementary defined benefit and defined contributions pension plans classified as internal funds pursuant to current pension legislation, as well as the other "external" supplementary pension funds, if the return of the principal and/or the yield to the beneficiaries has been guaranteed.
– The sub-item "Other provisions for risks and charges" includes the provision for the long-service bonuses paid to employees with 30 years of service, as well as provisions for liabilities whose timing and amount are uncertain, including legal disputes, which are recognised in the financial statements when the following conditions are met:
  • the company has a present obligation (legal or constructive) as a result of a past event at the reporting date;
  • it is likely that settlement of the obligation will involve the use of economic resources;
  • a reliable estimate can be made of the amount necessary to settle the obligation.

These provisions are stated at their present value if recognition of the time value of money has a significant effect (settlements to be made more than 12 months after the date of recognition).

11. Financial liabilities measured at amortised cost

Classification

This item includes amounts due to banks and due to customers, regardless of their technical form (deposits, current accounts, loans, securities), other than those recognised in items 20. "Financial liabilities held for trading" and 30 "Financial liabilities designated at fair value". It also includes operating payables linked to the financial services and activities defined in the Consolidated Banking Act and the Consolidated Finance Act, variation margins with clearing houses arising from derivative transactions and other operating payables associated with the provision of financial services. Amounts due to customers and banks and securities issued comprise the financial instruments (other than trading instruments) that represent the normal funding of the Bank's activities by customers and other banks, or by the issue of securities. They also include payables recorded by the company as a lessee in the context of lease transactions.

Recognition

These financial liabilities are recorded using the settlement date method. They are initially recognised at their fair value, which is usually represented by the amount collected. The initial recognition value includes transaction costs, while all charges that are recovered from the creditor counterparty or that are attributable to internal administrative costs are not included. The elements of structured funding, comprising a host instrument and one or more embedded derivatives, are split and recorded separately from the related implicit derivatives, on condition that the economic characteristics and risks of the embedded derivatives are substantially different to those of the host instrument and that the derivatives can be configured as autonomous derivative contracts.

Accounting policies

Subsequent to initial recognition, financial liabilities are measured at amortised cost, using the effective interest method. Amortised cost is calculated after identifying the acquisition discount or premium and the fees or costs that are an integral part of the effective interest rate. Short-term liabilities are stated at the amount collected.

Liabilities covered by effective hedges are measured in accordance with the regulations applying to such transactions.

Lease payables are revalued when there is a lease modification (e.g. a change in the scope of the contract), which is not accounted for/considered as a separate contract.

Recognition of components affecting the income statement

Interest expense linked to funding instruments, calculated with the internal rate of return method, are booked to the income statement under "interest and similar expense".

Gains and losses on the repurchase of liabilities are recorded in the income statement under "gains (losses) from sale or repurchase of financial liabilities".

Interest expense on the financial liability under the lease contract is recorded in "Interest and similar expense".

Derecognition criteria

Financial liabilities are derecognised when the underlying obligations expire or are settled, cancelled or satisfied. Funding liabilities that are subsequently repurchased are derecognised from the financial statements.

12. Financial liabilities held for trading

This item comprises derivative instruments with a negative fair value, except for hedging derivatives. The total also includes the negative value of derivatives separated from their underlying structured financial instruments, when the conditions for such separation apply. The criteria for classification, derecognition, measurement and recognition of components affecting the income statement are the same as those described in relation to assets held for trading.

13. Financial liabilities measured at fair value

Currently, the Bank does not classify liabilities in the financial statements as financial liabilities measured at fair value.

14. Currency transactions

They include all assets and liabilities denominated in currencies other than the euro.

Recognition

Assets and liabilities denominated in currencies other than the euro are recognised initially using the spot exchange rates applying on the transaction dates.

Accounting policies

On the reporting date, monetary assets and liabilities denominated in foreign currencies are translated using the spot exchange rates at that time. Non-current financial assets denominated in foreign currencies are translated using the exchange rates ruling at the time of purchase.

Recognition of components affecting the income statement

Exchange differences deriving from the settlement of monetary items or from the translation of monetary items using rates other than the initial translation rate, or the closing rate at the end of prior periods, are recorded in the income statement for the period in which they arise. Exchange differences on assets, excluding monetary items, that are classified as financial assets measured at fair value through other comprehensive income, are recognised among the valuation reserves.

Derecognition criteria

The policies applied are those indicated for the corresponding items. The exchange rate used is the one ruling on the date of payment.

15. Termination indemnities

Termination indemnities are considered a defined benefit plan, i.e. a defined benefit obligation, and therefore, as required by IAS 19, the value of the obligation is determined using the projected unit credit method.

Under this method, each year of service originates an additional unit of indemnity that is used to calculate the final obligation. This calculation is performed by forecasting future payments with reference to historical-statistical analyses of the demographic curve, and discounting them using a market interest rate. The actuarial analysis is carried out every six months by an independent actuary.

As a result of the reform of supplementary pensions by Legislative Decree No. 252 of 5 December 2005, the termination indemnities accrued up to 31/12/2006 remain in the company, whereas those accruing after that either have to be assigned to some form of supplementary pension fund or kept in the company and subsequently transferred to INPS, depending on the preference of the individual employee. This has entailed changes in the underlying assumptions used for the actuarial calculation: in particular, account no longer has to be taken of the average annual rate of increase in salaries.

The termination indemnities earned after 31 December 2006 are part of defined contributions plans. The Bank recognises the contributions payable to these plans as a liability on an accruals basis, after deducting any contributions already paid to supplementary pension funds and to the INPS treasury fund in relation to the work performed by employees, with a matching entry to the income statement.

It is also noted that, in compliance with Law 335/95, employees hired since 28 April 1993 may allocate part of their termination indemnities to a supplementary pension fund established pursuant to current in-house agreements.

Gains and losses arising from changes in actuarial assumptions are booked to equity as shown in the statement of comprehensive income.

16. Other information

16.1 Share-based payments – Transactions settled using equity instruments

The Bank has a share-based compensation plan for key personnel, in the context of which any variable remuneration exceeding the threshold of significance determined by the Board of Directors is subject to rules regarding its deferral and payment with financial instruments that are considered suitable for ensuring compliance with the Bank's long-term business objectives.

In accordance with IFRS 2, share-based remuneration plans are recognised as an expense in the income statement (item "160. a) personnel expenses") with a corresponding increase in equity (item "140. Reserves").

The cost of transactions settled with capital instruments is determined by the fair value on the grant date based on the work performance received. In view of the difficulty of reliably measuring the fair value of the benefits received, the standard allows benefits to be valued, indirectly, with reference to the fair value of the equity instruments at the date of their grant (so-called "grant date"; this date corresponds to the time when the parties agreed on the terms and conditions of the agreement, however, if the agreement is subject to approval by the Board of Directors, the date of agreement coincides with the date of approval). This cost is to be spread over the period in which the conditions relating to the achievement of objectives and/or the provision of the service are fulfilled (so-called "vesting period').

The transaction costs already accumulated at each reporting date prior to the vesting date are projected forward to the vesting date, together with the best estimate of the number of equity instruments that will actually vest. The cost or income recognised in the income statement represents the change in accumulated cost between the start and the end of the year. The service or performance conditions are ignored when the fair value of the plan is determined at the grant date. However, the probability that these conditions will be satisfied is considered when estimating the number of equity instruments that will actually vest.

16.2 Revenue Recognition

In compliance with the provisions of IFRS 15, revenue arises from the transfer of goods or services to the customer and is recognised at an amount that reflects the consideration that the Group deems it is entitled to in exchange for the above goods or services using a five-step model (identify the contract(s) with a customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations; recognise revenue when the entity satisfies a performance obligation).

Revenue from contracts with customers is recognised in profit or loss when it is probable that an entity will receive the consideration to which it expects to be entitled in exchange for transferring goods or services to a customer. The consideration is allocated to individual performance obligations in the contract and is recognised in profit or loss based on the timing of the satisfaction of performance obligations. More specifically, revenue is recognised in profit or loss either at a point in time or over time as and when the entity satisfies its performance obligations. The consideration promised in the contract with the customer may include fixed amounts, variable amounts, or both. The contractual consideration may vary as a result of price concessions, discounts, rebates, incentives or other similar items and may be contingent on the occurrence or non-occurrence of a future event. In the presence of variable consideration, revenue is recognised in profit or loss if it is possible to reliably estimate the revenue and only if it is highly probable that the entire consideration, or a significant part thereof, will not be subsequently reversed from profit or loss. If an entity receives from the customer consideration that envisages the reimbursement to the customer of all or part of the revenue obtained, a liability should be recognised for expected future reimbursements. The estimate of this liability is updated at each year end or interim reporting date based on the portion of the consideration that an entity does not expect to be entitled to. The amount of commission recognised on the placement of products is adjusted to take account of any variable revenues that might have to be returned in future. The revenues earned on current accounts are recognised after allocation to the individual products or services comprising the stand-alone package.

16.3 Cost Recognition

Costs are recognised in the income statement in the period in which they are incurred on an accrual basis. Costs related to obtaining and fulfilling contracts with customers are recognised in the Income Statement in the periods in which the relevant revenues are recognised. If costs cannot be associated with revenues, they are immediately recognised in the income statement.

16.4 Revenues and costs relating to financial instruments

With reference to income and expenses related to financial assets/liabilities, it should be noted that:

- interest is recognised *pro rata temporis* based on the contractual interest rate or the effective interest rate if amortised cost is applied. Interest income and interest expense also include differentials or margins, positive or negative, accrued up to the reporting date, relating to:
  - financial derivative contracts to hedge interest-bearing assets and liabilities;
  - derivative contracts classified in the balance sheet as trading instruments, but managerially linked to financial assets and/or liabilities designated at fair value, in accordance with IFRS 9;
  - derivative contracts operationally related to financial assets and liabilities classified in the balance sheet as trading instruments or operationally related to "other financial assets mandatorily measured at fair value" and which provide for the settlement of differentials or margins at multiple maturities;
- default interest on bad loans is recognised in the profit and loss account at the time of actual collection;
- fees for revenues from services are recognised, based on the existence of contractual agreements, in the period in which the services were rendered, with the exception of fees considered in amortised cost for the purpose of determining the effective interest rate;
- dividends are recognised in the Income Statement when paid;
- gains and losses arising from the trading of financial instruments are recognised in the Income Statement, or in equity in the case of equity instruments for which designation at fair value through comprehensive income has been made, when the sale is completed, based on the difference between the consideration paid or received and the carrying value of the instruments.

16.5 Accounting treatment of tax credits connected with the "*Cura Italia*" and "Relaunch" Decrees.

Laws Decrees No. 18/2020 ("*Cura Italia* Decree") and No. 34/2020 (so-called "Relaunch Decree") have provided for a series of measures aimed at supporting Italian individuals and businesses in their relaunch following the Covid-19 emergency, including tax incentives related to expenses incurred for specific interventions that can be used in the form of tax deductions or tax credits. These tax incentives are applied to households or businesses, they are commensurate with a percentage of the expenditure incurred (which in some cases even reaches 110%) and are disbursed in the form of tax credits or tax deductions (with an option to convert them into tax credits). With a view to helping to support families and businesses, the Bank launched a specific project aimed at acquiring these tax credits in the second half of 2020.

The main features of these tax credits are:

- the possibility of offsetting taxes and contributions according to the same rules as for use by the original Beneficiary;
- transferability to third-party purchasers;
- non-refundability by the Treasury in the event of non-use within the prescribed time-frame.

The accounting was done in accordance with international accounting standards and in line with the provisions of Bank of Italy/ Consob/ Ivass Document No. 9 ("Accounting treatment of tax credits related to the "*Cura Italia*" and "Relaunch" Law Decrees acquired following disposal by direct beneficiaries or previous purchasers") issued on 5 January 2021.

Based on the document issued, the purchased tax credits do not represent tax assets, government grants, intangible assets or financial assets, so the most appropriate classification in the balance sheet is "other assets".

At the time of initial recognition, the tax credit is recognised at the price of the transaction (value corresponding to its fair value). For subsequent valuations, the provisions of IFRS 9 are expected to be applied.

In view of the trend in the volume of loans acquired, the future prospects and also the recent note from the Bank of Italy regarding the prudential treatment of these loans, the Bank decided to combine the HTC business model with the HTCS business model.

The HTC business model envisages that the measurement subsequent to initial recognition of the credit takes place at amortised cost using the effective interest rate determined at the time of initial recognition, while the HTCS business model envisages that the measurement subsequent to initial recognition of the credit takes place at fair value with a balancing entry in comprehensive income. It is specified that such trading does not generate day one profit/loss.

No expected loss is calculated on these credits because there is no counterparty credit risk considering that the realisation of the credit takes place by offsetting or in cash in the case of assignment.

16.6 Accounting treatment of financial instruments with ESG clauses

With reference to 31 December 2023, we note the presence in the bank's portfolio of:

- subscription of debt securities issued by leading national companies operating mainly in the energy sector, within which step-up clauses were included linked to the achievement of certain ESG objectives;
- signing of loan agreements (both bilateral and pooled) to companies of national importance within which step-up or step-down clauses linked to the achievement of certain ESG objectives were included;
- other NEXT campaign loans from the bank, instruments that are characterised by the fact that they are linked to the support of sustainability projects but do not contain specific clauses that generate issues for the purposes of IFRS 9 accounting classification.

The step-up and step-down clauses associated with these subscriptions do not present a high degree of complexity; specifically, the most common clauses concern the improvement of direct GHG (Greenhouse gases) emissions and the installed capacity of renewable energy sources by a certain date.

From an accounting point of view, during the reporting year, when subscribing to debt securities and/or granting loans, the bank checked whether or not these instruments could be in accordance with a so-called basic lending arrangement and not result in the failure of the SPPI Test. Specifically, it was considered that these instruments could pass the test because:

- all cash flows that could occur throughout the contractual life of the instrument were considered, regardless of the probability of the underlying event occurring;
- the contingent event underlying the step-up/step-down clause is specific to the issuer/lender;
- the contractual changes that may occur as a result of the contingency event are already defined in advance by the issuer/provider;
- the contractual cash flows associated with the occurrence of the contingency event do not represent an investment in the issuer/lender or the underlying assets.

A further element considered for passing the SPPI test is the relevance that ESG risk has in measuring the remuneration of the financial instrument. These activities, at present, concern only a part of the loan portfolio; in fact, the processes for measuring, controlling and mitigating sustainability risk trends are being structured with the aim of extending them to the overall exposure perimeter. When, as in the case of the bank, it is at an early stage of inclusion in the processes of disbursement, risk monitoring and pricing, it cannot be argued that the ESG characteristic is assessed to compensate the lender for a specific loan risk, such as credit risk, but more to incentivise a common "good corporate citizen" behaviour. In this case, therefore, it can be said that no remuneration/risk is introduced that is not typical of an ordinary credit granting instrument. Furthermore, as proof that the clauses of the assets in question do not introduce compensation for ESG risks, it should be noted that, at present, the bank has not implemented a constant and granular monitoring system regarding the attainment of these objectives by the counterparties, nor is the relevance of these clauses a primary element in contractual negotiations.

Finally, it should be noted that for the subscriptions in question, the bank does not carry out quantitative assessments of the magnitude of the clauses within the remuneration for the purposes of the SPPI test, again in view of the fact that no systems have yet been developed to measure the ESG risks associated with such clauses. In this sense, the quantification of the remuneration adjustment is determined in an essentially standard manner: the remuneration is not representative of an actual quantification of a risk.

16.7 Treasury shares

Any treasury shares held are deducted from equity. Any gains or losses from transactions in treasury shares are also reflected in equity.

16.8 Cash and cash equivalents

The item Cash and cash equivalents includes cash and all receivables "on demand", in the technical forms of current accounts and deposits, from banks and Central Banks (with the exception of the reserve requirement). In the income statement, net credit risk adjustments/write-backs related to the above-mentioned loans to banks and central banks "on demand" are recognised under item 130. "Net adjustments/write-backs for credit risk".

16.9 Repurchase agreements, securities lending and contangos

Repurchase agreements or contangos, whereby the Bank sells securities to third parties with the obligation to repurchase them at the maturity date of the transactions at a predetermined price, are recorded under liabilities to banks or to customers depending on the counterparty. Similarly, repurchase agreements or contangos, whereby the Bank purchases securities from third parties with the obligation to resell them at the maturity date of the transactions at a predetermined price, are accounted for as loans to banks or customers (accounting category of "Financial assets measured at amortised cost"), depending on the counterparty. The difference between the spot and forward prices of these transactions is accounted for as interest and recorded on an accrual basis over the life of the transaction. Securities lending transactions in which the collateral is cash that is fully available to the lender are recognised in the financial statements in the same way as the aforementioned repurchase agreements. In the case of securities lending transactions with collateral in the form of other securities, or without collateral, the lender and borrower continue to recognise in the assets side of the balance sheet, respectively, the security lent and the security given as collateral. The remuneration for such operations is recognised by the lender under item "40. Fee and commission income" and by the borrower under item "50. Fee and commission expense".

16.10 Financial instruments (measurement of financial assets, equity investments and models for determining the fair value of instruments not listed in active markets)

Financial instruments not listed in active markets and illiquid and complex instruments are measured using specific complex models and/or parameters not observable in the market. These measurements are therefore highly complex, as highlighted by their classification in the fair value hierarchy. See Part A.4 – "Information on fair value" in these notes to the financial statements for qualitative and quantitative information on the methods adopted to determine the carrying amounts of instruments measured at fair value and those measured at amortised cost.

With regard to equity investments, the draft financial statements and updated business plans of the companies concerned might not be available when preparing the financial statements of the Bank, which would increase the uncertainties involved in measuring their value. In such cases, the carrying amounts assigned to the equity investments concerned, based on the available information, might differ from subsequent measurements made on the basis of different information that becomes available.

16.11 Deferred tax assets and valuation of liabilities associated with employee benefits

The assets shown in the Bank's balance sheet include deferred tax assets, which principally derive from temporary differences between the date of recognition of costs in the income statement and the date on which they become tax deductible and, to a lesser extent, from tax losses carried forward. Section 10 – "Tax assets and tax liabilities", contained in Part B – Assets of these notes to the financial statements, provides information about the nature of DTA and the checks carried out on their recoverability, as well as about the results of the sensitivity analysis carried out on the time horizon for their recoverability, considering reasonable changes in the expected cash flows. The measurement of the liability for employee benefits involves a certain degree of complexity, especially with regard to defined benefit plans and other long-term benefits, given that this involves making actuarial assumptions of a demographic (e.g. mortality rate, employee turnover) and financial (e.g. discount rates and inflation rates) nature. Part B of these notes to the financial statements contains separate analyses covering the sensitivity of the provision for employee termination indemnities and the provision for defined benefit pensions to changes in the actuarial assumptions included in the model.

16.12 Extraordinary tax calculated on the increase in net interest income

Article 26 of Decree-Law No. 104 of 10 August 2023, converted with amendments by Law No. 136 of 9 October 2023 on "Urgent provisions to protect users with regard to economic and financial activities and strategic investments" introduced an extraordinary tax calculated on the increase in the net interest income borne by banks. This tax, pursuant to paragraph 2, is determined by applying a rate equal to 40% on the amount of the net interest income included in item 30 of the profit and loss account drawn up in accordance with the formats approved by the Bank of Italy, relating to the financial year prior to the year current on 1 January 2024 that exceeds the same margin relating to the financial year prior to the year current on 1 January 2022 by at least 10%. Paragraph 3 sets a cap equal to 0.26% of the total amount of risk exposure on an individual basis determined pursuant to paragraphs 3 and 4 of Article 92 of Regulation (EU) No. 575/2013 (CRR) with reference to the closing date of the financial year prior to the financial year current on 1 January 2023. When the decree was converted into law, paragraph 5-*bis* was introduced, which allows banks, in lieu of paying the tax, to allocate, at the time of approval of the financial statements for the financial year prior to the financial year current on 1 January 2024, an amount not less than two and a half times the tax to a non-distributable reserve identified for this purpose. The bank has decided to avail itself of this possibility and therefore the proposal for the allocation of the 2023 profit that will be submitted to the shareholders' meeting called to approve the 2023 financial statements expressly contains the establishment of a specific reserve defined as "Non-distributable reserve pursuant to Article 26, paragraph 5-*bis* of Decree-Law No. 104 of 10 August 2023, converted, with amendments, by Law No. 136 of 9 October 2023" in the amount of 107.06 million euro. The accounting treatment is in line with IFRIC 21; it should also be noted that no effect was recognised in the income statement.

16.13 Significant accounting standards and uncertainties in the use of estimates in the preparation of consolidated financial statements (pursuant to IAS 1 and the recommendations in Bank of Italy/Consob/Isvap Document No. 2 of 6 February 2009 and No. 4 of 3 March 2010)

As stated previously, the adoption of certain accounting policies necessarily requires recourse to estimates and assumptions that influence the value of the assets and liabilities recognised in the financial statements and the disclosures made about any contingent assets and liabilities. When accounting estimates are made, the Bank considers all available information at the reporting date, as well as any reasonable assumptions based on external evidence and its own historical experience. However reasonable, it cannot be excluded that these estimates might not be confirmed in the future operating scenarios that unfold for the Bank. The results reported in future might, in fact, also differ from the estimates made when preparing the interim financial statements and, consequently, adjustments to the carrying amounts of reported assets and liabilities might become necessary that are currently unforeseeable and cannot be estimated.

The principal uncertainties at this time, with a potential impact on the future operating scenarios that unfold for the Bank, include the direct or indirect adverse consequences for the Italian and global economies linked to the evolution of the geopolitical and macroeconomic context.

Starting from the Russian invasion of Ukraine, which took place at the end of February 2022, it should be noted, however, that it led to a drastic worsening of the macroeconomic context and recovery forecasts. In particular, the conflict had a negative impact on the global economy through rising commodity and energy prices. This added inflationary fort pressures, imposing a difficult balancing act on central banks in their attempt to keep inflation under control without triggering a recession. In addition, further geopolitical tensions in 2023, in particular the conflict in the Middle East, further contributed to uncertainty.

In this context, characterised by growing uncertainty over the macroeconomic outlook, the Bank maintained the controls already in place in previous quarters, reinforcing them with additional specific credit risk monitoring activities. In this respect, in fact, in addition to the safeguards already in place, the lists of customers deemed "high risk positions" have been updated due to their particular exposure to the geopolitical context and the current energy and inflationary crisis, for which a prudential reclassification to Stage 2 has been considered, on a temporary basis.

There were no regulatory changes in 2023. Therefore, classifications and valuations were made in continuity with the 2022 Financial Statements, to which reference should be made for detailed information on regulatory amendments and how they were applied by the Bank.

Economic results

The dynamics of the main economic aggregates of the Bank recorded as at 31 December 2023 are summarised below, highlighting those most influenced by the effects linked to military conflicts, the evolution of the energy market and financial markets. In particular, net interest income benefited from the positive effects deriving from the rise in rates and inflationary fort pressures compared to 2022. The results of the financial activity were affected by the positive evolution of the financial markets, recording gains compared to 2022, which had instead been negatively impacted by significant losses. The cost of credit was influenced by the effects of the changed macroeconomic scenario; there was an increase in the overall cost of credit compared to the previous year, which was also due to provisions related to the geopolitical context, the economic situation characterised by rising energy commodity prices and supply risks, as well as environmental and climate risks. On the non-performing receivables portfolio, coverage levels increased further also in relation to the massive sale carried out at year-end and the adoption of calendar provisioning in compliance with the regulatory framework. In the following paragraph, more detail is provided on the impacts on the quantification of expected losses, also highlighting the quantitative ones. Overall, this positively impacted the partial and total economic results, with a consequent effect also on profitability indicators. Please refer to the chapter "Results of brief and alternative performance indicators" contained in the consolidated report on operations for more details and quantitative data.

ECL – Expected credit losses

With reference to the methodological framework used by the Bank for the quantification of expected losses on performing loans ("ECL") during 2023, the usual activities were carried out to update the parametrisations of the macroeconomic scenarios and the weighting factors associated with them based on the latest available forecasts, including the changed macroeconomic context.

With specific reference to the explicit modelling of the prospective and scenario-dependency components, it is specified that a plurality of macroeconomic scenarios were adopted for the calculation of the write-downs of June 2023:

- a baseline scenario, corresponding to the equivalent scenario released by the official supplier at the time of the last available forecast report at the time of the impairment calculation (i.e. Q3 2023);
- a (slightly) adverse scenario, corresponding to the same scenario released by the official supplier on the occasion of the last forecast report available at the time of calculation of the write-downs (i.e. Q3 2023);

- a scenario of an extreme nature, corresponding to the equivalent scenario issued by the official supplier at the time of the last forecast report available at the time of calculation of the write-downs (i.e. Q3 2023);

When weighting the scenario-dependent ECL, the baseline scenario is assigned, by reason of its nature, the prevailing weight factor (equal to 65%), while the alternative scenarios are assigned weight factors respectively equal to 25% and 10%.

During the year, the methodological approach used by the Bank to quantify expected losses on performing loans underwent a series of evolutions that affected both the stage allocation framework with the introduction of an additional absolute criterion and the reformulation of the threshold level of the so-called absolute PD-backstop criterion and the ECL override criterion.

During 2023, the specific modelling of forward-looking information (FLI) was also updated and fine-tuned. In particular, we highlight the definition of so-called in-model adjustments for the suite of statistical-econometric models, developed according to a data-driven methodology, aimed at modelling the evolutionary dynamics of risk parameters for all macroeconomic scenarios in an explicitly prospective manner.

The lists of counterparties considered to be 'high risk' positions for which a classification to Stage 2 was assessed, were updated, with particular reference both to the updating of the positions pertaining to the cases already present therein and to the addition of the positions affected by the events in Emilia-Romagna. Particular attention was paid to defining the positions of the management states included in Stage 2, including some positions subject to special monitoring following a report by the Supervisory Authority or second-level control functions.

With reference to the management overlays applied in the calculation of value adjustments on performing loans, steps have been taken to include methodological developments aimed at incorporating the impact, in terms of both write-downs and staging, of the so-called novel risk factors (i.e. energy risk, inflation risk, supply chain risk and geopolitical risk), to the updating of the so-called geo-sector multipliers in light of the new macroeconomic forecasts published, the definition and quantification of a specific “ESG add-on” to incorporate new risk factors such as climate and environment risk and the recalibration and refinement of the so-called prudential add-on and its contextual remapping into a plurality of specific add-ons (so-called model-related overlay), aimed at promptly addressing all specific areas.

In addition, in order to address the recommendations that have been identified by the Supervisory Authority in the credit management and monitoring processes, a new method of calculating the ECL on a portfolio of monitored exposures detected through the application of a specific overlay (process deficiencies-related add-on) was introduced.

The above changes had an impact on both staging, with an increase in the incidence of stage 2 positions, and an increase in the level of stage 2 coverage. This brings the total level of overlays applied to 197 million euro.

Lastly, mention should be made of the fine-tuning activities conducted with reference to the quantification of impairment losses for past-due positions, in the calculation of which the effects arising from the updating of scenarios related to the disposal of non-performing exposures and the so-called model-related add-ons were incorporated in analogy with the homologous components applied to performing exposures.

In any case, however, it cannot be excluded that the introduction of different methodologies, parameters, assumptions in determining the recoverable value of the Bank's performing credit exposures - influenced moreover by the evolution of the reference economic-financial and regulatory context - may determine valuations different from those conducted for the purpose of preparing the financial statements as at 31 December 2023.

For further details on the effects of said interventions on the calculation of value adjustments on loans and on the sensitivity analysis, please refer to paragraphs “2.3 Methods for measuring expected losses” and “5 Impacts deriving from emerging risks” contained in the section on credit risk of “Part E – Information on risks and related hedging policies” of the notes to the separate financial statements.

A.3 Report on transfers between portfolios of financial assets

For the Bank, as in the previous year, there were no reclassifications of financial assets due to a change in business model.

In the 2023 financial year, as in previous years, there was no change to the Banca Popolare di Sondrio "business model", i.e. the way in which the Bank manages financial instruments.

A.4 Information on fair value

Qualitative information

Information on fair value as required by IFRS 13 is provided below. This standard defines fair value as the price that would be received from the sale of an assets or that would be paid for the transfer of a liability in an orderly transaction between market operators on the measurement date. Fair value is a criterion based on market value; however, while transactional or observable market information may be available for certain assets and liabilities, such information may not be available for other assets and liabilities. When the price of an identical asset or liability cannot be found, it is necessary to use measurement techniques that maximise the use of significant observable inputs and minimise the use of unobservable inputs.

IFRS 13 requires the measurement of default risk in determining the fair value of OTC derivatives. This risk relates to changes in the credit rating of both the counterparty and the issuer. Accordingly, a model for the measurement of this component of risk has been devised and is used to adjust the simple market value of the instrument.

With regard to derivatives with positive mark-to-market adjustments, the risk component is known as the Credit Value Adjustment (CVA) and represents the potential loss associated with the counterparty credit risk, while the Debit Value Adjustment (DVA) quantifies the issuer risk in relation to instruments with negative mark-to-market adjustments.

These price adjustments are obtained according to a model-based approach derived from the possibility of default by both the counterparties and the bank itself, as well as additional representative cost/convenience components associated with the transaction. The Credit Valuation Adjustment represents the fair value adjustment due to the risk that the counterparty will default at a time when the Bank has positive exposure to it. It therefore takes on a negative sign and represents a valuation component that therefore decreases the positive fair value of the instrument. The Debt Valuation Adjustment represents the fair value adjustment that considers the consequences on counterparties of possible bankruptcy of the Bank. In contrast to the CVA, it represents a positive adjustment that therefore decreases the negative fair value of the instrument. If a specific CSA (Credit Support Annex) agreement has been concluded with the counterparty and a cash deposit has therefore been given or taken as security, the value of the instrument is not adjusted for the CVA/DVA component. The CVA/DVA book value for derivative instruments is then calculated as the product of the fair value of the position, the cumulative probability of default and the complement at 1 of the recovery rate (RR). These adjustments are calculated daily directly in the applications that manage the derivative positions held by the Bank.

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

Input values for the determination of level 2 fair value include: prices for similar assets or liabilities listed in active markets, prices for identical or similar assets or liabilities listed in inactive markets, and information other than observable listed prices, such as routinely listed interest rates and yield curves observable at intervals, implicit volatility, credit spreads and inputs corroborated by the market. This information is usually supplied by providers or determined with reference to prices calculated with reference to the market parameters of similar financial assets.

Input values for the determination of level 3 fair value are unobservable market values for the asset or liability and must be used to measure fair value to the extent that relevant observable inputs are not available. They must reflect the assumptions that market operators would use to determine the price of the asset or liability, including those regarding the related risk. The inputs not observable on the market derive from internal estimates and valuations based on pricing models that privilege the examination of expected cash flows and pricing and spread information, as well as of historical data and series of data concerning the risk factors, and relevant specialist reports.

Derivatives

OTC derivative instruments, for which there are no publicly formulated quotations by independent third parties and which are typically contracts signed bilaterally between the Bank and another financial counterparty, are valued by means of appropriate pricing models and classified in Level 2 or Level 3 (if significant assumptions and/or unobservable market parameters are to be used) of the fair value hierarchy. In particular, all derivative instruments can be reduced to two categories:

- Derivative instruments with a symmetric profile, which have as their underlying a transaction that is certain to occur on a specified maturity date (or dates) and which provide for simultaneous actions and identical positions (in terms of value and risk) for both counterparties. This category includes plain vanilla futures, forwards and swaps on all types of traded underlyings. Such instruments are typically valued using a Discounted Cash Flow model, which discounts, at a risk-free rate, the cash flows implicit in the contract.
- Derivative instruments with an asymmetric profile, which have as their underlying a transaction that may occur (or not occur) at the discretion of one of the counterparties. Specifically, there is one counterparty, which buys the right and which will have the discretion to activate the underlying transaction on the specified maturity date(s), while the other counterparty, which sells the right, will be subject to the buyer's decision.

This category of derivative instruments, to which all types of options belong, requires calculation models based on the volatility of the underlying, with the possible use of models based on numerical methods in the case of the presence of path-dependent elements with respect to the expected evolution of the value of the underlying or exotic elements in the determination of the payoff.

Loans and receivables

The method of measuring loans and receivables at fair value, where parameters relating to credit risk that can be inferred from market prices cannot be used, results in the instrument being classified in Level 3 of the fair value hierarchy. In general, the calculation of the fair value for these loans is carried out by means of a DCF model, whereby the individual cash flows associated with the individual maturities, deducted of the unrecoverable component related to the counterparty's credit risk, are discounted at a risk-free rate plus a premium for the illiquidity of the instrument itself. The cash flows at the individual payment date are determined from the contractual flows and take into account, where relevant, both anticipatory early redemption dynamics and the modelling of any optional components linked to the indexation of the flows. For on sight loans or without contractual maturity, the net book value is considered the best approximation of fair value. Due to their particular contractual structure and risk profile, Mortgage Life Loans (PIV) have a specific valuation model that is more focused on the value of the property being financed.

With regard to tax receivables classified under Other Assets in the balance sheet, pending the establishment of a market practice in terms of valuation, the fair value estimate is calculated using a "basic" method, which replicates the DCF model previously set out. Possible refinements of the valuation model may depend on the observation of comparable transactions in the market, e.g. size, activity levels, time proximity to the assets being valued.

Mutual Funds

Undertakings for Collective Investment in Savings (UCI) are financial intermediaries that collect private savings and invest them on the basis of specific management rules, structured with reference to specific limits in terms of risk, asset allocation, concentration and exposure.

UCI generally have segregated assets that are usually dynamically managed and their composition is usually only partially known to investors. The Management Entity shall publish an estimate of the overall net value of the assets of the UCI (denominated Net Asset Value or NAV) with a frequency established by the internal regulations of the UCI, from which the theoretical value of each unit is calculated.

The risk and return profile of an investment in UCI is highly variable, depending on the characteristics and form of the UCI itself, the type of legislation to which it is subject, the type of investments it makes, and the possibilities for disposing of the units held. Most of the factors related to the risk and return profile of the units of a UCI are reflected in the valuation of the assets and, consequently, in the NAV value produced and disclosed by the Management Entity, which is the basis for determining the fair value of the units themselves. However, there may be elements of risk that are not perfectly or fully reflected in the NAV and therefore, require appropriate adjustments to be made to the NAV to identify fair value. This is particularly the case for UCI with the following characteristics:

– Closed-ended UCI - unlike open-ended UCI, do not allow investors to obtain (at any time) the immediate disposal of their units. Therefore, such disinvestment is only possible by reselling own units to a third party, which normally entails long lead times and high transaction costs.
– UCI whose NAV does not represent the fair value of the underlying assets - certain types of UCI, based on the relevant legislation, may adopt NAV valuation criteria that do not correspond to the valuation criteria that would be used to determine the fair value of the underlying investments. This category includes, for example, funds investing in private equity (whose investments are often valued at the lower of cost or market), those investing in private debt (normally valued at cost subject to impairment), and funds of NPEs, which sometimes value the underlying loans by discounting expected recoveries against rates that are far from market rates. In all these situations, it may be appropriate to make an adjustment to the NAV to realign it to the potential fair value.
– UCIs with infrequent NAV publication - some types of UCIs, especially closed-end UCIs and UCIs with illiquid underlying assets provide NAV calculation with limited frequency. Consequently, the value expressed by the latest available NAV could also be significantly different (as it is not up-to-date) from the actual value at current prices of the assets of the UCI itself. Again, it may be appropriate to make adjustments to the NAV to determine fair value.

Investments and other equity securities

If Level 1 and Level 2 price sources are not available, fair value is determined using an ad-hoc valuation model, specifically defined with respect to the characteristics of the instrument in question and the financial information available at the time of valuation. In said case, the instrument will be classified as Level 3 in the fair value hierarchy. In such circumstances, specific valuation approaches and methodologies are used, developed ad-hoc by the Pricing and Valuation Models Office in accordance with best practices and industry literature in the field of valuation and financial modelling, which can be categorised into the following two macro-typologies of analytical and empirical valuation methods. The so-called analytical methods are usually used as the main valuation approach, if no direct transactions on the company being valued can be detected, referring to the transfer of a significant portion of the share capital between independent market counterparties in a reasonably close time span. These methodologies estimate the value of a company by analysing its fundamentals to determine the inputs (such as cash flows, income, assets, etc.) on which the valuation is based. Analytical methods differ from empirical methods (described below), which estimate the value of a company by relying on the prices of comparable companies on the market.

For unlisted equities with observable inputs, but for which the most recent information available to measure their fair value is insufficient, the best estimate was made considering their adjusted equity value.

Non-financial assets measured at fair value on a recurring basis:

For Banca Popolare di Sondrio, non-financial assets measured at fair value on a recurring basis are represented by real estate assets held for investment purposes measured at fair value on the basis of the provisions of IAS 40.

The fair value of properties held for investment purposes is determined through the use of special appraisals prepared by independent companies, professionally qualified and operating in the specific sector, capable of providing property valuations based on RICS Valuation standards.

These standards ensure that:

- the fair value is determined in accordance with the indications of the international accounting standard IFRS 13, i.e. it represents the estimated amount for which an asset would be sold and purchased, at the date of valuation, by a seller and a buyer with no special ties, both interested in the purchase and sale, at competitive conditions, after adequate marketing in which the parties have both acted in an informed, conscious and non-coerced manner;
- experts have professional, ethical and independence requirements in line with international and European standards.

For properties of a significant amount, i.e. properties with a value of more than 5 million, a “full” appraisal is envisaged, i.e. conducted by means of an inspection of the property, as well as a detailed analysis of the available documentation. For the remaining properties, however, it is possible to have recourse to a “drive-by” type appraisal, that is, based on the examination of the documentation as well as through an external inspection of the unit being appraised.

Taking into account that for real estate held for investment purposes the measurement criterion is fair value, the value is determined on the basis of new appraisals each year.

A.4.2 Processes and sensitivity of the measurements

The Bank determines the fair value of assets and liabilities using various methodologies defined in the corporate policies. Based on the inputs that can be used, financial instruments are classified as Level 1, Level 2, Level 3. Financial instruments that are quoted in active markets for which the fair value is assumed based on official market quotations are classified in Level 1. If there is more than one active market, reference is made to the principal market; failing this, the most advantageous market is used. Level 1 inputs cannot be adjusted in normal circumstances. The concept of active market does not coincide with that of official market; rather, it refers strictly to the financial instrument concerned. It follows that a listing in an official market is not sufficient to be considered as listed in an active market. Listed prices are obtained from price boards, dealers, brokers etc. and reflect transactions carried out on an orderly basis. Level 2 financial instruments are those whose inputs are different from the listed prices included in Level 1 that are directly or indirectly observable for the asset or liability concerned. In this case, the measurement techniques used include the market value method, the income method which, in turn, is based on present value techniques and models for measuring the price of options. The use of present value techniques involves determining:

a) an estimate of future cash flows deriving from the asset or liability to be measured;
b) the uncertainty inherent in the cash flows, given possible changes in their amount and timing;
c) the rate applicable to risk-free monetary assets of similar duration;
d) the risk premium;
e) for liabilities, the related non-performance risk, including the credit risk associated with the debtor.

Level 3 financial instruments are those whose inputs are not observable. In this case, the best information available in the specific circumstances is used, including all reasonably available information about the assumptions adopted by market operators.

If a financial instrument is measured by recourse to inputs from various levels, it is allocated to the level of the input considered least meaningful. With regard to Level 3 financial assets, IFRS 13 requires the disclosure of information about the sensitivity of the reported results to changes in one or more of the unobservable parameters used to measure their fair value.

Given the limited weighting of such instruments within the Bank's portfolio of financial assets and considering that the Level 3 instruments contained in the portfolio of financial assets largely comprise securities carried according to models whose inputs are specific to the entity being valued (for example, the assets of the company) or through prices of previous transactions, without further adjustments (for which no quantitative information is required about the sensitivity of their valuation), any changes in unobservable inputs would not have a significant economic impact.

As regards the Asset Backed Securities (ABS) present in portfolio, deriving from securitisations of non-performing loan portfolios, the analyses and assessments were carried out on the basis of the most recent information available and following the so-called waterfall structure for modelling the cash flows of the securitisations. From our analyses, no elements emerged that would justify a change in the fair value of the tranches with respect to the values currently recorded in the financial statements.

There are also in portfolio units of funds deriving from corporate loan restructuring, whose measurement at fair value is carried out on the basis of the NAV, corrected if necessary to take into account the investment's poor liquidity.

The instruments classified at level 3, for which non-observable quantitative inputs are used in the determination of the fair value, are largely attributable to financial instruments that did not pass the SPPI test envisaged for the classification of financial assets by IFRS 9. The fair value of most of these financial instruments is determined through a Discounted Cash Flow model or, for revocable products, set equal to the gross exposure adjusted for the credit risk loss component. The economic results do not fluctuate significantly on changes in the unobservable risk parameters. In particular, the following analyses were carried out:

a) analysis of the sensitivity to changes in the PD (Probability of default) parameter under various scenarios: adverse and extreme. In both cases, the changes in fair value were very limited (total fair value lower by 0.14% under the adverse scenario and lower by 0.33% under the extreme scenario). The changes were very limited because the credit risk associated with most of these instruments is low.
b) analysis of the sensitivity to changes in the LGD (Loss Given default) parameter under various scenarios: adverse and extreme. In both cases, the changes in fair value were very limited (fair value lower by 0.16% under the adverse scenario and higher by 0.15% under the extreme scenario). Here too, the changes were very limited because the credit risk associated with most of these instruments is low.
c) analysis of the sensitivity to changes in the rate used to discount cash flows, applying a parallel shock to the rate curves of +/-200 basis points. In these cases, fair value decreased by -2.02% following an increase in the rate curves and, conversely, increased by +3.06% following a decrease in them. In particular, for fixed-rate instruments, the capitalisation rate was not affected by the shock which, however, did affect the discounting of cash flows; conversely, with regard to variable-rate instruments, the spread component of the capitalisation rate was not affected by the shock which, however, did affect determination of the variable component of coupons and the discounting cash flows. The fair value, with and without the application of the shock, may be affected by discounting using a negative rate; this is consistent with recent calculations for other purposes and with market practice. The capitalisation phase has a natural limit of zero and no rates are generated with a negative interest rate. The changes in fair value are greater than found with the other two sensitivity analyses, but nevertheless remain low.
d) sensitivity analysis to quantify the effect of modelling explicitly the liquidity and funding spread component. If this component is not modelled explicitly, the change in fair value is +0.86%; conversely, if a parallel shock to the rate curves of +/-50 basis points is applied, the change in fair value is -2.44%

if the rate curves are shifted up, and +2.55% if they are shifted down.

A.4.3 Fair value hierarchy

For the measurement of fair value, IFRS 13 makes use of the hierarchy of criteria concept introduced in an amendment to IFRS 7, adopted by Regulation 1165 of 27/11/2009, which required the classification of measurements using a hierarchy of levels that reflect the meaningfulness of the inputs used. These levels are:

a) prices (without adjustments) on active markets for the assets and liabilities being measured (level 1);
b) inputs other than the listed prices mentioned above; these can be seen directly (prices) or indirectly (derived from prices) on the market (level 2);
c) inputs not based on market observable data (level 3). In this case, the fair value is determined using measurement techniques based on estimates and assumptions by the relevant offices of the Bank.

Allocation to the levels is not optional and is carried out in hierarchical order, giving priority to the official prices in active markets; in the absence of such inputs, reference is made to other methods that rely on observable parameters, and then to measurement techniques that use unobservable inputs.

An asset or liability is transferred between different levels of the fair value hierarchy when, following changes, its previous classification is no longer consistent with the inputs used.

Fair value hierarchy of real estate assets

The fair value of real estate held for investment purposes is classified at level 3 in the fair value hierarchy under IFRS 13, as it is determined using valuation techniques for which one of the significant inputs is not based on observable market data.

A.4.4 Other information

The information provided above together with that contained in the following tables represents appropriate disclosure pursuant to paras. 91 and 92 of IFRS 13. The disclosures envisaged in paras. 51, 93 (i) and 96 of that standard are not required.

QUANTITATIVE INFORMATION

A.4.5 Fair value hierarchy

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

Financial assets/liabilities measured at fair value	31/12/2023 Level 1	31/12/2023 Level 2	31/12/2023 Level 3	31/12/2022 Level 1	31/12/2022 Level 2	31/12/2022 Level 3
1. Financial assets measured at fair value through profit or loss	64,214	124,985	516,770	108,403	584,462	572,405
a) financial assets held for trading	57,735	91,502	580	102,157	64,934	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	6,479	33,483	516,190	6,246	519,528	572,405
2. Financial assets measured at fair value through other comprehensive income	3,105,102	-	99,566	2,461,801	-	90,651
3. Hedging derivatives	-	1	-	-	248	-
4. Property, equipment and investment property	-	-	21,397	-	-	21,435
5. Intangible assets	-	-	-	-	-	-
Total	**3,169,316**	**124,986**	**637,733**	**2,570,204**	**584,710**	**684,491**
1. Financial liabilities held for trading	68	20,355	-	9	47,570	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	1,803	-	-	116	-
Total	**68**	**22,158**	**-**	**9**	**47,686**	**-**

There were no transfers of financial instruments between the three fair value levels during the year. The impact of the CVA (Credit value adjustment) and DVA (Debit value adjustment) on the determination of the fair value of derivative products is not significant, not least because most of the exposures are covered by credit support annexes (CSA).

A.4.5.2 Annual changes in assets measured at fair value on a recurring basis (level 3)

	Financial assets measured at fair value through profit or loss							
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily measured at fair value	Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, equipment and investment property	Intangible assets
1. Opening balance	**572,405**	**-**	**-**	**572,405**	**90,651**	**-**	**21,435**	**-**
2. Increases	**71,659**	**5,700**	**-**	**65,959**	**19,905**	**-**	**145**	**-**
2.1. Purchases	43,886	5,097	-	38,789	467	-	-	-
2.2. Profits recognised in:	14,172	31	-	14,141	1,860	-	145	-
2.2.1. Income Statement	14,172	31	-	14,141	-	-	145	-
- of which gains	11,779	-	-	11,779	-	-	145	-
2.2.2. Equity	-	-	-	-	1,860	-	-	-
2.3. Transfers from other levels	572	572	-	-	17,352	-	-	-
2.4. Other increases	13,029	-	-	13,029	226	-	-	-
3. Decreases	**127,294**	**5,120**	**-**	**122,174**	**10,990**	**-**	**183**	**-**
3.1. Sales	5,103	5,103	-	-	91	-	-	-
3.2. Reimbursements	44,829	-	-	44,829	102	-	-	-
3.3. Losses recognised in:	19,861	17	-	19,844	10,207	-	183	-
3.3.1. Income Statement	19,861	17	-	19,844	-	-	183	-
- of which losses	19,847	17	-	19,830	-	-	183	-
3.3.2. Equity	-	-	-	-	10,207	-	-	-
3.4. Transfers from other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	57,501	-	-	57,501	590	-	-	-
4. Closing balance	**516,770**	**580**	**-**	**516,190**	**99,566**	**-**	**21,397**	**-**

The decrease during the year in financial assets mandatorily measured at fair value was largely attributable to the financial instruments (loans in particular) that did not pass the SPPI test and that, accordingly, were classified in this line item. This item also includes units in mutual funds, which are not held for trading purposes.

A.4.5.3 Annual changes in financial liabilities measured at fair value (level 3)

There are no financial liabilities measured at fair value on a recurring basis of level 3.

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

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis	31/12/2023				31/12/2022			
	Book value	Level 1	Level 2	Level 3	Book value	Level 1	Level 2	Level 3
1. Financial assets measured at amortised cost	40,061,556	9,917,304	-	30,910,801	39,519,379	9,510,538	-	29,818,327
2. Investment property	-	-	-	-	-	-	-	-
3. Non-current assets and groups of assets held for sale	-	-	-	-	-	-	-	-
Total	**40,061,556**	**9,917,304**	**-**	**30,910,801**	**39,519,379**	**9,510,538**	**-**	**29,818,327**
1. Financial liabilities measured at amortised cost	46,820,068	4,097,785	315,598	42,409,753	48,509,904	3,262,887	191,834	44,891,940
2. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Total	**46,820,068**	**4,097,785**	**315,598**	**42,409,753**	**48,509,904**	**3,262,887**	**191,834**	**44,891,940**

A.5 Information on the “day one profit/loss”

The “day one profit/loss” provided for in IFRS 7 and IFRS 9 para. B5.1.2A derives from the difference at the time of initial recognition between the transaction price of the financial instrument and its fair value. This difference can generally be found for those financial instruments that do not have an active market. This difference is charged to the income statement over the useful life of the financial instrument concerned. The Bank does not have any transactions outstanding which could generate significant income that could be defined as “day one profit/loss”.

PART B - Information on the balance sheet

Assets

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

	31/12/2023	31/12/2022
a) Cash	164,243	166,672
b) Current accounts and sight deposits with central banks	3,440,765	5,768,020
c) Current accounts and sight deposits with banks	94,895	53,895
Total	**3,699,903**	**5,988,587**

Section 2 - Financial assets measured at fair value through profit or loss - Item 20

2.1 Financial assets held for trading: breakdown

	31/12/2023			31/12/2022		
Items/Values	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity securities	28,251	-	580	50,856	-	-
3. Mutual funds	28,823	69,702	-	50,678	14,769	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total (A)	**57,074**	**69,702**	**580**	**101,534**	**14,769**	**-**
B. Derivative instruments						
1. Financial derivatives	661	21,800	-	623	50,165	-
1.1 for trading	661	21,800	-	623	50,165	-
1.2 associated with the fair value option	-	-	-	-	-	-
1.3 others	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 associated with the fair value option	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-
Total (B)	**661**	**21,800**	**-**	**623**	**50,165**	**-**
Total (A+B)	**57,735**	**91,502**	**580**	**102,157**	**64,934**	**-**

2.2 Financial assets held for trading: breakdown by debtor/issuer/counterparty

Items/Values	31/12/2023	31/12/2022
A. CASH ASSETS		
1. Debt securities	**-**	**-**
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equity securities	**28,831**	**50,856**
a) Banks	3,313	14,394
b) Other financial companies	2,306	5,426
of which: insurance companies	96	2,575
c) Non-financial companies	23,212	31,036
d) Other issuers	-	-
3. Mutual funds	**98,525**	**65,447**
4. Loans	**-**	**-**
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total (A)	**127,356**	**116,303**
B. DERIVATIVE INSTRUMENTS		
a) Central Counterparties	-	-
b) Others	22,461	50,788
Total (B)	**22,461**	**50,788**
Total (A+B)	**149,817**	**167,091**

2.5 Other financial assets mandatorily measured at fair value: breakdown by category

	31/12/2023			31/12/2022		
Items/Values	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**6,479**	**-**	**17,139**	**6,246**	**-**	**26,517**
1.1 Structured securities	6,479	-	17,139	6,246	-	26,517
1.2 Other debt securities	-	-	-	-	-	-
2. Equity securities	**-**	**-**	**-**	**-**	**-**	**-**
3. Mutual funds	**-**	**33,482**	**195,344**	**-**	**519,528**	**183,512**
4. Loans	**-**	**-**	**303,707**	**-**	**-**	**362,376**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Others	-	-	303,707	-	-	362,376
Total	**6,479**	**33,482**	**516,190**	**6,246**	**519,528**	**572,405**

Loans classified under this item are financial instruments that have not passed the SPPI test. The debt securities classified under this item are instruments that are part of a business model of financial instruments managed at fair value and not held for trading.

The item "Debt securities" includes the Asset Backed Securities (ABS) mezzanine and junior for 1.107 million deriving from the sales of Diana, Luzzatti, Luzzatti II, Luzzatti III and Luzzatti IV and the note linked with the securitisation by BNT Portfolio SPV Srl. These securities are classified in Level 3. See paragraph "C. Securitisation transactions" in Part E of these Notes to the financial statements for further details.

2.6 Other financial assets mandatorily measured at fair value: breakdown by debtor/issuer

	31/12/2023	31/12/2022
1. Equity securities	**-**	**-**
of which: banks	-	-
of which: other financial companies	-	-
of which: non-financial companies	-	-
2. Debt securities	**23,618**	**32,763**
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	6,479	6,246
d) Other financial companies	17,139	25,258
of which: insurance companies	-	-
e) Non-financial companies	-	1,259
3. Mutual funds	**228,826**	**703,040**
4. Loans	**303,707**	**362,376**
a) Central banks	-	-
b) Public administrations	35	46
c) Banks	-	-
d) Other financial companies	6,676	5,047
of which: insurance companies	-	-
e) Non-financial companies	189,293	239,312
f) Households	107,703	117,971
Total	**556,151**	**1,098,179**

Mutual funds are made up of: equity funds and SICAV for 41.770 million euro, bond funds for 96.719 million euro, balanced and flexible funds for 18.617 million euro and real estate funds for 71.720 million euro.

With regard to mutual funds acquired as part of transactions for the sale of receivables included among bond funds, please refer to the specific paragraph reported in Part E of these notes (Subsection E "Disposals" point "C. Financial assets sold and fully derecognised").

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

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

	31/12/2023			31/12/2022		
Items/Values	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**3,102,919**	**-**	**17,857**	**2,459,705**	**-**	**341**
1.1 Structured securities	334,190	-	2,906	234,855	-	-
1.2 Other debt securities	2,768,729	-	14,951	2,224,850	-	341
2. Equity securities	**2,182**	**-**	**81,709**	**2,095**	**-**	**90,310**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**3,105,101**	**-**	**99,566**	**2,461,800**	**-**	**90,651**

The portfolio of debt securities consists mostly of Italian government bonds.

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

Items/Values	31/12/2023	31/12/2022
1. Debt securities	**3,120,776**	**2,460,046**
a) Central banks	-	-
b) Public administrations	2,567,770	2,040,457
c) Banks	419,910	295,117
d) Other financial companies	71,809	69,328
of which: insurance companies	-	-
e) Non-financial companies	61,287	55,144
2. Equity securities	**83,891**	**92,405**
a) Banks	51	46
b) Other issuers:	83,840	92,359
- other financial companies	74,081	82,747
of which: insurance companies	-	-
- non-financial companies	9,278	9,612
- others	481	-
3. Loans	**-**	**-**
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**3,204,667**	**2,552,451**

3.3 Financial assets measured at fair value through other comprehensive income: gross value and total value adjustments

	Gross value					Total write-downs				
	First stage	of which: Instruments with low credit risk	Second stage	Third stage	Impaired purchased or originated	First stage	Second stage	Third stage	Impaired purchased or originated	Partial total write-off
Debt securities	3,103,788	-	17,959	-	-	931	40	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 31/12/2023	**3,103,788**	**-**	**17,959**	**-**	**-**	**931**	**40**	**-**	**-**	**-**
Total 31/12/2022	**2,453,090**	**360,020**	**8,274**	**-**	**-**	**1,308**	**10**	**-**	**-**	**-**

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

4.1 Financial assets measured at amortised cost: breakdown of loans to banks

	31/12/2023						31/12/2022					
	Book value			Fair value			Book value			Fair value		
Type of transaction/Amounts	First and second stage	Third stage	Impaired purchased or originated	Level 1	Level 2	Level 3	First and second stage	Third stage	Impaired purchased or originated	Level 1	Level 2	Level 3
A. Loans with Central Banks	**322,403**	**-**	**-**	**-**	**-**	**322,403**	**352,511**	**-**	**-**	**-**	**-**	**352,512**
1. Fixed-term deposits	-	-	-	-	-	-	5,011	-	-	-	-	-
2. Compulsory reserve	322,403	-	-	-	-	-	347,500	-	-	-	-	-
3. Reverse repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
B. Loans and receivables with banks	**3,857,458**	**-**	**-**	**1,052,148**	**-**	**2,771,286**	**3,489,664**	**-**	**-**	**741,697**	**-**	**2,667,508**
1. Loans	2,750,926	-	-	-	-	2,743,003	2,617,262	-	-	-	-	2,617,552
1.1 Current accounts	-	-	-	-	-	-	-	-	-	-	-	-
1.2. Fixed-term deposits	1,496,278	-	-	-	-	-	1,654,411	-	-	-	-	-
1.3. Other loans:	1,254,648	-	-	-	-	-	962,851	-	-	-	-	-
- Reverse repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
- Financing for leases	-	-	-	-	-	-	-	-	-	-	-	-
- Others	1,254,648	-	-	-	-	-	962,851	-	-	-	-	-
2. Debt securities	1,106,532	-	-	1,052,148	-	28,283	872,402	-	-	741,697	-	49,956
2.1 Structured securities	683,752	-	-	675,721	-	8,406	494,300	-	-	424,809	-	32,538
2.2 Other debt securities	422,780	-	-	376,427	-	19,877	378,102	-	-	316,888	-	17,418
Total	**4,179,861**	**-**	**-**	**1,052,148**	**-**	**3,093,689**	**3,842,175**	**-**	**-**	**741,697**	**-**	**3,020,020**

These loans are not specifically hedged.

The fair value of short-term loans or loans that are repayable on demand is assumed to be the same as their book value.

4.2 Financial assets measured at amortised cost: breakdown of loans to customers

	31/12/2023					
	Book value			Fair value		
Type of transaction/Amounts	First and second stage	Third stage	Impaired purchased or originated	Level 1	Level 2	Level 3
1. Loans	**25,382,813**	**439,307**	**94,165**	**-**	**-**	**27,030,839**
1.1. Current accounts	3,167,315	123,455	19,137	-	-	-
1.2. Reverse repurchase agreements	-	-	-	-	-	-
1.3. Mortgage loans	14,925,157	269,594	70,952	-	-	-
1.4. Credit cards, personal loans and salary-backed loans	257,053	2,176	490	-	-	-
1.5. Financing for leases	-	-	-	-	-	-
1.6. Factoring	-	-	-	-	-	-
1.7. Other loans	7,033,288	44,082	3,586	-	-	-
2. Debt securities	**9,965,409**	**-**	**-**	**8,865,156**	**-**	**786,273**
1. Structured securities	1,586,329	-	-	799,215	-	765,875
2. Other debt securities	8,379,080	-	-	8,065,941	-	20,398
Total	**35,348,222**	**439,307**	**94,165**	**8,865,156**	**-**	**27,817,112**

	31/12/2022					
	Book value			Fair value		
Type of transaction/Amounts	First and second stage	Third stage	Impaired purchased or originated	Level 1	Level 2	Level 3
1. Loans	**24,957,359**	**496,026**	**107,368**	**-**	**-**	**26,022,482**
1.1. Current accounts	3,367,334	167,676	22,942	-	-	-
1.2. Reverse repurchase agreements	8,293	-	-	-	-	-
1.3. Mortgage loans	14,542,222	280,098	78,097	-	-	-
1.4. Credit cards, personal loans and salary-backed loans	248,160	2,564	572	-	-	-
1.5. Financing for leases	-	-	-	-	-	-
1.6. Factoring	-	-	-	-	-	-
1.7. Other loans	6,791,350	45,688	5,757	-	-	-
2. Debt securities	**10,116,453**	**-**	**-**	**8,768,840**	**-**	**775,827**
1. Structured securities	1,573,173	-	-	739,237	-	775,827
2. Other debt securities	8,543,280	-	-	8,029,603	-	-
Total	**35,073,812**	**496,026**	**107,368**	**8,768,840**	**-**	**26,798,309**

In 2023, the Bank implemented five macrohedging transactions from interest rate risk on an amount of loans classified in the amortised cost portfolio.

Loans include 1,869 million euro of residential mortgages, which were the subject of covered bond transactions by the Bank. The covered bond transaction involved the sale to the SPV "POPSO Covered Bond s.r.l." of the first portfolio of performing residential mortgage loans as part of the issue of covered bonds reserved to institutional customers.

In addition, mortgages include 1,266 million euro of loans granted to SMEs, secured or unsecured, which were the subject of the securitisation transaction put in place by the Bank in June 2023. Similar to the covered bond transaction, the Bank retained all risks and rewards of the securitised loans, so they were not derecognised.

The fair value of loans with a contractual duration that extends beyond the short term is determined using measurement models that discount the flow of future repayments, net of any expected losses. The discounting rate is determined with reference to expected market interest rates, as well as to other specific components that take account of direct operating costs and the actual financing costs incurred by the Bank.

As a result of the derisking operations that took place during the year, bad loans (third stage) are down on the previous year.

Item 2. Debt securities, include for 282.386 million euro senior securities issued by the vehicle Diana S.p.V., POP NPLs 2020 S.p.V., Luzzatti POP NPLs 2021 S.p.V., Luzzatti POP NPLs 2022 S.p.V. and Luzzatti POP NPLs 2023; the latter was issued as part of the sale transaction defined in the last quarter of 2023. See Part E, Section 1, "C. Securitisation transactions" for further information.

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

	31/12/2023			31/12/2022		
Type of transaction/Amounts	First and second stage	Third stage	Assets impaired purchased or originated	First and second stage	Third stage	Assets impaired purchased or originated
1. Debt securities	**9,965,409**	**-**	**-**	**10,116,452**	**-**	**-**
a) Public administrations	8,485,699	-	-	8,728,210	-	-
b) Other financial companies	1,136,091	-	-	1,099,167	-	-
of which: insurance companies	3,039	-	-	2,026	-	-
c) Non-financial companies	343,619	-	-	289,075	-	-
2. Loans to:	**25,382,813**	**439,307**	**94,165**	**24,957,357**	**496,026**	**107,368**
a) Public administrations	95,615	21	-	201,232	22	-
b) Other financial companies	5,241,864	1,980	2	4,676,945	6,063	2
of which: insurance companies	-	-	-	3	-	-
c) Non-financial companies	13,209,361	337,094	54,052	13,190,234	370,455	64,949
d) Households	6,835,973	100,212	40,111	6,888,946	119,486	42,417
Total	**35,348,222**	**439,307**	**94,165**	**35,073,809**	**496,026**	**107,368**

4.4 Financial assets measured at amortised cost: gross value and total value adjustments

	Gross value					Total write-downs				
	First stage	of which: Instruments with low credit risk	Second stage	Third stage	Impaired purchased or originated	First stage	Second stage	Third stage	Impaired purchased or originated	Partial total write-off
Debt securities	10,948,588	49,913	131,900	-	-	3,395	5,150	-	-	-
Loans	24,720,413	-	3,963,005	1,073,406	158,585	46,407	180,869	634,099	64,419	75,412
Total 31/12/2023	**35,669,001**	**49,913**	**4,094,905**	**1,073,406**	**158,585**	**49,802**	**186,019**	**634,099**	**64,419**	**75,412**
Total 31/12/2022	**36,233,122**	**2,558,502**	**2,823,542**	**1,233,615**	**172,821**	**39,640**	**101,040**	**737,589**	**65,453**	**81,793**

Section 5 - Hedging derivatives - Item 50

5.1 Hedging derivatives: breakdown by hedge type and levels

	Fair Value 31/12/2023			Nominal value	Fair Value 31/12/2022			Nominal value
	Level 1	Level 2	Level 3	31/12/2023	Level 1	Level 2	Level 3	31/12/2022
A. Financial derivatives								
1) Fair value	-	1	-	208	-	248	-	11,359
2) Financial flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives								
1) Fair value	-	-	-	-	-	-	-	-
2) Financial flows	-	-	-	-	-	-	-	-
Total	**-**	**1**	**-**	**208**	**-**	**248**	**-**	**11,359**

5.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge (book value)

	Fair Value							Financial flows		
	Micro									
Transactions/Type of hedge	debt securities and interest rates	equity securities and stock indices	currency and gold	receivable	commodities	others	Macro	Micro	Macro	**Foreign Investments**
1. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-
2. Financial assets measured at amortised cost	-	-	-	-	-	-	-	-	-	-
3. Portfolio	-	-	-	-	-	-	1	-	-	-
4. Other transactions	-	-	-	-	-	-	-	-	-	-
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**-**
1. Financial liabilities	-	-	-	-	-	-	-	-	-	-
2. Portfolio	-	-	-	-	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
1. Expected transactions	-	-	-	-	-	-	-	-	-	-
2. Portfolio of financial assets and liabilities	-	-	-	-	-	-	-	-	-	-

The table shows the positive fair value of hedging derivatives, broken down in relation to the asset or liability hedged and the type of hedge realised. At 31 December 2023, the Bank has five macrohedging transactions from interest rate risk on an amount of loans classified in the amortised cost portfolio.

Section 6 - Value adjustment of financial assets with macro hedge - Item 60

6.1 Value adjustment of hedged assets: breakdown by hedged portfolio

Value adjustment of hedged assets/Values	31/12/2023	31/12/2022
1. Positive adjustment	**1,776**	**47**
1.1 of specific portfolios:	1,776	47
a) financial assets measured at amortised cost	1,776	47
b) financial assets measured at fair value through other comprehensive income	-	-
1.2 overall	-	-
2. Negative adjustment	**(1)**	**(245)**
2.1 of specific portfolios:	(1)	(245)
a) financial assets measured at amortised cost	(1)	(245)
b) financial assets measured at fair value through other comprehensive income	-	-
2.2 overall	-	-
Total	**1,775**	**(198)**

The balance of changes in the value of assets subject to macro-hedging against interest rate risk is recognised in this item, for which the Bank avails itself of the option, provided for by IFRS 9, to continue to apply the provisions permitted by IAS 39 in the "Carve-out" version.

Section 7 - Equity investments - Item 70

7.1 Investments: disclosures on holdings

Company Name	Registered Office	Operative Office	% holding	% of votes
A. Wholly-controlled companies				
1. BANCA POPOLARE DI SONDRIO (SUISSE) SA	Lugano	Lugano	100.000	100.000
2. FACTORIT S.p.A.	Milan	Milan	100.000	100.000
3. SINERGIA SECONDA S.r.l.	Milan	Milan	100.000	100.000
4. PIROVANO STELVIO S.p.A.	Sondrio	Sondrio	100.000	100.000
5. POPSO COVERED BOND S.r.l.	Conegliano	Conegliano	60.000	60.000
6. BANCA DELLA NUOVA TERRA S.p.A.	Sondrio	Sondrio	100.000	100.000
7. SERVIZI INTERNAZIONALI E STRUTTURE INTEGRATE 2000 S.r.l.	Milan	Milan	100.000	100.000
8. RENT2GO S.r.l.	Bolzano	Bolzano	100.000	100.000
B. Joint Ventures				
1. RAJNA IMMOBILIARE S.r.l.	Sondrio	Sondrio	50.000	50.000
B. Companies subject to significant influence				
1. ALBA LEASING S.p.A.	Milan	Milan	19.264	19.264
2. ARCA VITA S.p.A.	Verona	Verona	14.837	14.837
3. UNIONE FIDUCIARIA S.p.A.	Milan	Milan	24.000	24.000
4. POLIS FONDI SGR PA	Milan	Milan	19.600	19.600
5. ARCA HOLDING S.p.A.	Milan	Milan	34.715	34.715
6. BORMIO GOLF S.p.A.	Bormio	Bormio	25.237	25.237
7. LAGO DI COMO GAL S.c.r.l.	Canzo	Canzo	14.606	14.606

7.5 Investments: changes in the year

	31/12/2023	31/12/2022
A. Opening balance	**695,768**	**612,882**
B. Increases	**60,383**	**84,568**
B.1 Purchases	-	84,490
B.2 Write-backs	-	-
B.3 Revaluations	-	-
B.4 Other changes	60,383	78
C. Decreases	**506**	**1,682**
C.1 Sales	-	1,299
C.2 Impairment	502	383
C.3 Write-downs	-	-
C.4 Other changes	4	-
D. Closing balance	**755,645**	**695,768**
E. Total revaluations	**-**	**-**
F. Total impairment	**(39,990)**	**(39,488)**

This item passes from 695.768 million euro to 755.645 million euro.
The increases refer to:
- 60 million euro for capital contribution to the company Sinergia seconda srl;
- coverage of the 2022 loss of Pirovano Stelvio spa of 0.383 million euro.

The decreases refer to:
- the write-down of Pirovano Stelvio S.p.A. by 0.502 million euro
- sale of Lago di Como GAL shares for 0.004 million euro.

7.6 Commitments relating to investments in joint ventures

For the above information, reference should be made to the same section of the consolidated notes.

7.7 Commitments relating to investments in companies subject to significant influence

For the above information, reference should be made to the same section of the consolidated notes.

7.8 Significant restrictions

For the above information, reference should be made to the same section of the consolidated notes.

7.9 Other information

For the above information, reference should be made to the same section of the consolidated notes.

Section 8 - Property, equipment and investment property - Item 80

8.1 Property, equipment and investment property used for business purposes: breakdown of assets measured at cost

Assets/Amounts	31/12/2023	31/12/2022
1. Owned assets	**199,876**	**196,123**
a) land	56,912	58,712
b) buildings	124,972	123,746
c) furniture	5,250	4,688
d) electronic equipment	1,782	852
e) other	10,960	8,125
2. Rights of use acquired through leases	**165,905**	**170,237**
a) land	-	-
b) buildings	165,661	170,042
c) furniture	-	-
d) electronic equipment	161	144
e) other	83	51
Total	**365,781**	**366,360**
of which: obtained through enforcement of guarantees received	-	-

Property, equipment and investment property used for business purposes are measured at cost less accumulated depreciation and any accumulated impairment losses. Buildings have a fair value of 351.201 million euro, as determined by an internal appraisal. The carrying amount of land and buildings totals 181.884 million euro.

Property, equipment and investment property are free from restrictions and commitments guaranteeing liabilities.

8.4 Property, plant and equipment held for investment purposes: breakdown of assets measured at fair value

Assets/Amounts	31/12/2023			31/12/2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Owned assets	**-**	**-**	**21,397**	**-**	**-**	**21,435**
a) land	-	-	-	-	-	-
b) buildings	-	-	21,397	-	-	21,435
2. Rights of use acquired through leases	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
Total	**-**	**-**	**21,397**	**-**	**-**	**21,435**
of which: obtained through enforcement of guarantees received	-	-	-	-	-	-

8.6 Property, equipment and investment property used for business purposes: changes in the year

	Land	Buildings	Furniture	Electronic equipment	Other	**Total**
A. Gross opening balance	**58,712**	**477,479**	**32,790**	**19,723**	**84,562**	**673,266**
A.1 Total net impairment	-	(183,690)	(28,102)	(18,727)	(76,387)	(306,906)
A.2 Net opening balances	58,712	293,789	4,688	996	8,175	366,360
B. Increases:	**1,200**	**23,755**	**1,702**	**1,745**	**8,023**	**36,425**
B.1 Purchases	1,200	4,067	1,702	1,655	7,957	16,581
- of which business combinations	-	-	-	-	-	-
B.2 Capitalised improvement expenses	-	3,132	-	-	-	3,132
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive changes in fair value recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Reclassified from property held for investment	-	-	-	-	-	-
B.7 Other changes	-	16,556	-	90	66	16,712
C. Decreases:	**3,000**	**26,910**	**1,140**	**798**	**5,155**	**37,004**
C.1 Sales	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	26,710	1,140	798	5,156	33,804
C.3 Impairment recognised in:	3,000	200	-	-	-	3,200
a) shareholders' equity	-	-	-	-	-	-
b) income statement	3,000	200	-	-	-	3,200
C.4 Negative changes in fair value recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) property, plant and equipment held for investment purposes	-	-	-	-	-	-
b) non-current assets and groups of assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
D. Net closing balance	**56,912**	**290,634**	**5,250**	**1,943**	**11,042**	**365,781**
D.1 Total net impairment	-	(208,045)	(29,242)	(19,433)	(80,494)	(337,214)
D.2 Closing gross amount	56,912	498,679	34,492	21,376	91,536	702,995
E. Valuation at cost	**56,912**	**290,634**	**5,250**	**1,943**	**11,042**	**365,781**

Property, equipment and investment property used for business purposes amount to 365.781 million euro, a decrease of 0.579 million euro.

The principal changes relate to:

- for owned properties: purchase in Thiene, Desenzano del Garda, Udine, Campione d'Italia, Conegliano Veneto, Broni and works in Sondrio, Brescia, San Pietro Berbenno, Monza;
- for furniture, plants and other: increases relate to head office and branch IT equipment, furniture and fittings and miscellaneous equipment for newly-opened branches.
- As regards the “Other changes”, the impact is mainly linked to remeasurement of the right-of-use assets mainly due to the ISTAT adjustments and to the renegotiation of some lease contracts.

8.7 Investment property: changes in the year

	Total	
	Land	Buildings
A. Opening balance	**-**	**21,435**
B. Increases	**-**	**145**
B.1 Purchases	-	-
- of which business combinations	-	-
B.2 Capitalised improvement expenses	-	-
B.3 Positive changes in fair value	-	145
B.4 Write-backs	-	-
B.5 Exchange gains	-	-
B.6 Transfers from buildings for business purposes	-	-
B.7 Other changes	-	-
C. Decreases	**-**	**183**
C.1 Sales	-	-
- of which business combinations	-	-
C.2 Depreciation	-	-
C.3 Negative changes in fair value	-	183
C.4 Impairment	-	-
C.5 Exchange losses	-	-
C.6 Transfers to:	-	-
a) assets held for use	-	-
b) non-current assets and groups of assets held for sale	-	-
C.7 Other changes	-	-
D. Closing balance	**-**	**21,397**
E. Valuation at fair value	**-**	**-**

Property, plant and equipment held for investment purposes are measured at fair value.

Information on the methods of determining the fair value of properties not used for business purposes is provided in Part A.4 of the Notes to the financial statements in the chapter entitled "Methods of determining fair value".

In this regard, it is noted that the Bank does not hold investment assets represented by rights of use acquired through leasing. Depreciation is provided over the estimated useful lives of the fixed assets concerned, as summarised below:

Property, equipment and investment property	Depreciation period (years)
buildings	33
furniture and fittings	7
electronic equipment	3
miscellaneous machinery and equipment	5
vehicles	3
security counters	3
photovoltaic plants	12
safes	8

In accordance with article 10 of Law No. 72 of 19 March 1983, information on the properties still owned, for which monetary revaluations were carried out in the past, is annexed hereto.

8.9 Commitments for the purchase of property, equipment and investment property

Contractual commitments for the purchase of property, equipment and investment property amount to 2.263 million euro, compared with 4.003 million euro the previous year and mainly refer to furniture and fittings, electronic systems and hardware.

Section 9 - Intangible assets - Item 90

9.1 Intangible assets: breakdown by type of asset

	31/12/2023		31/12/2022	
Assets/Amounts	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	-	**-**	-	**-**
A.2 Other intangible assets	**15,382**	**-**	**15,242**	**-**
of which: software	15,382	-	15,242	-
A.2.1 Assets measured at cost:	15,382	-	15,242	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	15,382	-	15,242	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**15,382**	**-**	**15,242**	**-**

Intangible assets comprise the cost of purchasing software with a finite life that is amortised over that period, which is normally 3 years.

These intangible assets are listed below by year of acquisition:

	31/12/2023	31/12/2022
Recorded in 2021	-	5,780
Recorded in 2022	4,821	9,462
Recorded in 2023	10,561	-
Total	**15,382**	**15,242**

9.2 Intangible assets: changes in the year

	Goodwill	Other intangible assets: internally generated		Other intangible assets: others		Total
		DEF	INDEF	DEF	INDEF	
A. Opening balance	**-**	**-**	**-**	**211,511**	**-**	**211,511**
A.1 Total net impairment	-	-	-	(196,269)	-	(196,269)
A.2 Net opening balances	-	-	-	15,242	-	15,242
B. Increases	**-**	**-**	**-**	**15,972**	**-**	**15,972**
B.1 Purchases	-	-	-	15,972	-	15,972
- of which business combinations	-	-	-	-	-	-
B.2 Increases in internally generated intangible assets	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive changes in fair value	-	-	-	-	-	-
- equity	-	-	-	-	-	-
- booked to income statement	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**15,832**	**-**	**15,832**
C.1 Sales	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
C.2 Impairment	-	-	-	15,832	-	15,832
- Depreciation	-	-	-	15,832	-	15,832
- Impairment	-	-	-	-	-	-
+ shareholders' equity	-	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Negative changes in fair value:	-	-	-	-	-	-
- equity	-	-	-	-	-	-
- booked to income statement	-	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net closing balance	**-**	**-**	**-**	**15,382**	**-**	**15,382**
D.1 Total net value adjustments	-	-	-	(212,101)	-	(212,101)
E. Gross closing balance	**-**	**-**	**-**	**227,483**	**-**	**227,483**
F. Valuation at cost	**-**	**-**	**-**	**15,382**	**-**	**15,382**

Key:
DEF: definite life
INDEF: indefinite life

9.3 Other information

Contractual commitments to purchase software user rights amount to 5.198 million euro, compared with 6.306 million euro in the prior year.

Section 10 - Tax assets and tax liabilities - Item 100 of assets and item 60 of liabilities

10.1 Deferred tax assets: breakdown

	31/12/2023	31/12/2022
- Value adjustments on loans	144,907	208,669
- Allocations to provisions for risks and charges	49,494	33,320
- Allocations to personnel provisions	11,174	11,650
- Securities and equity investments	18,469	36,025
- Administrative expenses	1,917	1,012
- Depreciation	1,771	1,714
Total	**227,732**	**292,390**

The deferred tax assets recorded in relation to the provisions for risks and charges concern the provision for legal disputes, the provision for guarantees given and the provision for personnel charges. Where applicable, deferred tax assets have been recognised in relation to all liabilities generating temporary differences.

The Bank recognised Deferred Tax Assets (DTA) of 227.732 million euro, with a balancing entry in equity of 31.378 million euro and a balancing entry in the income statement of 196.354 million euro. Of these, 130.286 million euro comply with the requirements of Law 214 dated 22 December 2011 and may be transformed into tax credits in the event of a "reported loss", a "tax loss" for IRES purposes or a "negative net value of production" for IRAP purposes; their recovery is therefore certain, as unrelated to the ability to generate future taxable income. Tax assets not transformable into tax credits have been recognised after checking their recoverability by performing the so-called probability test.

This opinion was expressed after analysing the likelihood that sufficient taxable income will be generated in future. In particular, the estimate of future profitability underling the recoverability opinion was based on reasonable and realistic hypotheses and assumptions, after weighting the degrees of uncertainty. The check on the capacity of future taxable income was conducted over an overall time horizon of six financial years based on the economic projections for the years 2024-2026 examined by the Board of Directors that approved the 2024 annual budget, plus the economic forecasts for the years 2027-2029 that were kept equal to those for the year 2026 contained in the approved projections; in this regard, it should be noted that the database used, referring to an overall time horizon of six financial years, is composed of three inertial forecast budgets. The calculation of the impact of permanent IRES and IRAP variations on pre-tax profit and net interest and other banking income was carried out by considering a historical data base referring to the years 2015-2023 and applying rules for the normalisation of tax recoveries from previous years with the aim of achieving a re-expression of taxable income consistent with current tax legislation, eliminating from the taxable income of previous years the variations relating to non-recurring or extraordinary components no longer considered repeatable.

10.2 Deferred tax liabilities: breakdown

	31/12/2023	31/12/2022
- Owned and leased buildings	8,193	8,275
- Revaluation of property at fair value	5,138	4,839
- Revaluation of securities and gains	4,734	5,579
- Other administrative expenses	630	1,256
Total	**18,695**	**19,949**

The amount concerning owned real estate includes deferred taxes calculated on the first-time application of IAS/IFRS.

10.3 Changes in deferred tax assets (balancing item in income statement)

	31/12/2023	31/12/2022
1. Opening balance	**244,715**	**264,878**
2. Increases	**27,709**	**19,422**
2.1 Deferred tax assets recognised in the year	27,709	18,055
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) others	27,709	18,055
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	1,367
- of which business combinations	-	-
3. Decreases	**76,070**	**39,585**
3.1 Deferred tax assets derecognised in the year	76,070	39,585
a) reversals	76,070	39,585
b) written down as no longer recoverable	-	-
c) change in accounting policies	-	-
d) others	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases:	-	-
a) transformation into tax credits as per Law 214/2011	-	-
b) other	-	-
- of which business combinations	-	-
4. Closing balance	**196,354**	**244,715**

10.3 bis Changes in deferred tax assets as per Law 214/2011

	31/12/2023	31/12/2022
1. Opening balance	**194,187**	**223,652**
2. Increases	**-**	**-**
- of which business combinations	-	-
3. Decreases	**63,901**	**29,465**
3.1 Reversals	63,901	29,465
3.2 Transformation into tax credits	-	-
a) resulting from operating losses	-	-
b) resulting from tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	**130,286**	**194,187**

10.4 Changes in deferred tax liabilities (balancing entry in income statement)

	31/12/2023	31/12/2022
1. Opening balance	**14,515**	**9,398**
2. Increases	**48**	**5,803**
2.1 Deferred tax liabilities recognised in the year	48	5,803
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	48	5,803
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
- of which business combinations	-	-
3. Decreases	**458**	**686**
3.1 Deferred tax liabilities derecognised in the year	458	686
a) reversals	458	686
b) due to changes in accounting policies	-	-
c) others	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
- of which business combinations	-	-
4. Closing balance	**14,105**	**14,515**

10.5 Changes in deferred tax assets (balancing entry in shareholders' equity)

	31/12/2023	31/12/2022
1. Opening balance	**47,675**	**17,608**
2. Increases	**2,194**	**33,849**
2.1 Deferred tax assets recognised in the year	2,194	33,849
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	2,194	33,849
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
- of which business combinations	-	-
3. Decreases	**18,490**	**3,782**
3.1 Deferred tax assets derecognised in the year	18,490	3,782
a) reversals	18,490	3,782
b) written down as no longer recoverable	-	-
c) due to changes in accounting policies	-	-
d) others	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
- of which business combinations	-	-
4. Closing balance	**31,379**	**47,675**

This amount mainly refers for 18.469 million euro to the unrealised losses recognised in equity on securities assigned to the portfolio of financial assets measured at fair value through other comprehensive income, and for 11.174 million euro to actuarial losses recognised in relation to long-term employee benefits, consisting of the pension fund and termination indemnities recognised in equity.

10.6 Changes in deferred tax liabilities (balancing item in shareholders' equity)

	31/12/2023	31/12/2022
1. Opening balance	**5,434**	**18,802**
2. Increases	**4,589**	**389**
2.1 Deferred tax liabilities recognised in the year	4,589	389
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	4,589	389
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
- of which business combinations	-	-
3. Decreases	**5,434**	**13,757**
3.1 Deferred tax liabilities derecognised in the year	5,434	13,757
a) reversals	5,434	13,757
b) due to changes in accounting policies	-	-
c) others	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
- of which business combinations	-	-
4. Closing balance	**4,589**	**5,434**

The amount refers for 4.589 million euro to the taxation related to the capital gains recorded in shareholders' equity relating to the securities allocated to the portfolio of financial assets measured at fair value through other comprehensive income.

Section 12 - Other assets - Item 120

12.1 Other assets: breakdown

	31/12/2023	31/12/2022
Advances paid to tax authorities	53,875	57,074
Tax credits and related interest	215	1,080
Tax credits "*Cura Italia*" and "Relaunch" Law Decrees	1,964,684	1,451,634
Current account cheques drawn on third parties	16,897	15,237
Current account cheques drawn on Group banks	604	685
Transactions in customers' securities	24,821	23,463
Advances to suppliers	498	539
Advances to customers awaiting collections	31,945	27,221
Miscellaneous debits in transit	31,777	21,001
Liquid assets serving pension and similar obligations	18,553	19,310
Accrued income not allocated	54,014	52,309
Prepayments not allocated	10,634	11,242
Residual items	122,956	105,981
Total	**2,331,473**	**1,786,776**

The item mainly refers to tax credits related to the "*Cura Italia*" and "Relaunch" Decree-Laws acquired as a result of transfers by direct beneficiaries or previous purchasers. According to "Bank of Italy/Consob/IVASS Document No. 9 of 5 January 2021", these loans were classified under the residual item "other assets" in the balance sheet. For further details, reference should be made to Section 16, "Other information", of these notes.

Accrued income and prepayments mainly relate to commission income and costs that cannot be allocated to specific asset accounts.

Liabilities

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

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

Type of transaction/Amounts	31/12/2023				31/12/2022			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Due to central banks	**4,653,679**	-	-	-	**9,053,525**	-	-	-
2. Due to banks	**3,992,233**	-	-	-	**1,297,406**	-	-	-
2.1 Current accounts and sight deposits	401,873	-	-	-	384,113	-	-	-
2.2 Fixed-term deposits	245,765	-	-	-	213,259	-	-	-
2.3 Loans	3,319,045	-	-	-	680,257	-	-	-
2.3.1 Repurchase agreements	3,239,952	-	-	-	627,940	-	-	-
2.3.2 Others	79,093	-	-	-	52,317	-	-	-
2.4 Payables for commitments to repurchase own equity instruments	-	-	-	-	-	-	-	-
2.5 Payables for leases	-	-	-	-	-	-	-	-
2.6 Other payables	25,550	-	-	-	19,777	-	-	-
Total	**8,645,912**	**-**	**-**	**8,645,912**	**10,350,931**	**-**	**-**	**10,350,931**

Payables to central banks include two loans contracted with the ECB for a total of 4,506 million as part of the "Targeted Longer–Term refinancing operations" (TLTRO III), after the repayment of the tranche of 4,368 million dated 28 June 2023, which was activated on 24 June 2020.

The first was granted in the first quarter of 2021 for 806 million euro with maturity on 27 March 2024, and the second on 29 September 2021 for 3,700 million euro with maturity on 25 September 2024. These loans payable are secured by bonds, consisting mainly of Government bonds and loans receivable.

"Other loans" are made up principally of funding set up by EIB in connection with loans granted by this institution on the basis of the convention stipulated with it.

Since these payables are predominantly on demand or short-term, the book value is considered a good approximation of fair value.

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

Type of transaction/Amounts	31/12/2023				31/12/2022			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Current accounts and sight deposits	27,881,788	-	-	-	30,387,299	-	-	-
2. Fixed-term deposits	3,423,275	-	-	-	2,362,448	-	-	-
3. Loans	2,241,059	-	-	-	1,576,069	-	-	-
3.1 Repurchase agreements	2,241,059	-	-	-	1,576,069	-	-	-
3.2 Others	-	-	-	-	-	-	-	-
4. Payables for commitments to repurchase own equity instruments	-	-	-	-	-	-	-	-
5. Payables for leases	170,754	-	-	-	174,169	-	-	-
6. Other payables	46,967	-	-	-	41,023	-	-	-
Total	**33,763,843**	**-**	**-**	**33,763,843**	**34,541,008**	**-**	**-**	**34,541,008**

These payables are not specifically hedged.

Their fair value corresponds to their book value as they are amounts due on demand or with short-term restrictions.

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

Type of securities/Amounts	31/12/2023				31/12/2022			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. bonds	4,317,386	4,097,785	222,671	-	3,501,215	3,262,887	75,085	-
1.1 structured	2,239,535	2,014,669	212,679	-	1,588,521	1,387,208	65,101	-
1.2 others	2,077,851	2,083,116	9,992	-	1,912,694	1,875,679	9,984	-
2. other securities	92,927	-	92,927	-	116,749	-	116,749	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	92,927	-	92,927	-	116,749	-	116,749	-
Total	**4,410,313**	**4,097,785**	**315,598**	**-**	**3,617,964**	**3,262,887**	**191,834**	**-**

The fair value of the sub-item other securities is equal to the book value as this item includes short-term bankers' drafts and similar documents.

The level 1 securities mostly relate to bonds listed on the HI-MTF market (Multilateral Trading Facility).

1.4 Detail of subordinated payables/securities

Subordinated securities amount to 513.999 million euro and are made up of the loans indicated below:

- bond of 309.144 million euro from 25/11/2021 and maturity on 25/02/2032 with repayment in full on maturity. It bears a fixed interest rate of 3.875%.
- bond of 204.855 million euro from 30/07/2019 and maturity on 30/07/2029 with repayment in full on maturity. It bears a fixed interest rate of 6.25%.

1.6 Payables for leases

Financial outflows for leasing

	31/12/2023				31/12/2022
	Buildings	Cars	Other	**Total**	**Total**
Initial Lease Liability	173,981	50	139	174,170	186,364
Financial flows	(22,934)	(34)	(74)	(23,042)	(21,930)
Interest	3,310	2	4	3,316	3,268
Other changes	16,154	65	91	16,310	6,468
Closing carrying amount	**170,511**	**83**	**160**	**170,754**	**174,170**

As regards the Other changes during the year, the impact is mainly due to recalculation of the Lease Liability following the ISTAT index changes and the opening and closing of contracts.

At 31.12.2023, the lessee's weighted average marginal borrowing rate of the rates used to discount the lease liabilities is 1.95%.

Analysis of lease liability maturities

	up to 1 year	1 to 5 years	5 to 10 years	over 10 years
Buildings	22,411	78,884	57,860	23,916
Cars	36	50	-	-
Other types	68	98	-	-
Total	**22,515**	**79,032**	**57,860**	**23,916**

The amounts shown refer to non-discounted cash flows.

Section 2 - Financial liabilities held for trading - Item 20

2.1 Financial liabilities held for trading: breakdown

	31/12/2023					31/12/2022				
		Fair Value					Fair Value			
Type of transaction/Amounts	NV	Level 1	Level 2	Level 3	Fair Value *	NV	Level 1	Level 2	Level 3	Fair Value *
A. Cash liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	-	-	-	-	-	-
3.1.2 Other bonds	-	-	-	-	-	-	-	-	-	-
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	-	-	-	-	-	-
3.2.2 Others	-	-	-	-	-	-	-	-	-	-
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivative instruments										
1. Financial derivatives	-	68	20,355	-	-	-	9	47,570	-	-
1.1 For trading	-	68	20,355	-	-	-	9	47,570	-	-
1.2 Associated with the fair value option	-	-	-	-	-	-	-	-	-	-
1.3 Others	-	-	-	-	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 For trading	-	-	-	-	-	-	-	-	-	-
2.2 Associated with the fair value option	-	-	-	-	-	-	-	-	-	-
2.3 Others	-	-	-	-	-	-	-	-	-	-
Total (B)	**-**	**68**	**20,355**	**-**	**-**	**-**	**9**	**47,570**	**-**	**-**
Total (A+B)	**-**	**68**	**20,355**	**-**	**-**	**-**	**9**	**47,570**	**-**	**-**

Fair Value* = Fair Value calculated excluding changes in value due to changes in the issuer's creditworthiness since the issue date
NV = Nominal or notional value

Section 4 - Hedging derivatives - Item 40

4.1 Hedging derivatives: breakdown by hedge type and hierarchical levels

	Fair value 31/12/2023			NV 31/12/2023	Fair value 31/12/2022			NV 31/12/2022
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**-**	**1,803**	**-**	**59,906**	**-**	**116**	**-**	**36,925**
1) Fair value	-	1,803	-	59,906	-	116	-	36,925
2) Financial flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Financial flows	-	-	-	-	-	-	-	-
Total	**-**	**1,803**	**-**	**59,906**	**-**	**116**	**-**	**36,925**

NV = Nominal Value

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

	Fair Value							Financial flows		
	Micro									
Transactions/Type of hedge	debt securities and interest rates	equity securities and stock indices	currency and gold	receivable	commodities	others	Macro	Micro	Macro	**Foreign Investments**
1. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-
2. Financial assets measured at amortised cost	-	-	-	-	-	-	-	-	-	-
3. Portfolio	-	-	-	-	-	-	1,803	-	-	-
4. Other transactions	-	-	-	-	-	-	-	-	-	-
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**1,803**	**-**	**-**	**-**
1. Financial liabilities	-	-	-	-	-	-	-	-	-	-
2. Portfolio	-	-	-	-	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	-	-	-	-	-	-	-	-	-	-
2. Portfolio of financial assets and liabilities	-	-	-	-	-	-	-	-	-	-

Section 6 - Tax Liabilities - Item 60

This item shows a balance of 57.270 million euro, of which 38.575 million refers to current taxes, net of payments on account, and 18.695 million refers to deferred tax liabilities. As regards the breakdown and amount of deferred taxes, please read “Assets - Section 10” of these notes. With regard to the Bank's tax position, it should be noted that the Bank's taxable income through the year ended 31 December 2017 is fiscally defined. Decree Law 59/2016, converted by Law No. 119 of 30/06/2016, introduced the possibility by paying a fee, subject to certain conditions, of transforming D.T.A. (Deferred Tax Assets) into tax credits. In 2016, the Bank applied to retain this right also in the future; no fee has been paid as the conditions for payment did not apply.

The Bank exercised the option for tax consolidation involving the subsidiaries Factorit S.p.a., Banca della Nuova Terra S.p.a. and Pirovano S.p.a., Sinergia Seconda S.r.l., Immobiliare San Paolo S.r.l., Immobiliare Borgo Palazzo S.r.l. and Rent2Go S.r.l..

Section 8 - Other liabilities - Item 80

8.1 Other liabilities: breakdown

	31/12/2023	31/12/2022
Amounts at the disposal of third parties	549,623	441,592
Taxes to be paid on behalf of third parties	153,574	83,526
Taxes to be paid	6,721	1,313
Employee salaries and contributions	19,261	16,922
Suppliers	20,578	20,146
Transit accounts for sundry entities	4,862	3,299
Invoices to be received	22,206	17,473
Value date differentials on portfolio transactions	18,156	31,132
Directors' and statutory auditors' emoluments	-	1,170
Loans granted to customers to be finalised	4,947	9,750
Miscellaneous credit items being settled	39,497	45,785
Accrued expenses not allocated	1,898	3,765
Deferred income not allocated	15,500	14,348
Residual items	86,189	64,974
Total	**943,012**	**755,195**

The “value date differentials on portfolio transactions” relate to the notes received and sent for collection with recourse or for crediting after collection, which are only recognised in the balance sheet on settlement.

Section 9 - Termination indemnities (TFR) - Item 90

9.1 Termination indemnities: changes in the year

	31/12/2023	31/12/2022
A. Opening balance	**33,239**	**37,822**
B. Increases	**10,733**	**8,512**
B.1 Provisions for the year	10,733	8,512
B.2 Other changes	-	-
- of which business combinations	-	-
C. Decreases	**12,825**	**13,095**
C.1 Payments made	1,907	1,868
C.2 Other changes	10,918	11,227
- of which business combinations	-	-
D. Closing balance	**31,147**	**33,239**
Total	**31,147**	**33,239**

9.2 Other information

Other decreases relate to payments to the Arca Previdenza Fund for a total of 7.219 million euro, compared with 6.385 million euro the previous year, payments to INPS of 1.805 million euro, compared with 1.668 million euro and tax on the annual revaluation of 0.815 million euro, compared with 0.371 million euro the previous year. For the determination of the technical discount rate of the fund, account was taken of the ESMA recommendation set out in document No. 725/2012 of 12 November 2012. High-quality corporate securities with an AA rating were used as reference. A rate curve was then used that takes into account the expected average term of the obligation to be paid by the Bank.

The provision for termination indemnities required under Italian regulations amounts to 31.789 million euro. The actuarial measurement of the provision for termination indemnities was carried out on a closed group. The actuarial simulations were carried out according to the Projected Unit Credit Method.

The Projected Unit Credit Method lays down that the costs to be incurred during the year to build up the termination indemnity are determined according to the proportion of services rendered during the same period. According to the accrued benefits method, the company’s obligation to the individual employee is based on the services already rendered at the measurement date.

The actuarial calculations were made on the following assumptions:

	31/12/2023	31/12/2022
Discount rate	3.19%	2.97%
Annual inflation rate:		
2024	2.40%	2.30%
Sub.	2.00%	
Annual rate of increase in termination indemnities	Equalisation	Equalisation

The discount rate was calculated according to the I-Boxx Corporates Financial EUR AA 7–10 on 15 December 2023.

Section 10 - Provisions for risk and charges - Item 100

10.1 Provisions for risks and charges: breakdown

Items/Values	31/12/2023	31/12/2022
1. Provisions for credit risk related to commitments and financial guarantees given	47,063	32,151
2. Provisions on other commitments and other guarantees given	48,935	30,621
3. Corporate retirement funds	159,187	158,508
4. Other provisions for risks and charges	83,733	59,178
4.1 legal and tax disputes	61,584	40,545
4.2 personnel expenses	21,191	17,847
4.3 other	958	786
Total	**338,918**	**280,458**

10.2 Provisions for risks and charges: changes in the year

	Provisions on other commitments and other guarantees given	Pension and similar obligations	Other provisions for risks and charges	Total
A. Opening balance	**30,621**	**158,508**	**59,178**	**248,307**
B. Increases	**24,028**	**8,096**	**45,763**	**77,887**
B.1 Provision for the year	24,028	1,979	44,780	70,787
B.2 Changes due to the passage of time	-	-	686	686
B.3 Changes due to variations in the discount rate	-	-	297	297
B.4 Other changes	-	6,117	-	6,117
- of which business combinations	-	-	-	-
C. Decreases	**5,714**	**7,417**	**21,208**	**34,339**
C.1 Used in the year	5,714	4,744	16,558	27,016
C.2 Changes due to variations in the discount rate	-	2,668	421	3,089
C.3 Other changes	-	5	4,229	4,234
- of which business combinations	-	-	-	-
D. Closing balance	**48,935**	**159,187**	**83,733**	**291,855**

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

	Provisions for credit risk related to commitments and financial guarantees given				
	First stage	Second stage	Third stage	Impaired purchased or originated	Total
Commitments to grant loans	9,091	21,695	371	338	31,495
Financial guarantees given	2,038	1,491	12,039	-	15,568
Total	**11,129**	**23,186**	**12,410**	**338**	**47,063**

10.4 Provisions on other commitments and other guarantees given

The item does not have any materiality requirements.

10.5 Defined-benefit company pension funds

10.5.1. Characteristics of the plans and related risks

The Bank's pension plan for employees is an internal defined-benefit plan intended to supplement the pension paid to retired employees by the State. The plan is funded by contributions from the Bank and from employees which are determined on a percentage of income basis and credited each month. This plan is also a separate fund pursuant to art. 2117 of the Italian Civil Code.

The amount of the fund is adjusted taking into account the closed group of members referred to 28/04/1993. This closed group consists of 289 employees and 331 pensioners.

The adequacy of the fund with respect to the present value of the obligation at the reference date was verified periodically using calculations prepared by an independent actuary, making demographic assumptions that distinguish between age and gender, as well as technical-economic assumptions that reflect the theoretical changes in earnings and payments. The technical assessments made reference to dynamic economic and financial assumptions. The discounting rate reflects the yield on prime bonds.

10.5.2 Changes in net (assets) liabilities and redemption rights

	31/12/2023	31/12/2022
Opening balance	**158,508**	**164,887**
Service cost	1,784	2,142
Interest cost	4,042	1,160
Actuarial gains/losses	(2,668)	(6,830)
Payments	(4,744)	(4,276)
Other allocations	2,265	1,425
Closing balance	**159,187**	**158,508**

10.5.3 Other information on the fair value of plan assets

Details of the assets of the pension plan are summarised in the following table:

	31/12/2023	31/12/2022
Debt securities	101,052	100,551
Equity securities	281	1,122
Mutual funds invested in bonds	10,161	8,811
Mutual funds invested in shares	12,175	11,748
Mutual funds invested in property	16,966	16,966
Other assets	18,552	19,310
Total	**159,187**	**158,508**

The amount of the fund increases by 0.679 million euro, +0.43%.

Payments of benefits amount to 4.744 million euro compared with 4.276 million euro in 2022. The contributions paid by the employees totalled 0.199 million euro, in line with the previous year.

10.5.4 Description of the principal actuarial assumptions

The actuarial calculations were made on the following assumptions:

	31/12/2023	31/12/2022
discount rate	3.19%	3.03%
expected increase in salaries	0.25%	0.25%
annual inflation rate:		
- for 2024:	2.40%	2.30%
- for the following years	2.00%	2.00%

The average discount rate was determined with reference to the value of the I-Boxx Corporates Financial EUR AA 10+ index at 15 December 2023.

10.5.5 Information on the amount, timing and uncertainties of cash flows

As required by the relevant IAS/IFRS, a sensitivity analysis has been carried out to determine the effect of changes in the principal actuarial assumptions used for the calculations. For this purpose, the one used for the valuation was used as the base scenario and from that the two parameters considered most significant were modified, i.e. the average annual discount rate and the inflation rate. Below are the results obtained.

Sensitivity Analysis

- +0.25% change in the discount rate, the liability amounted to 128.915 million euro;
- -0.25% change in the discount rate, the liability amounted to 135.922 million euro;
- +0.25% change in the inflation rate, the liability amounted to 134.504 million euro;
- -0.25% change in the inflation rate, the liability amounted to 130.220 million euro.

In addition, the liability in the coming years was also analysed; as a result, the payments for the next five years were estimated, as shown in the following table:

Future payments (millions of euro)

year	0-1	1-2	2-3	3-4	4-5
Cash flow	4.842	4.715	4.591	4.518	4.443

10.6 Provisions for risks and charges – other provisions

Items/Values	31/12/2023	31/12/2022
Provision for legal disputes	61,584	40,545
Provision for personnel expenses	21,191	17,847
Other provisions	958	786
Total	**83,733**	**59,178**

The provision for legal disputes covers outstanding disputes regarding, in particular, claims for repayment from the liquidators of bankrupt customers, concerning positions classified as doubtful or which have already been written off for 2.419 million euro, and other disputes that have arisen in the ordinary course of business for 59.165 million euro. The duration of such disputes is difficult to assess, given the extended time required in order to obtain justice. In addition, as reported in these notes to the Financial Statements, Part E, Section 5, Operational Risks, a specific provision was made for the risks associated with the tax credits acquired.

The expected payments have been stated at their present value, considering the average time taken to complete bankruptcy claims, civil judgements and using market rates at 31 December 2023.

The provision for legal disputes increased by 21.039 million euro due to the difference between the provisions for the period for 27.192 million euro and the release of provisions made in previous years for 6.153 million euro.

At 31 December 2023, for the Bank alone, about 120 disputes, other than tax-related ones, were pending, with a total petitum of about 483 million. This amount includes all existing disputes regardless of the estimate of the risk of disbursement of economic resources deriving from the potential loss. It therefore also includes disputes with a remote risk.

The following paragraphs provide brief information on the disputes considered significant - mainly those with higher claims and with the risk of disbursement deemed "possible" - as well as on cases considered significant.

Claims for "indemnification" relating to loans sold as part of the securitisation transactions called "Diana", "Pop NPLs 2020", "Pop NPLs 2021" and "Pop NPLs 2022".

The assignee companies have the contractual right to make claims for compensation for alleged breaches of the guarantees given by the bank on the portfolio of assigned receivables. As regards the "Diana" transaction, 143 requests for a potential amount of 44.06 million euro are pending, for which a provision of 9.510 million euro has been made. On the other hand, with regard to the "Pop NPLS 2020" transaction, 42 requests are pending for a potential amount of 5.45 million euro, for which a provision of 3.021 million euro has been set aside, for the "Pop NPLS 2021" transaction, 126 requests are pending for a potential amount of 10.13 million euro, for which a provision of 3.313 million euro has been set aside. Lastly, as regards the "Pop NPLS 2022" transaction, 2 requests for a potential amount of 1.45 million euro are pending, for which a provision of 0.100 million euro has been made.

Disputes relating to compound interest and usury

The disputes falling within this line of litigation for years represented a significant part of the litigation brought against the Italian banking system. For disputes relating to compound interest, the petitum is equal to approximately 4.80 million, with provisions for 0.39 million, while for those relating to usury, the petitum is equal to 3.70 million, with provisions for 0.61 million.

Clawback actions in insolvency proceedings

13 disputes were pending for a petitum of 7.748 million, with a provision of 2.419 million. None with a request for a refund of a particularly significant amount.

AMA - Azienda Municipale Ambiente s.p.a.

In December 2020, the Bank was notified of the summons before the Court of Rome, concerning the requests for assessment and declaration of the nullity or cancellation of the transaction in financial instruments called "Interest Rate Swap" stipulated on 30 September 2010 and the repayment of amounts unduly received by the Bank for 20.67 million euro. The bank entered an appearance and the case is called to a hearing on 29 November 2024 for closing arguments. The risk of losing appears "possible".

Bankruptcy of Interservice s.r.l. in liquidation

In February 2015, the bankruptcy procedure sued the Bank before the Court of Milan with a request for compensation for the damage caused to the company by the illegal conduct of its director, quantified at 14.65 million euro. With a sentence published on 26 May 2020, the Court rejected the plaintiff's request, but the plaintiff has filed an appeal. The Court of Appeal of Milan ordered the bank to repay more than 7 million euro. An appeal has been filed with the Court of Cassation. The risk of losing appears "possible".

Ginevra s.r.l.

In January 2019, the company and the shareholders Giuliana Piovan and Gianpiero De Luca sued the Bank before the Court of Genoa with a request for compensation, quantified at 11.40 million euro, for contractual liability for failure to grant credit, compound interest and usury. At the hearing on 13 June

2023, deadlines were set for the filing of final pleadings. The Court of Genoa ruled in favour of the bank. At present, the other party has not yet filed an appeal. The risk of losing appears “possible”.

Società Italiana per le Condotte d’Acqua s.p.a.

In December 2022, a summons was notified concerning the damage caused to the Company by the bank for having granted credit despite the alleged state of crisis and the lack of concrete prospects of overcoming the crisis. The amount of the application, requested jointly with other credit institutions, is 389 million euro. The bank filed an appearance to reject the charge as unfounded and lacking evidentiary support. The risk of losing appears “possible”.

The provision for personnel expenses essentially relates to the cost of untaken holidays and the potential cost of employee long-service bonuses. It increases by 3.344 million euro, +18.74%.

The provision for charitable donations of 0.958 million euro comprises an allocation from profits authorised by the Shareholders’ Meeting due to donations made during the year. It increases by 0.300 million euro in the 2022 profit distribution and decreases by 0.128 million euro due to donations made during the year.

Section 12 - Company equity - items 110, 130, 140, 150, 160, 170 and 180

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

The share capital, unchanged from the previous year, is fully subscribed and paid up, amounts to 1,360.157 million euro and consists of 453,385,777 no-par value shares. Shares in circulation have dividend and voting rights from 1 January 2023.

At the year-end, the Bank held treasury shares with a carrying value of 25.201 million euro.

12.2 Share capital – Number of shares: changes in the year

Items/Types	Ordinary	Other
A. Shares at the beginning of the year	**453,385,777**	**-**
- fully paid-up	453,385,777	-
- not fully paid-up	-	-
A.1 Treasury shares (-)	(3,641,718)	-
A.2 Shares outstanding: opening balance	**449,744,059**	**-**
B. Increases	**9,085**	**-**
B.1 New issues	-	-
- for payment:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- warrants exercised	-	-
- others	-	-
- free:	-	-
- to employees	-	-
- to directors	-	-
- others	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	9,085	-
C. Decreases	**-**	**-**
C.1 Derecognition	-	-
C.2 Purchase of treasury shares	-	-
C.3 Disposal of businesses	-	-
C.4 Other changes	-	-
D. Shares outstanding: closing balance	**449,753,144**	**-**
D.1 Treasury shares (+)	3,632,633	-
D.2 Shares at the end of the year	453,385,777	-
- fully paid-up	453,385,777	-
- not fully paid-up	-	-

12.3 Share capital: other information

Share premium accounts

Amounts to 78.949 million, slightly down due to the recognition of negative differences between the discharge price and the corresponding book value of the shares sold.

12.4 Profit reserves: other information

The Schedule of distributable and available shareholders' equity pursuant to article 2427, paragraph 1, No. 7-*bis* of the Italian Civil Code is presented below.

Items	31/12/2023	Possibility of use*	Portion available	Uses in the last 3 financial years	
				Loss coverage	Other uses
Share capital	**1,360,157**		-	-	-
Share premium accounts	**78,949**	A,B,C (3)	78,949	-	-
Treasury shares	**(25,201)**	-	-	-	-
Equity instruments	-	-	-	-	-
Reserves:	**1,364,174**				
Legal Reserve	573,659	B	573,659	-	-
Pre-transformation Statutory Reserve S.p.A.	590,411	A,B,C	590,411	-	-
Extraordinary Reserve	74,972	A,B,C	74,972		
Treasury shares reserve	30,000	-	-	-	-
Available reserve pursuant to Art. 6 of Legislative Decree 38/2005	5,102	A,B,C	5,102	-	-
Unavailable reserve pursuant to Art. 6 of Legislative Decree 38/2005	70,742	B (1)	70,742	-	-
IAS/IFRS First-Time Adoption Reserves	(63,530)	-	-	-	-
Reserve pursuant to Art. 13 Legislative Decree No. 124/93	142	A,B	142	-	-
Other reserves	82,676	A,B,C	82,676	-	-
Valuation reserves:	**7,797**				
Financial assets measured at fair value through other comprehensive income	31,710	(2)	-	-	-
Actuarial losses related to defined benefit plans	(34,361)	-	-	-	-
Revaluation reserves due to adoption of FV on real estate IAS 40	10,448	(2)	-	-	-
TOTAL	**2,785,876**	-	-	-	-
Profit (loss) for the year	392,766	-	-	-	-
Total Equity	**3,178,642**	-	-	-	-

Notes:
(*) A: for capital increase; B: for coverage of losses; C: for distribution to Shareholders.
(1) The reserve may be used to cover losses for the year only after utilising the available profit reserves and the legal reserve as set forth in Art. 6 Legislative Decree No. 38/05. In that case, it is replenished by setting aside the profits of subsequent years.
(2) The reserves are subject to a non-availability restriction pursuant to article 6, paragraph 1, letters b) of Legislative Decree No. 38/2005
(3) The “share premium accounts” may only be distributed in full if the legal reserve has reached one-fifth of the share capital (Art. 2431 of the Italian Civil Code).

Profit reserves contribute to the capital adequacy of the Bank, considering both current and future operations. They amount to 1,364.174 million euro, + 6.90% on the prior year figure and comprise:

- Legal Reserve amounting to 573.659 million euro.
- Statutory reserve before transformation into S.p.a., amounting to 590.411 million euro.
- Extraordinary Reserve amounting to 74.972 million euro, which was supplemented by the allocation made during the year when the 2022 profit was distributed.
- Reserve for the purchase of treasury shares, already provided for by art. 60 of the Articles of Association prior to transformation into S.p.a., which is available to the directors under art. 8 of the Articles of Association for the purchase or sale of treasury shares on market terms, as part of normal trading to support the liquidity of the shares. This reserve amounts to 30 million euro (used for 25.201

million euro), unchanged compared with the previous year.
- Reserve pursuant to Art. 6 of Legislative Decree 38/2005 unavailable for 70.7428 million, down from the previous year due to the partial realisation (5.102 million).
- Reserve from first-time application of IAS/IFRS negative by 63.530 million.
- Reserve set up pursuant to art. 13 of Legislative Decree 124/93 for 0.142 million euro.
- Other reserves of 82.676 million euro increased by 1.290 million euro, compared to the previous year.

12.5 Capital instruments: breakdown and changes in the year

No equity instruments other than capital and reserves as defined by IAS 32 were issued.

Other information

1. Commitments and financial guarantees given (excluding those designated at fair value)

	Nominal value on commitments and financial guarantees given				Total 31/12/2023	Total 31/12/2022
	First stage	Second stage	Third stage	Impaired purchased or originated		
1. Commitments to grant loans	**15,283,398**	**2,306,380**	**76,206**	**7,857**	**17,673,841**	**14,264,543**
a) Central banks	-	-	-	-	-	-
b) Public administrations	549,364	77,805	-	-	627,169	605,928
c) Banks	1,398,094	15,508	-	-	1,413,602	223,702
d) Other financial companies	1,829,592	3,904	23	1	1,833,520	2,146,790
e) Non-financial companies	9,276,483	2,141,490	70,735	7,543	11,496,251	10,013,736
f) Households	2,229,865	67,673	5,448	313	2,303,299	1,274,387
2. Financial guarantees given	**1,641,499**	**104,025**	**16,802**	**-**	**1,762,326**	**1,940,983**
a) Central banks	-	-	-	-	-	-
b) Public administrations	2,238	2	-	-	2,240	6,441
c) Banks	300,102	2,619	-	-	302,721	640,750
d) Other financial companies	889,874	1,973	156	-	892,003	719,850
e) Non-financial companies	401,522	95,771	16,042	-	513,335	516,730
f) Households	47,763	3,660	604	-	52,027	57,212

2. Other commitments and other guarantees given

	Nominal value	
	Total 31/12/2023	**Total 31/12/2022**
Other guarantees given	**4,344,820**	**3,979,598**
of which: non-performing	73,392	57,083
a) Central banks	-	-
b) Public administrations	94,411	68,753
c) Banks	215,542	158,887
d) Other financial companies	43,183	108,696
e) Non-financial companies	3,788,967	3,461,803
f) Households	202,717	181,459
Other commitments	**4,180,199**	**4,121,347**
of which: non-performing	27,662	33,890
a) Central banks	50,000	50,000
b) Public administrations	70,858	64,496
c) Banks	423,900	517,183
d) Other financial companies	53,591	69,781
e) Non-financial companies	3,493,058	3,332,891
f) Households	88,792	86,996

3. Assets lodged to guarantee the bank's liabilities and commitments

Portfolios	31/12/2023	31/12/2022
1. Financial assets measured at fair value through profit or loss	103,070	108,722
2. Financial assets measured at fair value through other comprehensive income	1,268,168	1,311,977
3. Financial assets measured at amortised cost	12,332,150	13,739,806
4. Property, equipment and investment property	-	-
of which: property, plant and equipment held as inventories	-	-

Assets measured at fair value through other comprehensive income and those measured at amortised cost are represented by securities assigned to customers under repurchase agreements, assigned to guarantee loans from central banks (TLTRO) and to guarantee the operations of the Swiss subsidiary.

The assets measured at amortised cost also include loans that guarantee the funding provided by the Central Bank (ABACO loans).

4. Management and intermediation for third parties

Type of service	Amount
1. Execution of orders on behalf of customers	**26,909**
a) purchases	-
1. settled	-
2. not settled	-
b) sales	26,909
1. settled	26,909
2. not settled	-
2. Individual portfolio management	**1,471,375**
3. Custody and administration of securities	**70,701,784**
A) third-party securities on deposit: associated with activities as a custodian bank (excluding portfolio management)	5,014,702
1. securities issued by the reporting bank	1,500
2. other securities	5,013,202
b) third-party securities on deposit (excluding portfolio management): other	23,269,385
1. securities issued by the reporting bank	2,038,399
2. other securities	21,230,986
c) third-party securities on deposit with third parties	26,249,435
d) own securities held by other custodians	16,168,262
4. Other transactions	**-**

5. Financial assets subject to offsetting in the financial statements, or subject to compensation framework agreements or similar agreements

Technical forms		Gross amount of financial assets (a)	Amount of financial liabilities offset in the financial statements (b)	Net amount of financial assets reported in the financial statements (c=a-b)	Correlated amounts not netted in the balance sheet: Financial instruments (d)	Correlated amounts not netted in the balance sheet: Cash deposits received in guarantee (e)	Net amount (f=c-d-e) 31/12/2023	Net amount 31/12/2022
1. Derivatives		10,289	-	10,289	5,005	5,177	107	1,667
2. Reverse repurchase agreements		-	-	-	-	-	-	-
3. Securities lending		-	-	-	-	-	-	-
4. Others		-	-	-	-	-	-	-
Total	**31/12/2023**	**10,289**	**-**	**10,289**	**5,005**	**5,177**	**107**	**-**
Total	**31/12/2022**	**30,550**	**-**	**-**	**11,027**	**17,856**	**-**	**1,667**

IFRS 7 requires specific disclosures about the financial instruments that are netted or nettable in the balance sheet pursuant to IAS 32, given the application of framework netting agreements or similar arrangements.

There are no netting agreements whereby balances must be netted in the balance sheet pursuant to IAS 32.

With regard to potentially nettable instruments, the following tables indicate those derivative financial instruments governed by "ISDA Master Agreements".

In particular, Credit Support Annex (CSA) agreements have been signed with certain counterparties, under which the parties agree to give and accept assets in guarantee (in the Bank's case, amounts of cash denominated in euro), which are redetermined periodically depending on changes in the fair value of the underlying derivatives.

The derivatives subject to agreements of this type and reported herein are measured at fair value.

6. Financial liabilities subject to offsetting in the financial statements, or subject to compensation framework agreements or similar agreements

Technical forms		Gross amount of financial liabilities (a)	Amount of financial assets netted in the balance sheet (b)	Net amount of financial liabilities reported in the financial statements (c=a-b)	Correlated amounts not netted in the balance sheet: Financial instruments (d)	Correlated amounts not netted in the balance sheet: Cash deposits placed as collateral (e)	Net amount (f=c-d-e) 31/12/2023	Net amount 31/12/2022
1. Derivatives		10,289	-	10,289	5,005	5,135	149	1,027
2. Reverse Repurchase agreements		3,481,917	-	3,481,917	3,481,917	-	-	-
3. Securities lending		-	-	-	-	-	-	-
4. Others		-	-	-	-	-	-	-
Total	**31/12/2023**	**3,492,206**	**-**	**3,492,206**	**3,486,922**	**5,135**	**149**	**-**
Total	**31/12/2022**	**648,240**	**-**	**648,240**	**638,967**	**8,246**	**-**	**1,027**

Repurchase agreements indicated are subject to netting agreements governed by Global Master Repurchase Agreements (GMRA). The gross amounts (a) shown in the table relating to repurchase transactions are recorded in items 10 a) "Due to Banks" and 10 b) "Due to Customers"; the related financial instruments (d) are represented by the value of the securities involved in the transactions.

PART C – Information on the Income Statement

Section 1 – Interest – Items 10 and 20

1.1 Interest and similar income: breakdown

Items/Technical forms	Debt securities	Loans	Other transactions	31/12/2023	31/12/2022
1. Financial assets measured at fair value through profit or loss:	**2,867**	**12,931**	**-**	**15,798**	**9,652**
1.1 Financial assets held for trading	109	-	-	109	231
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	2,758	12,931	-	15,689	9,421
2. Financial assets measured at fair value through other comprehensive income	**74,100**	**-**	**-**	**74,100**	**18,234**
3. Financial assets measured at amortised cost:	**258,007**	**1,252,754**	**-**	**1,510,761**	**613,329**
3.1 Loans and receivables with banks	25,601	207,052	-	232,653	44,203
3.2 Loans and receivables with customers	232,406	1,045,702	-	1,278,108	569,126
4. Hedging derivatives	**-**	**-**	**274**	**274**	**2**
5. Other assets	**-**	**-**	**74,711**	**74,711**	**39,981**
6. Financial liabilities	**-**	**-**	**-**	**60**	**45,306**
Total	**334,974**	**1,265,685**	**74,985**	**1,675,704**	**726,504**
of which: interest income on impaired financial assets	-	46,387	-	46,387	24,961
of which: interest income on financial lease	-	-	-	-	-

1.2 Interest and similar income: other information

Interest income showed a good increase, +130.65 %, going from 726.504 million euro to 1,675.704 million euro. The increase was mainly due to the rise in interest rates, which affected both loans and income from the securities portfolio. Income on purchased tax credits amounted to 74.711 million euro compared to 39.981 million euro in 2022.

1.2.1 Interest income on financial assets in foreign currency

Items	31/12/2023	31/12/2022
Interest and similar income on foreign currency assets	50,483	21,947

1.3 Interest and similar expense: breakdown

Items/Technical forms	Payables	Securities	Other transactions	31/12/2023	31/12/2022
1. Financial liabilities measured at amortised cost	**(708,047)**	**(120,481)**	**-**	**(828,528)**	**(134,387)**
1.1 Due to central banks	(220,351)	-	-	(220,351)	(354)
1.2 Due to banks	(114,126)	-	-	(114,126)	(7,288)
1.3 Due to customers	(373,570)	-	-	(373,570)	(48,768)
1.4 Securities issued	-	(120,481)	-	(120,481)	(77,977)
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
3. Financial liabilities designated at fair value	**-**	**-**	**-**	**-**	**-**
4. Other liabilities and provisions	**-**	**-**	**-**	**-**	**-**
5. Hedging derivatives	**-**	**-**	**(131)**	**(131)**	**(170)**
6. Financial assets	**-**	**-**	**-**	**(156)**	**(9,739)**
Total	**(708,047)**	**(120,481)**	**(131)**	**(828,815)**	**(144,296)**
of which: interest expense on lease payables	(3,316)	-	-	(3,316)	(3,268)

1.4 Interest and similar expense: other information

Interest expense went from 144.296 million euro to 828.815 million euro +474.39% with an increase of 684.519 million euro. The increase is a consequence of the increase in rates and affected both the cost of funding from customers in the various forms of short-term funding and bond issues as well as significantly those relating to the T-LTRO refinancing transactions in place with the ECB . As at 31 December 2023, interest expenses of approximately 220 million euro accrued on these transactions.

1.4.1 Interest and similar expense on foreign currency liabilities

Items	31/12/2023	31/12/2022
Interest expense on financial liabilities in foreign currency	(21,499)	(6,914)

1.5 Differentials relating to hedging transactions

Items	31/12/2023	31/12/2022
A. Positive differentials relating to hedging transactions	274	2
B. Negative differentials relating to hedging transactions	(131)	(170)
C. Balance (A-B)	**143**	**(168)**

Section 2 – Fees and commissions – Items 40 and 50

2.1 Fee and commission income: breakdown

Type of service/Amounts	31/12/2023	31/12/2022
a) Financial instruments	**66,818**	**61,878**
1. Placement of securities	39,917	38,661
1.1 On a firm and/or irrevocable commitment basis	-	-
1.2 Without irrevocable commitment	39,917	38,661
2. Receiving and sending orders and execution of orders on behalf of customers	15,450	11,814
2.1 Receiving and sending orders for one or more financial instruments	15,450	11,814
2.2 Execution of orders on behalf of customers	-	-
3. Other commissions related to activities linked to financial instruments	11,451	11,403
of which: trading on own account	191	-
of which: individual portfolio management	11,260	11,403
b) Corporate Finance	**-**	**-**
1. Mergers and acquisitions advisory services	-	-
2. Treasury services	-	-
3. Other commissions related to corporate finance services	-	-
c) Investment advisory activities	**-**	**-**
d) Compensation and settlement	**-**	**-**
e) Custody and administration	**8,649**	**8,208**
1. Custodian bank	6,146	5,938
2. Other commissions related to custody and administration activities	2,503	2,270
f) Central administrative services for collective portfolio management	**-**	**-**
g) Fiduciary business	**-**	**-**
h) Payment services	**141,068**	**140,029**
1. Current accounts	42,866	40,720
2. Credit cards	16,081	20,143
3. Debit cards and other payment cards	19,047	18,549
4. Bank transfers and other payment orders	51,038	48,935
5. Other fees related to payment services	12,036	11,682
i) Distribution of third-party services	**32,047**	**29,636**
1. Collective portfolio management	-	-
2. Insurance products	26,824	25,390
3. Other products	5,223	4,246
of which: individual portfolio management	-	-
j) Structured finance	**-**	**-**
k) Servicing activities for securitisation transactions	**-**	**-**
l) Commitments to grant loans	**-**	**-**
m) Financial guarantees given	**37,166**	**32,454**
of which: credit derivatives	-	-
n) Financing transactions	**54,042**	**53,091**
of which: for factoring transactions	-	-
o) Trading in foreign currencies	**-**	**-**
p) Commodities	**-**	**-**
q) Other commission income	**22,555**	**21,491**
of which: for management of multilateral trading systems	-	-
of which: for management of organised trading systems	-	-
Total	**362,345**	**346,787**

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

Channels/Amounts	31/12/2023	31/12/2022
a) at own branches:	**83,224**	**79,699**
1. portfolio management	11,260	11,403
2. placement of securities	39,917	38,661
3. third-party services and products	32,047	29,635
b) door-to-door sales:	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. third-party services and products	-	-
c) other distribution channels:	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. third-party services and products	-	-

2.3 Fee and commission expense: breakdown

Type of service/amounts	31/12/2023	31/12/2022
a) Financial instruments	**(1,447)**	**(1,675)**
of which: trading of financial instruments	(1,447)	(1,675)
of which: placement of financial instruments	-	-
of which: individual portfolio management	-	-
– Own	-	-
- Delegated to third parties	-	-
b) Compensation and settlement	**-**	**-**
c) Custody and administration	**(3,115)**	**(3,074)**
d) Collection and payment services	**(4,855)**	**(5,296)**
of which: credit cards, debit cards and other payment cards	(2,455)	(2,569)
e) Servicing activities for securitisation transactions	**-**	**-**
f) Commitments to receive funds	**-**	**-**
g) Financial guarantees received	**(5,188)**	**(3,677)**
of which: credit derivatives	-	-
h) Off-premises offer of financial instruments, products and services	**-**	**-**
i) Currency trading	**-**	**-**
j) Other commission expenses	**(1,859)**	**(1,874)**
Total	**(16,464)**	**(15,596)**

Section 3 – Dividends and similar income – Item 70

3.1 Dividends and similar income: breakdown

Items/Income	31/12/2023		31/12/2022	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	1,296	209	2,691	308
B. Other financial assets mandatorily measured at fair value	-	3,286	-	2,521
C. Financial assets measured at fair value through other comprehensive income	3,824	-	2,354	-
D. Equity investments	35,455	-	27,669	-
Total	**40,575**	**3,495**	**32,714**	**2,829**

Dividends on equity investments were paid for 16.150 million euro by Factorit Spa, for 4.085 million euro by BPS Suisse, for 6.541 million euro by Arca Vita spa, for 8.679 million euro by Arca Holding Spa.

Section 4 – Net trading income – Item 80

4.1 Net trading income: breakdown

Transactions/Income items	Gains (A)	Trading profits (B)	Losses (C)	Trading losses (D)	**Profit (loss) [(A+B)-(C+D)]**
1. Financial assets held for trading	**3,543**	**45,654**	**(2,334)**	**(684)**	**46,179**
1.1 Debt securities	-	622	-	(121)	501
1.2 Equity securities	831	7,995	(1,631)	(550)	6,645
1.3 Mutual funds	2,675	8,366	(558)	(13)	10,470
1.4 Loans	-	-	-	-	-
1.5 Others	37	28,671	(145)	-	28,563
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Others	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	**-**	**-**	**-**	**-**	**87**
4. Derivatives	**10,128**	**17,008**	**(10,282)**	**(14,687)**	**2,380**
4.1 Financial derivatives:	10,128	17,008	(10,282)	(14,687)	2,380
- On debt securities and interest rates	8,558	9,137	(8,635)	(8,470)	590
- On equity securities and stock indices	38	1,519	(88)	-	1,469
- On currency and gold	-	-	-	-	213
- Others	1,532	6,352	(1,559)	(6,217)	108
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	-	-	-	-	-
Total	**13,671**	**62,662**	**(12,616)**	**(15,371)**	**48,646**

The net income from trading activities was positive for 48.646 million euro compared to a positive result for 18.514 million euro in the previous year. It recorded total profits from trading of 16.300 million euro compared to 2.653 million euro; the net result on other financial assets of 28.563 million euro is mainly made up of exchange gains. The difference between capital gains and losses on securities and mutual fund units is positive for 1.317 million euro. The net result of derivative trading is positive for 2.380 million euro. Exchange rate differences, amounting to 0.087 million euro, are positive, and decreasing due to rate trends, compared to positive exchange rate differences of 4.284 million euro in 2022.

Section 5 – Net hedging gain (loss) – Item 90

5.1 Net hedging gain (loss): breakdown

Income components/Amounts	31/12/2023	31/12/2022
A. Income related to:		
A.1 Fair value hedging derivatives	-	255
A.2 Hedged financial assets (fair value)	1,973	46
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Financial derivatives - Cash-flow hedges	-	-
A.5 Assets and liabilities denominated in foreign currencies	-	-
Total hedging income (A)	**1,973**	**301**
B. Charges relating to:		
B.1 Fair value hedging derivatives	(2,028)	(89)
B.2 Hedged financial assets (fair value)	-	(244)
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Financial derivatives - Cash-flow hedges	-	-
B.5 Assets and liabilities denominated in foreign currencies	-	-
Total hedging expense (B)	**(2,028)**	**(333)**
C. Net hedging gain (loss) (A – B)	**(55)**	**(32)**
of which: result of hedging on net positions	-	-

Section 6 - Gains (losses) from sales/repurchases - Item 100

6.1 Gains (losses) from sales/repurchases: breakdown

	31/12/2023			31/12/2022		
Items/Income items	Gains	Losses	Profit (loss)	Gains	Losses	Profit (loss)
A. Financial assets						
1. Financial assets measured at amortised cost	8,596	(953)	7,643	33,877	(4,906)	28,971
1.1 Loans and receivables with banks	167	-	167	72	(1)	71
1.2 Loans and receivables with customers	8,429	(953)	7,476	33,805	(4,905)	28,900
2. Financial assets measured at fair value through other comprehensive income	2,479	(3,644)	(1,165)	12,154	(306)	11,848
2.1 Debt securities	2,479	-	2,479	12,154	(94)	12,060
2.2 Loans	-	(3,644)	(3,644)	-	(212)	(212)
Total assets (A)	**11,075**	**(4,597)**	**6,478**	**46,031**	**(5,212)**	**40,819**
B. Financial liabilities measured at amortised cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	106	(19)	87	5	-	5
Total liabilities (B)	**106**	**(19)**	**87**	**5**	**-**	**5**

The losses shown in line "1.2 Loans to customers", totalling 0.953 million euro, mainly refer to the effects of the derisking actions carried out during the 2023 financial year, of which 0.742 million euro relate to the transfer of NPL loans carried out in the month of December.

During 2023, exposure transfer transactions classified as unlikely to pay were also carried out in favour of investment funds, with the simultaneous subscription of shares of the same, which overall resulted in the recognition of profits from the transfer of approximately 0.912 million euro. For further details reference should be made to part E of these notes, section "E. Securitisation transactions" sub-paragraph "C. Financial assets sold and fully derecognised".

Section 7 – Net gains (losses) on financial assets and liabilities measured at fair value through profit or loss – Item 110

7.2 Net change in value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

Transactions/Income items	Gains (A)	Gains on disposals (B)	Losses (C)	Losses on disposals (D)	**Profit (loss) [(A+B)-(C+D)]**
1. Financial assets	**19,170**	**9,918**	**(23,660)**	**(22)**	**5,406**
1.1 Debt securities	233	1,302	(8,940)	-	(7,405)
1.2 Equity securities	-	-	-	-	-
1.3 Mutual funds	6,849	8,616	(1,950)	(22)	13,493
1.4 Loans	12,088	-	(12,770)	-	(682)
2. Financial assets in currency: exchange differences	-	-	-	-	**215**
Total	**19,170**	**9,918**	**(23,660)**	**(22)**	**5,621**

Gains, losses, proceeds from disposals concern mutual fund units and Italian Government securities. This item also includes the change in fair value of loans which did not pass the SPPI test.

Section 8 – Net adjustments/write-backs for credit risk – Item 130

8.1 Net adjustments for credit risk related to financial assets measured at amortised cost: breakdown

	Adjustments (1)					
			Third stage		Impaired purchased or originated	
Transactions/Income components	First stage	Second stage	Write-off	Other	Write-off	Other
A. Loans and receivables with banks	**(2,345)**	**(1,054)**	**-**	**-**	**-**	**-**
- Loans	(1,625)	(68)	-	-	-	-
- Debt securities	(720)	(986)	-	-	-	-
B. Loans and receivables with customers	**(25,083)**	**(148,907)**	**(20,497)**	**(211,307)**	**(468)**	**(16,475)**
- Loans	(24,507)	(148,040)	(20,497)	(211,307)	(468)	(16,475)
- Debt securities	(576)	(867)	-	-	-	-
Total	**(27,428)**	**(149,961)**	**(20,497)**	**(211,307)**	**(468)**	**(16,475)**

	Write-backs (2)					
Transactions/Income items	First stage	Second stage	Third stage	Impaired purchased or originated	**31/12/2023**	**31/12/2022**
A. Loans and receivables with banks	**1,168**	**130**	**-**	**-**	**(2,101)**	**4,181**
- Loans	767	130	-	-	(796)	(263)
- Debt securities	401	-	-	-	(1,305)	4,444
B. Loans and receivables with customers	**69,733**	**23,817**	**132,729**	**10,917**	**(185,541)**	**(162,229)**
- Loans	65,325	23,817	132,729	10,917	(188,506)	(156,687)
- Debt securities	4,408	-	-	-	2,965	(5,542)
Total	**70,901**	**23,947**	**132,729**	**10,917**	**(187,642)**	**(158,048)**

8.2 Net adjustments for credit risk relating to financial assets measured at fair value through other comprehensive income: breakdown

Transactions/Income items	Adjustments (1)					
			Third stage		Impaired purchased or originated	
	First stage	Second stage	Write-off	Other	Write-off	Other
A. Debt securities	(429)	(41)	-	-	-	-
B. Loans	-	-	-	-	-	-
- Customers	-	-	-	-	-	-
- Banks	-	-	-	-	-	-
Total	**(429)**	**(41)**	**-**	**-**	**-**	**-**

Transactions/Income items	Write-backs (2)				**31/12/2023**	**31/12/2022**
	First stage	Second stage	Third stage	Impaired purchased or originated		
A. Debt securities	817	-	-	-	347	(360)
B. Loans	-	-	-	-	-	-
- Customers	-	-	-	-	-	-
- Banks	-	-	-	-	-	-
Total	**817**	**-**	**-**	**-**	**347**	**(360)**

Section 9 – Gains/(losses) from contractual amendments without derecognition – Item 140

The gains on contractual changes without derecognition amounted to 6.550 million euro, compared to a profit of 3.565 million euro in the previous year.

This line item includes the economic impact of contractual changes that do not qualify for the derecognition of financial assets and, therefore, that result in a change in the related amortised cost to reflect the discounting to present value of the new contractual cash flows using the original internal rate of return.

The total reflects losses from changes of 3.152 million euro, and profits from changes of 9.702 million euro.

Section 10 – Administrative expenses – Item 160

10.1 Personnel expenses: breakdown

Type of expense/Amounts	31/12/2023	31/12/2022
1) Employees	**(224,826)**	**(202,895)**
a) wages and salaries	(136,189)	(126,160)
b) social security contributions	(38,189)	(35,695)
c) termination indemnities	-	-
d) pension expenses	-	-
e) provision for employee termination indemnities	(10,726)	(8,487)
f) provision for pension and similar obligations:	(9,671)	(6,101)
- defined contribution	-	-
- defined benefits	(9,671)	(6,101)
g) payments to external supplementary pension funds:	(3,801)	(3,386)
- defined contribution	(3,801)	(3,386)
- defined benefits	-	-
h) costs deriving from payment agreements based on own capital instruments	(1,205)	-
i) other personnel benefits	(25,045)	(23,066)
2) Other personnel in activity	**(552)**	**(415)**
3) Directors and Statutory Auditors	**(2,902)**	**(2,058)**
4) Retired personnel	**-**	**-**
5) Recovery of expenses for employees seconded to other companies	**926**	**1,009**
6) Reimbursement of expenses for personnel on secondment to the company	**(1,188)**	**(1,184)**
Total	**(228,541)**	**(205,543)**

10.2 Average number of employees by category

	31/12/2023	31/12/2022
1) Employees	**2,956**	**2,876**
a) managers	28	25
b) officials	643	596
c) other employees	2,285	2,255
2) Other personnel	**9**	**8**
Total	**2,965**	**2,884**
	31/12/2023	**31/12/2022**
- Number of employees at year-end	3,033	2,916
- Other personnel	10	6

10.3 Company pension plans with defined benefits: total costs

Income components/Amounts	31/12/2023	31/12/2022
Service cost	1,784	2,142
Interest cost	4,042	1,160
Contributions from employees	(199)	(199)
Reductions and payments	4,044	2,998
Total charge to income statement (A)	9,671	6,101
Yield from assets servicing the fund (B)	7,226	3,185
Total charge (A-B)	**2,445**	**2,916**

The costs have been recorded as personnel expenses.

Information regarding the outstanding obligations and related changes during the year, the assets servicing the fund and principal actuarial assumptions made is provided in the tables reported in Part B Section 10.5 of the notes to the financial statements. The cost for the Bank consists of the contributions that it has to pay into the fund in accordance with the Fund Regulations. An additional provision of 7.226 million euro has been recorded, representing the return on the assets servicing the fund, which is recognised as “other operating income”. A positive change of 2.668 million euro corresponding to the actuarial profit was recognised in compliance with the provisions of the IAS 19 accounting standard, as balancing entry in equity as shown in the statement of comprehensive income.

10.4 Other employee benefits

The item essentially comprises the cost of expenses and salaries of personnel allocated to a specific fund, and related to meal vouchers, scholarships, insurance costs, the reimbursement of expenses, training costs and other benefits.

10.5 Other administrative expenses: breakdown

Type of service/Amounts	**31/12/2023**	**31/12/2022**
Telephone, post and data transmission	(12,045)	(11,427)
Maintenance of property, equipment and investment property	(8,765)	(8,000)
Rent of buildings	(192)	(129)
Security	(4,582)	(4,290)
Transportation	(1,628)	(1,589)
Professional fees	(47,703)	(42,518)
Office materials	(1,690)	(1,489)
Electricity, heating and water	(10,808)	(3,939)
Advertising and entertainment	(2,518)	(2,500)
Legal	(9,317)	(9,924)
Insurance	(1,579)	(1,512)
Company searches and information	(9,626)	(8,214)
Indirect taxes and dues	(63,169)	(58,021)
Software and hardware rental and maintenance	(23,803)	(20,120)
Data entry by third parties	(2,504)	(3,165)
Cleaning	(6,015)	(6,027)
Membership fees	(1,973)	(1,783)
Services received from third parties	(5,892)	(6,261)
Outsourced activities	(25,724)	(23,456)
Deferred charges	(828)	(1,350)
Goods and services for employees	(1,105)	(745)
Contributions to resolution and guarantee funds	(38,854)	(45,878)
Others	(7,682)	(6,417)
Total	**(288,002)**	**(268,754)**

Section 11 – Net allocations to provisions for risks and charges – Item 170

11.1 Net provisions for credit risk related to commitments to grant loans and financial guarantees given: breakdown

The line item is negative for 14.911 million euro made up of the difference between provisions for the year and reallocations.

11.2 Net provisions related to other commitments and other financial guarantees given: breakdown

The line item is negative for 18.315 million euro made up of the difference between provisions for the year and reallocations.

11.3 Net allocations to other provisions for risks and charges: breakdown

The balance of 22.542 million euro is made up of the difference between provisions for the year for 27.192 million euro to the provision for legal disputes and reallocations for 4.650 million euro.

Section 12 – Depreciation and net impairment losses on property, equipment and investment property – Item 180

12.1 Depreciation and net impairment losses on property, equipment and investment property: breakdown

Assets/Income component	Depreciation (a)	Impairment adjustments (b)	Write-backs (c)	**Net result (a+b-c)**
A. Property, equipment and investment property				
1. For business purposes	(33,804)	(3,200)	-	(37,004)
- Owned	(12,760)	(3,200)	-	(15,960)
- Rights of use acquired through leasing	(21,044)	-	-	(21,044)
2. Held for investment purposes	-	-	-	-
- Owned	-	-	-	-
- Rights of use acquired through leasing	-	-	-	-
3. Inventories	-	-	-	-
Total	**(33,804)**	**(3,200)**	**-**	**(37,004)**

Section 13 – Amortisation and net impairment losses on intangible assets – Item 190

13.1 Amortisation and net impairment losses on intangible assets: breakdown

Assets/Income component	Amortisation (a)	Impairment adjustments (b)	Write-backs (c)	**Net result (a+b-c)**
A. Intangible assets				
of which: software	(15,832)	-	-	(15,832)
A.1 Owned	(15,832)	-	-	(15,832)
- Internally generated	-	-	-	-
- Others	(15,832)	-	-	(15,832)
A.2 Rights of use acquired through leases	-	-	-	-
B. Assets held for sale	-	-	-	-
Total	**(15,832)**	**-**	**-**	**(15,832)**

The adjustments relate to intangible assets with a finite life consisting of rights to use computer software. There were no significant impairment losses relating to intangible assets during the year. Accordingly the information provided pursuant to para. 130 letters a) c) d) f) g) and para. 131 of IAS 36 is not provided.

Section 14 – Other operating income and expenses – Item 200

The item amounts to 76.407 million euro and comprises the difference between other operating income of 79.733 million euro, net of other operating expenses of 3.326 million euro.

14.1 Other operating expenses: breakdown

	31/12/2023	**31/12/2022**
Contingent liabilities	(2,867)	(4,987)
Others	(459)	(539)
Total	**(3,326)**	**(5,526)**

14.2 Other operating income: breakdown

	31/12/2023	**31/12/2022**
Recovery of charges on deposits and overdrafts	1,003	855
Rental income from buildings	1,329	1,267
Recovery of taxes	56,978	50,729
Financial income of pension and similar obligations plan	7,226	3,185
Contingent assets - other	2,615	3,109
Others	10,582	9,017
Total	**79,733**	**68,162**

The sub-item "others" includes 1.343 million euro for the rapid appraisal fee, which has been allocated to this item in accordance with its nature merely as recovery of the costs incurred.

Rental income from buildings includes 0.620 million euro from the sub-lease of right-to-use assets.

Section 15 – Net gains (losses) on equity investments – Item 220

15.1 Net gains (losses) on equity investments: breakdown

Income item/Amounts	31/12/2023	31/12/2022
A. Income	**-**	**1,401**
1. Revaluations	-	-
2. Gains on disposal	-	1,401
3. Write-backs	-	-
4. Other income	-	-
B. Charges	**(502)**	**(383)**
1. Write-downs	-	-
2. Impairment write-downs	(502)	(383)
3. Losses on disposal	-	-
4. Other charges	-	-
Profit (loss)	**(502)**	**1,018**

Impairment write-downs refer to the 0.502 million euro write-down of the subsidiary Pirovano Stelvio spa.

Section 16 – Net result of fair value measurement of property, equipment and investment property and intangible assets – Item 230

16.1 Net result of the valuation at fair value (or revalued amount) or at the estimated realisable value of property, equipment and investment property and intangible assets: breakdown

			Exchange rate differences		**Profit (loss)**
Assets/Income component	Revaluations (a)	Write-downs (b)	Positive (c)	Negative (d)	**(a-b+c-d)**
A. Property, equipment and investment property	**145**	**(183)**	**-**	**-**	**(38)**
A.1 For business purposes:	-	-	-	-	-
- Owned	-	-	-	-	-
- Rights of use acquired through leasing	-	-	-	-	-
A.2 Held for investment purposes:	145	(183)	-	-	(38)
- Owned	145	(183)	-	-	(38)
- Rights of use acquired through leasing	-	-	-	-	-
A.3 Inventories	-	-	-	-	-
B. Intangible assets	**-**	**-**	**-**	**-**	**-**
B.1 Owned:	-	-	-	-	-
- Internally generated	-	-	-	-	-
- Others	-	-	-	-	-
B.2 Rights of use acquired through leases	-	-	-	-	-
Total	**145**	**(183)**	**-**	**-**	**(38)**

Section 18 – Gains (losses) on sales of investments – Item 250

18.1 Gains (losses) on sales of investments: breakdown

Income item/Amounts	31/12/2023	31/12/2022
A. Property	-	-
- Gains on disposal	-	-
- Losses on disposal	-	-
B. Other assets	27	12
- Gains on disposal	27	12
- Losses on disposal	-	-
Profit (loss)	**27**	**12**

Section 19 – Income taxes for the year from current operations – Item 270

19.1 Income taxes: breakdown

Income components/Amounts	31/12/2023	31/12/2022
1. Current taxes (-)	(126,900)	(66,000)
2. Changes in current taxes of previous years (+/-)	-	-
3. Decrease in current taxes for the year (+)	-	-
3.bis Decrease in current taxes for the year for tax credits pursuant to Law No. 214/2011 (+)	-	-
4. Change in deferred tax assets (+/-)	(48,361)	(20,164)
5. Change in deferred tax liabilities (+/-)	410	46
6. Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(174,851)	(86,118)

The tax rate, i.e. the ratio of income taxes recognised to the profit on current operations before tax, is 30.80%.

19.2 Reconciliation of theoretical tax expense and actual tax expense in the financial statements

Profit before tax	**567,617**
IRES (corporate income taxes)	
Theoretical rate and theoretical tax	**156,095**
Dividends (-)	(10,261)
Gains/losses on sale of equity investments (PEX) (+/-)	-
Valuation losses on investments	138
Irap deductibility 10 % and labour costs (-)	(177)
Maxi depreciation	(135)
Ace	(3,989)
Other changes (+/-)	924
TOTAL IRES	**142,595**
IRAP (Regional business tax)	
Theoretical rate and theoretical tax	**31,616**
Dividends	(1,130)
Net value adjustments	(7,365)
Personnel expenses	1,118
Administrative expenses	1,870
Depreciation and amortisation	294
Other operating income/expense	2,148
Gains (losses) on equity investments	28
Other items	3,677
TOTAL IRAP	**32,256**
TOTAL TAXES	**174,851**

Income taxes are calculated at 27.50% for IRES and 5.57% for IRAP.

Section 22 – Earnings per share

Reference should be made to the information contained in the same section of the Consolidated Notes.

PART D – Comprehensive Income

Statement of comprehensive income

Items	31/12/2023	31/12/2022
10. Profit (Loss) for the year	**392,766**	**212,902**
Other income items without reversal to the income statement	**(583)**	**2,317**
20. Equity securities measured at fair value through other comprehensive income:	(8,980)	(5,965)
a) change in fair value	(8,603)	(4,752)
b) reclassified to other components of equity	(377)	(1,213)
30. Financial liabilities measured at fair value through profit or loss (changes in own creditworthiness):	-	-
a) change in fair value	-	-
b) reclassified to other components of equity	-	-
40. Hedges of equity securities measured at fair value through other comprehensive income:	-	-
a) change in fair value (hedged instrument)	-	-
b) change in fair value (hedging instrument)	-	-
50. Property, equipment and investment property	-	942
60. Intangible assets	-	-
70. Defined-benefit plans	4,672	10,993
80. Non-current assets and groups of assets held for sale	-	-
90. Share of valuation reserves of equity investments measured at equity	-	-
100. Income tax relating to other income components without reversal to the income statement	3,725	(3,653)
Other income components with reversal to the income statement	**38,466**	**(84,491)**
110. Hedges of foreign investments:	-	-
a) changes in fair value	-	-
b) reversal to income statement	-	-
c) other changes	-	-
120. Exchange differences:	-	-
a) changes in value	-	-
b) reversal to income statement	-	-
c) other changes	-	-
130. Cash flow hedging:	-	-
a) changes in fair value	-	-
b) reversal to income statement	-	-
c) other changes	-	-
of which: result of net positions	-	-
140. Hedging instruments (non-designated items):	-	-
a) changes in value	-	-
b) reversal to income statement	-	-
c) other changes	-	-
150. Financial assets (other than equity securities) measured at fair value through other comprehensive income:	57,644	(126,416)
a) changes in fair value	57,903	(116,454)
b) reversal to income statement	(259)	(9,962)
- credit risk adjustments	(347)	360
– gains/losses on disposals	88	(10,322)
c) other changes	-	-
160. Non-current assets and disposal groups held for sale:	-	-
a) changes in fair value	-	-
b) reversal to income statement	-	-
c) other changes	-	-
170. Share of valuation reserves on investments accounted for by the equity method:	-	-
a) changes in fair value	-	-
b) reversal to income statement	-	-
- impairment	-	-
– gains/losses on disposals	-	-
c) other changes	-	-
180. Income tax relating to other income components with reversal to the income statement	(19,178)	41,925
190. Total other income components	**37,883**	**(82,174)**
200. Comprehensive income (Items 10 + 190)	**430,649**	**130,728**

PART E - Information on risks and related hedging policies

The information contained in this section is based on internal data prepared for management purposes, which means that it may differ from those reported in sections B and C of these notes, except where the book value specifically has to be shown.

The information to be disclosed to the public under Sections Eight and Ten, Title I, Chapter 3 of the Regulation (EU) 575/2013 is provided by the required deadlines in the "Investor relations" section of the Bank's website.

Introduction

The purpose of managing and controlling risks is to ensure the reliable and sustainable generation of value, safeguard the financial solidity and reputation of the Bank, and provide transparent disclosure about the risks accepted. In particular, this activity seeks to verify compliance with the limits placed on the acceptance of risk, to identify criteria and methodologies for the measurement/assessment of risk, to check the consistency of the work performed in each operational area with the risk objectives assigned, if any, and to monitor current and future capital adequacy.

The Board of Directors is responsible for establishing guidelines, the strategic direction and policies for the governance of business risks, in order to ensure that the principal risks to which the Bank is exposed are correctly identified and managed. Consistent with this, the Board establishes the propensity to accept risk and obtains information about the actual exposures recorded, checking that the risk profiles are monitored appropriately by the units made responsible for internal control. In addition, with support from senior management, the Board promotes the development and spread at all levels of a "risk culture", capable of recognising the importance of healthy and prudent business management and facilitating a consistent, integrated and complete understanding of the types of risk that are important for the Bank.

Based on their specific responsibilities, the managing director and the members of general management supervise implementation of the guidance, direction and instructions provided by the Board, translating them into a system of exposure limits, procedures and operations designed to ensure the moderate acceptance of risk; the practical application of significant risk policies is delegated to the central services, offices and branches, depending on how they are organised.

The Board of Statutory Auditors monitors the adequacy of the risk management processes and their consistency with regulatory requirements.

The measurement and control of risks are performed by separate functions that are organisationally independent of the units authorised to accept them. The Risk Control Department plays a primary role by constantly supervising operations via the Risk Control Offices, making use of systems, instruments, procedures and methodologies for the identification, assessment and monitoring of risk. The department manager reports to senior management, in an objective and impartial manner, on the outcome of these control activities.

The high-level information describing the risks accepted, prepared by the above department, is organised so that senior management – having regard for the duties and responsibilities of each person – can make an informed, complete and documented assessment of the various types of risk and the related management, control and mitigation mechanisms, as well as of the adequacy of the capital held to cover such risks. The changes in the risk profiles are also communicated to the operational areas, via operational reports designed to make personnel aware of the need to intensify efforts to prevent and attenuate risk.

ESG risks (Environmental, Social and Governance)

Sustainability issues, also known by the acronym Environmental, Social and Governance (ESG), have now become part of the bank's daily business. The initiatives are varied. However, the issues related to environmental risks, and in particular climate risks, are the ones on which the activity is most intense. Awareness of the importance of these matters for the prospective robustness of the business model pursued is growing in all of them; the commitment to incorporate ESG assessment in the various areas of activity is correspondingly increasing, within the framework of an increasingly prudent assumption of the related risks and driven by the desire to offer greater support to clients and local communities in their policies of transition towards a circular and low-carbon economy. The process of transformation towards socially and environmentally sustainable models of production and consumption is now an unavoidable fact, which calls for great care in analysing and mastering the challenges along the way.

In this perspective, there is no counting the progress made by the bank: i) in giving specific space to ESG considerations and related risk profiles in the formulation and implementation of strategies, lending, financial and investment policies as well as in the provision of services to customers; ii) in understanding the potential impacts (in the short, medium and longer term) through the identification, measurement and management of 'sustainability' risks and, finally, iii) in integrating these elements into ordinary risk management practices.

The last financial year was marked, in particular, by an intensification of activities to develop and implement organisational, procedural and methodological solutions aimed at ensuring full alignment with the content of the Expectations of the "Guide on Climate and Environmental Risks" (issued by the ECB in November 2020) and, more generally, to implement the sound practice indications received from the Supervisory Authorities in the context of their ongoing and ordinary supervision of the bank's operations.

In 2023, as part of the supervisory dialogue with the ECB, the adjustment activities planned following the outcome of the thematic review launched by the ECB in early 2022 on the management of risks to climate and environmental transition and the occurrence of adverse natural events related to climate change were completed, thereby accelerating the process of alignment with the "good practices" dictated by the aforementioned Expectations. Towards the end of the year, the bank also drew up and submitted to the Supervisor a new, more organic programme of activities aimed at reinforcing the centrality of climate and environmental risk management for future business strategies and their integration into key policies and decision-making processes, taking into account, within the framework of a wide-ranging planning process, certain observations received from the Supervisor regarding the identification and monitoring of the impacts of these risk profiles.

For this purpose, the bank has defined an organic project structure, articulated on different "work sites" involving the main organisational and management areas of the bank on a broad spectrum, in order to include all possible enabling activities for a sound and correct management of climate and environmental risks and the formulation of long-term climate strategies. The initiatives of each project site of activities, governed by a steering committee composed of top management, were planned analytically, clearly indicating the intermediate and final objectives, the responsible functions and the timeframe for implementation, in order to facilitate their timely execution. The Board of Directors, assisted by the competent Board committees, is directly entrusted with the supervision of the action plan through dedicated reporting on specific areas of activity and quarterly reporting on the overall status of implementation of the planned initiatives. The ECB will also be regularly updated with appropriate reporting.

The main activities to strengthen ESG controls carried out in the period are summarised below, tracing them, for summary purposes, to the five areas subject to thematic Supervisory examination.

A. *Materiality analysis of climate and environmental factors:* significant progress was made in the processes and techniques for determining on a quantitative basis the significance ("materiality") of "sustainability" risk factors in relation to the bank's exposure to risks so-called "traditional". With particular regard to the analysis of risk factors related to the environment and climate change, special methodologies were developed to estimate the extent of manifestation risk within the typical banking risk exposure categories (credit, market, operational and liquidity). As part of the annual ICAAP capital adequacy analyses, initial simulation activities were then conducted on the quantitative impacts potentially generated, both in the short and medium to long term, by climatic and environmental risk factors on credit risk parameters (PD and LGD). Also in this context, in the last quarter of the year under review, also taking into account specific recommendations received from the Supervisor, the findings of the materiality assessments of these risks were revised, involving various refinements to the methodologies used. The renewed analyses covered a broader perimeter of banking risks than before, involving the definition of new approaches to identifying physical and climate transition risks and an updated process workflow based on the following main aspects: i) consideration of three distinct assessment time horizons (short, medium and long term); ii) different degrees of vulnerability to the action of adverse climatic factors and to the consequences of energy transition adaptation of the economic sectors and geographical areas where the Group and its counterparties are located (e.g. financed companies, providers of essential or important services). Updated assessments of the relevance of climatic-environmental factors will be integrated in the upcoming annual capital integrity assessment (ICAAP) and liquidity profile analysis (ILAAP) of the Group.

B. *Business context and strategy*: in this area, of highlight is the enrichment of the set of environmental sustainability objectives and metrics linked to the carbon neutrality path undertaken at a strategic level by the bank, expressed by means of indicators for the reduction of direct and indirect greenhouse gas (GHG) emissions into the atmosphere; in particular, within the TCFD Report 2022, in addition to the objectives of reducing the levels of pollutant gas emissions known as Scope I and Scope II previously established, initial targets were published for the containment of carbon emissions generated by asset portfolios (GHG Scope III), constructed for the economic sectors identified as carbon-intensive priorities. In addition, an exercise was also carried out to measure the sensitivity of the Group's medium-term economic and financial projections to a series of climate trend scenarios, by analysing the macroeconomic effects of different transition assumptions towards a greener and more sustainable economy. Strategic planning is progressively integrating, along with the classical axes of analysis of the economic and financial outlook, the consideration of climate drivers, so as to have a clear and effective vision of the implications of climate change for the dynamics of business management, in the short, medium and long term. The bank, in adherence to the objectives stated in the 2022-2025 “Next Step” Business Plan, formalised its membership of the United Nations Environment Programme's financial partnership and the Principles for Responsible Banking (PRB) and Net-Zero Banking Alliance (NZBA) initiatives. The PRB and NZBA represent the most important international initiatives for the banking sector in the ESG area. The first, issued in 2019, are six voluntary principles developed with the aim of providing purpose, perspective and ambition to Sustainable Finance. The Net-Zero Banking Alliance is an initiative promoted by the United Nations to accelerate the sustainable transition of the banking sector; it represents an ambitious pathway for our institution with respect to the reduction of its environmental and climate impacts through its commitment to align its direct operations and credit and investment portfolios with the goal of achieving zero global net climate-changing gas emissions by 2050, in line with the targets set by the Paris Climate Agreement. In preparation for joining NZBA, the bank identified a set of sectoral “pre-targets” for carbon reduction and conducted a mid-term financial sustainability study of them under different climate scenarios.

C. *Corporate governance, risk appetite, reporting and data governance:* in relation to the Group's Risk Appetite Framework, the existing indicator of concentration of credit exposures to financed companies that present, based on the use of the internal ESG scoring system, a high level of risk to climate and environmental factors has been supplemented by more granular indicators that aim to guarantee monitoring at an “operational” level on the exposure profiles of the credit portfolio to the risk aspects of environmental and social sustainability. Special metrics were also introduced to measure trends in market and operational risks related to sustainability issues. In relation to IT infrastructures and database management processes, we proceeded with the creation of architectural solutions intended for the collection and historicisation of the ESG information assets coming from various sources, supported by a detailed census of the reference data models. Also further integrated and standardised is the system of quarterly reporting to the top bodies on the evolution of the status of ESG risks - and climate-environmental risks in particular - characterising the banking books (credit assets and investments in proprietary securities) by means of trend representation of specific dashboards of indicators and quantitative analyses. As regards governance and internal organisation, the bank has promoted an overall redefinition of its structures in order to distribute responsibilities relating to the integration of ESG risks between the organisational areas, updating the function charts of the most impacted structures. The corporate governance system on sustainability has been strengthened by the establishment of a new Board Committee dedicated to this purpose.

D. *Risk management system:* in addition to the aforementioned mapping and identification of business areas and portfolios affected by climate and environmental risks (physical and transitional), processes for measuring, controlling and mitigating trends in sustainability risks are being increasingly structured. During the course of the year, the bank adopted a specific policy document aimed at giving the "direction" to the overall environmental and weather risk management model. With regard to the system for assigning an ESG score to the financed counterparties (model developed at the end of 2022), in the last few months, study activities aimed at a general review of the calculation methodology have begun, with the goal of expanding the scope of coverage of the "corporate" portfolio and the possible extension of the application of the score to the "private" segment; the related implementations will be completed during 2024. The assessment assigned at the individual counterparty level has been appropriately integrated into the electronic business lending procedures with concrete adoption in the key decision-making processes of loan acceptance, disbursement and pricing. In the course of the year, the risks associated with climate scenarios were also taken into account in the estimation of expected credit losses underlying the determination of impairment losses on loans, as additional credit cost components with the application of specific ESG overlays compared to the values resulting from the statistical reference models. In the area of valuation methodologies inherent to financial and operational risks, the following activities deserve more attention: i) the adoption of metrics and a Climate VaR methodology (proposed by an external data-provider) in order to quantify the impacts on the current value of the portfolio of financial assets due to the effect of these risks; ii) the definition of modalities for integrating analyses on prospective losses attributable to climate risk drivers within the self-assessment processes on possible operational risk events or scenarios; iii) the introduction of a new management stress hypothesis to measure on a recursive basis the potential effects on corporate liquidity deriving from the occurrence of climate-environmental risk events (physical risks). In addition to the capital adequacy analyses, a specific simulation of the effects of short-term climate stress was introduced within the systemic adverse scenario adopted in the last annual update of the Group's Restructuring Plan with the quantification of extreme financial impacts related to the occurrence of possible natural disasters and a strong acceleration of energy efficiency policies.

E. *Credit risk:* the assessment of the level of ESG risk is increasingly permeating corporate credit evaluation, disbursement and monitoring processes. The internal ESG scoring system, as mentioned above, was introduced into the electronic procedures for analysing credit practices as a supplementary element of scrutiny of a corporate counterparty compared to the traditional analyses carried out during the credit appraisal. The individual assessment of exposure to environmental and climate risks has also taken its place in the determination of the bodies empowered to make decisions on corporate credit facilities and has been included among the variables contributing to the standard rate conditions applicable to credit transactions. For the main counterparties, with priority given to those with the largest carbon footprint, a dedicated ESG due diligence process was combined with the attribution of the synthetic score, aimed at carrying out a more in-depth and punctual assessment of the company profile and its sustainability characteristics, collecting important information through a specific internal ESG questionnaire. An initial phase of the compilation process was closed in December 2023 and focused on the main borrower companies in terms of absolute volumes of greenhouse gases emitted into the atmosphere; a gradual extension of the scope of borrower companies to be included in the assessment is planned for 2024, as well as the integration of the results of the ESG due diligence process with the findings produced by the ESG scoring of counterparties, refining their risk assessments. In relation to lending policy guidelines, an initial refinement of the relative framework was also implemented in order to enhance the climate and environmental assessment component to a greater extent, envisaging the use of ESG counterparty scoring in the lending strategy definition phase, the revision of sector clustering from a climate-related perspective, and a greater weighting of the ESG risk component in the elaboration of sector attractiveness.

Section 1 - Credit risk

QUALITATIVE INFORMATION

1. General aspects

The Bank's lending policy aims to provide support to local economies in the areas that we serve, by granting financial resources to applicants that are pursuing admirable objectives and who meet suitable parameters of credit-worthiness.

The size and composition of the loan portfolio reflect the financial needs of two specific customer segments: small and medium-sized businesses, mainly located in the areas where the Bank operates, and households. The Bank prefers to lend to SMEs since they do not move in broader financial circles and, consequently, need a point of reference that can understand their requirements and meet them with skill, efficiency and speed, following the evolution of the business over time. However, the needs of bigger counterparties, such as large enterprises and public entities, are not overlooked, providing their credit rating following a rigorous preliminary investigation shows that they are solid and reliable.

In this context, the lending activity is based on principles of healthy and prudent management, fair remuneration of risk and professional, efficient operational conduct, with a view to establishing two-way communications with borrowers based on reciprocal trust and transparency; this in order to enhance the Bank's particular aptitude for building long-term customised relationships with local business owners.

In consideration of the Bank's strategic objectives and approach to operations, its lending strategy is based on a low propensity for risk and full awareness of the risks that are taken on; this involves:

- measuring the current and prospective risk of the credit portfolio, both as a whole and/or at various levels of disaggregation;
- diversifying the exposure, so as to reduce concentration;
- refusing to get involved in operations that could jeopardise the Bank's profitability and solidity.

These strategies and policies have not changed since last year.

2. Credit risk management policies

2.1 Organisational aspects

The Bank's approach to credit risk management is based on maximum involvement at all levels of the organisation to ensure timely processing of customers' applications, combined with an analytical assessment of the risk involved in lending money to them. The various stages that make up the lending process include the planning of credit policies, the preliminary appraisal, granting of the loan, periodic review, monitoring and management of "non-performing" loans.

Implementing the strategic guidelines established by the Corporate Bodies during the planning process and in compliance with the risk limits set, the lending policy defines the size and composition of the loan book, in order to guarantee an adequate balance between the risk profile accepted and the return earned. The guidelines cover the products, segments, sectors and categories of counterparties that maximise forecast profitability while, at the same time, governing the quality of the portfolio and ensuring capital adequacy on a prospective basis. For planning purposes, the guidelines establish objectives for the operational offices, covering the quality of the portfolio, as well as its growth and profitability. These objectives must be achieved while respecting the capital adequacy requirements and risk limits.

The procedures and organisational structure in place have been formalised clearly specifying activities, roles and responsibilities.

In order to avoid potential conflicts of interest, the separation between operating functions and control functions is ensured.

The system of decision-making powers approved by the Board of Directors is based on the principle of "cascade delegation", which means assigning limited powers to the branches, giving preference to control by specialist central units.

The following is an explanation of the bodies and the main corporate functions that are involved in supervising the lending process, also specifying their principal duties.

– *Board of Directors*. The Board of Directors supervises and oversees the proper allocation of financial resources and, in particular:
  - establishes the strategic direction and lending policies;
  - establishes criteria for the detection, management and evaluation of risks;
  - approves the decision-making and signature powers attributable to the other corporate bodies and organisational units for the granting and revision of lines of credit;
  - checks that the structure of the control functions is defined in line with the strategic guidelines;
  - makes sure that they have an appropriate degree of independent judgement and are equipped with qualitatively and quantitatively adequate resources;
  - gains a general knowledge of rating systems, proposes their application during the various stages of the process and assesses how effective they are with the help of the internal control and internal audit functions.
– *Managing Director*. The Managing Director supervises implementation of the decisions taken by the Board of Directors with regard to the management of lending and the related risks. In addition, exercises the powers to grant loans granted under the Bank's regulations.
– *General Management*. General Management implements the strategies and policies established by the Board of Directors and, in particular:
  - prepares regulations, activities, procedures and organisational structures for the adoption and application of an efficient lending process, of an adequate rating system and of a solid system for the control of the related risks;
  - verifies the adequacy and functional capacity of these various elements, also in light of the internal and external changes that are affecting the Bank;
  - takes the necessary action to eliminate any weaknesses and inefficiencies that are identified.

  In addition, General Management adopts resolutions to the extent of the autonomy granted.
– *Branches*. The branches are assigned the fundamental task of handling the relationship with the customer who is borrowing or who would like to borrow money from the Bank. They acquire the documentation, make an initial selection of the applications and directly approve those within the

scope of their powers, and monitor the credit report on a day-to-day basis, checking for potentially anomalous situations.

- *Coordination functions*. They give the branches fundamental support in handling more complex loan positions and/or those that are looking critical. They examine requests for loans to be presented to the central functions and express an opinion, while approving directly those within the scope of their powers.
- *Loans Department*. The Credit Appraisal office supports the work of the central committees by receiving applications from branches, checking their completeness and accuracy, and completing the assessment. The Medium-term and Special Loans Office assesses mortgages, leases, factoring arrangements, artisan and agricultural loans, loans under framework agreements and personal loans from a technical and legal point of view. Through the Risk Office, it finalises the guarantees and then activates the loan.
- *Corporate Finance Department*. The Corporate Finance Department analyses, structures and coordinates corporate finance operations and identifies the best types of financing for complex investment projects. It makes a preliminary evaluation of project financing transactions, directly structuring the intervention or proposing the Bank's participation in a lending syndicate.
- *The NPE Unit*. This Unit oversees the performance of credit quality and verifies the effectiveness of the actions taken to settle credit anomalies and recover the debt. In particular, the current structure involves the following organisational units:
  - *Problem Loans Management*. Oversees the performance of credit quality and verifies the effectiveness of the actions implemented to settle credit anomalies and recover the debt. Monitors, in particular, critical performing, non-performing and past due positions classified as unlikely-to-pay and implements, either directly or via the network, the appropriate actions to minimise the risks and prepare appropriate initiatives to protect the Bank's credit. It also supports the network in managing positions subject to restructuring and bankruptcy proceedings, searching for negotiated solutions to business crises
  - *In-court and out-of-court debt collection and bad debt*. For credit positions classified as bad loans, it takes legal action, in and out of court, to recover them, organising the necessary interventions directly and/or through external lawyers.
  - *Performance monitoring and support*. Monitors the NPE portfolio for management and early warning purposes, and monitors the operational and management performance of impaired credit recovery activities. Manages the status changes and provisions, appraisal of the NPE chain, regulations and relevant processes. This organisational unit is also responsible for managing and coordinating the various processes involved in outsourcing non-performing loans.
- *Risk Control Department*. Designs, develops and manages measurement systems of a regulatory and managerial nature, ensures full implementation of risk taking, management and monitoring policies. With particular reference to credit risk, the activities carried out by the following organisational units are of note:
  - *Credit Risk Office*. By monitoring exposure to credit risk through the use of methodologies and tools suitable for identifying the critical issues of the underlying processes and the interventions aimed at overcoming them, it contributes to: evaluate the consistency of the NPL portfolio management strategies with the RAF parameters, estimate the impacts on the profitability and capital profiles in ordinary and stressed conditions, take care of the reporting to the corporate bodies, supervise the second level controls by evaluating the consistency of the classifications and the adequacy of the provisions relating to performing and impaired credit items, conduct analyses on the performing and non-performing loan portfolio.
  - *Credit Models Development Office*. In charge of designing, developing and maintaining the quantitative models and metrics adopted to measure credit risk for both regulatory and management purposes, as well as defining and updating the credit risk parameters used to determine impairment IFRS 9. The Office is also responsible for coordinating activities related to the development of AIRB models.
  - *Pricing and valuation models*. Responsible for developing and monitoring quantitative

methodologies and models for risk (i.e. IFRS 9 stage allocation and impairment, measurement of operational and counterparty risk, analysis of macroeconomic scenarios) and for valuation (i.e. pricing models, independent price verification methodologies, calculation of fair value and related adjustments).

- *Office of Risk Data Management.* Oversees the governance of risk data and the related data quality controls, guaranteeing integration with the company's data governance processes, as well as overseeing the IT architecture supporting the internal rating system.
- *Integrated Risk Office.* Oversees the definition and monitoring of the risk objectives established by the RAF, fulfils the obligations of the Second (ICAAP) and Third Pillar (Public Disclosure) and those relating to the Recovery Plan, governs the execution of the stress exercises to verify the resilience of the Group's capital and financial conditions in adverse scenarios, contributes to the Resolution Plan and the monitoring of risks not covered by other specialist units (Integrated Risk Office).

In addition, the following organisational units report to the Chief Risk Officer:

- *Large Exposures Office and Rating Desk.* Responsible for assessing the riskiness of major credit exposures, for validating the internal rating judgements assigned to customers belonging to the "major customers" management segment and for carrying out verification and validation activities for exceptions to rating judgements requested by the competent operational structures.
- *Validation Office.* Responsible for overseeing the validation processes of the internal models for measuring and managing Pillar I and II risks, the main risk management and monitoring systems, the assessment of corporate activities and other risk measurement methods used for management and accounting purposes.

– *Internal Audit Department.* Checks the proper functioning of controls and compliance with rules and procedures. In particular, this department checks that the criteria for the proper classification of loans are correctly applied.

2.2 Management, measurement and control systems

Control over credit risk has the support of rating models that have been specifically developed by the Bank. The Bank has models for the following segments: Private Customers (resident and non-resident consumer households), Small Economic Operators (family businesses, personal businesses and practising professionals), Small Businesses (non-financial partnerships and companies with sales unknown or less than 1.5 million euro and total credit lines at Group level of less than 1 million euro), SMEs (non-financial partnerships and companies with sales between 1.5 million euro and 100 million euro, or sales unknown or less than 1.5 million euro and total credit lines at Group level of 1 million euro or more), Corporate non-profit institutions (non-profit entities and associations with sales of 1.5 million euro or more or, if less or unknown, with total credit lines of 1 million euro or more), Retail non-profit institutions, Large Enterprises (non-financial partnerships and companies with sales in excess of 100 million euro), Public Enterprises and Non-resident, non-financial companies.

These models are designed to create a counterparty rating and an associated probability of default (PD), representing the estimated likelihood that the borrower will become insolvent within one year. The rating depends solely on the characteristics of the counterparty and is not influenced by any guarantees that the Bank has acquired. The rating assessments are produced by qualitative statistical models and are split into 14 categories for "performing" counterparties and one for those that are insolvent. They are then summarised in eight risk ratings: "Excellent", "Good", "Medium", "Uncertain", "Bad", "Very bad", "Insolvent" and "Not classified".

Ratings are used in the credit process all the way from policy planning through to performance control. For monitoring purposes, the rating is calculated monthly with reference to the entire population of interest, whereas it is determined on an *ad hoc* basis when considering new loans or reviewing existing loans.

In addition to the rating and PD, the Bank estimates and adopts two other important risk factors: the loss given default (LGD) rate and the estimated exposure at default (EAD). These estimates for counterparties also derive from internal models, and they are heavily influenced by the presence and type of guarantees acquired by the Bank and by the technical form by which the loan is granted.

Lastly, the PD, LGD and EAD results make it possible to determine the Expected Loss, which is an estimate of the potential loss associated with a particular loan exposure; and as an element of cost, it also provides useful input for determining prudent loan loss provisions.

Having input on such risk factors, updated on a monthly basis, contributes towards a complete assessment of the risk profile, helping to improve the amount of information available to support the lending process.

Together with the valuations obtained through internal models, the ratings granted by leading international agencies are gathered automatically. These are used in determining the capital requirements for credit and counterparty risk, for which the Bank adopts, for segments not covered by internal models, the so-called "standardised approach"; this involves weighting the exposures on the basis of ratings, where available, assigned to each counterparty by a specialist firm (rating agencies such as Standard & Poor's, Moody's, Fitch Ratings, DBRS and Cerved Group).

As regards counterparty risk, in addition to continuously monitoring the main banking groups with credit lines, we periodically carry out a specific analysis of each position that has been taken on. This is performed by taking various indicators into consideration, such as their rating, accounting information and market data.

The internal rating system represents a fundamental element of the Bank's credit processes and procedures. It is fully integrated with them in accordance with regulatory requirements. Specifically, IRB risk metrics are used in the following areas: lending and decision-making, credit monitoring, credit quality, management and branch network reporting, risk-adjusted pricing, credit policies and impairment.

The preliminary appraisal, which aims to establish whether applicants satisfy certain conditions for credit-worthiness, includes consideration of whether the characteristics of the loan are consistent with its purpose, a check on whether any guarantees being provided are suitable to cover the risk of non-repayment, and a review of the economic aspects of the loan. In this context, the opinion expressed by the internal rating system, if available, and the associated estimates of default are taken into due consideration as essential elements for an overall evaluation of the customer.

The decision whether to grant a loan or not is taken by the competent decision-making bodies prior to disbursement, carefully assessing all of the information that emerged during the preliminary investigation, as well as any other element that might be available. In order to ensure greater control of credit risk, the mechanism for defining the autonomy limits for the decision-making bodies at the base of the hierarchical scale combines the use of the nominal value of the transaction to be resolved with the risk profile of the same, of the counterpart applicant, any related counterparties and related exposures. In addition, the Loss Given Default (LGD) parameter is integrated into the resolution body determination model.

Credit lines are then made operative and the funds made available to the borrower, but only after all matters foreseen in the approval have been dealt with, particular emphasis being put on the acquisition of guarantees and their verification and assessment in terms of being suitable to lower the credit risk.

After disbursement, loans of whatever amount are reviewed periodically to check whether all of the conditions established during the preliminary appraisal and taken into consideration when granting the loan still exist. Particular attention is paid to reviewing the reasons that led to changes in ratings.

Lines of credit can also be reviewed automatically in the case of positions with low levels of risk, verified through a rigorous examination of suitable indicators that are established in advance, where the rating takes on a great deal of importance. The risk parameters are also assessed upon the renewal/revision of outstanding loans, allowing for automatic revision in the presence of specific solvency criteria, including maximum thresholds for the counterparty's probability of default, differentiated by risk segment.

Outstanding loans and guarantees are constantly monitored to ensure that the borrower and any guarantors remain solvent and that the general and specific requisites still apply and that the guarantees are still valid, to ensure that they can be fully and effectively enforced in the event of the debtor's insolvency. This monitoring, which is carried out in accordance with formal company procedures, is designed to spot any negative symptoms as early as possible and to take rapid and effective action to avoid any further deterioration. In this regard, the home branches of the loans concerned play an important role since, by maintaining direct customer relations, they are able to identify any signs of impairment immediately. Operating units are supported in these activities by a series of reports produced internally or by external contributors; with regard to the Bank, particular importance is attached to the report on changes in the risk factors at counterparty level calculated by the rating system. Specific head office units are dedicated to analysing the different information available, in order to assess continuously the merit class of each exposure and identify those potentially subject to excessive risk. The depth of this analysis is linked to the needs expressed.

The Bank uses risk-adjusted value creation (EVA) indicators when determining the spread and margin on loans. Using a specific application already integrated within the electronic credit line system, it is in fact possible to determine a measure of profitability that is adjusted for credit risk (expected loss based on the customer's rating) and for the opportunity cost of the regulatory capital absorbed. This is applied to the individual lending relationship, thus resulting in an estimate of the value added by current or potential exposures. By consolidating the controls applied to contain risk in the selection, management and monitoring phases, this tool makes it possible to identify poorly performing accounts more precisely and, therefore, take action to restore profitability.

The Bank also has a process of identification, resolution and monitoring of forborne exposures (i.e. credit exposures for which changes in contractual conditions or refinancing have been granted due to financial difficulties on the part of the debtor); forborne as an attribute is transversal to all loans, whatever their administrative status.

In addition, a range of management information is generated periodically in order to monitor better, via meaningful analysis, the changes in portfolio risk.

With regard to the monitoring of loans that appear anomalous, all overdrawn situations are analysed carefully with a view to taking timely action in relation to problem positions. The Problem Loans Management Department makes use of performance measurement and control methodologies that take into consideration internal and industry data, together with the opinion given by the rating system, if available, to build up the identification of potentially problematic counterparties and promotes actions to mitigate credit risk. These positions are appropriately analysed and, where there are clear signs of difficulty, they are classified as "non-performing", depending on how serious the situation is.

The task of monitoring and managing anomalous loans is given to specific central offices, which make use of "corporate managers" located throughout the territory and who carry on their activity with a view to returning the position to "performing", if this is possible; otherwise, with a view to recovering the loan in the event of insolvency, operating in close collaboration with the home branches of the problem loans concerned.

Within the Risk Control Department, a separate unit supports the Loans Department by identifying "performing" customers that show initial anomalies and signs of difficulty, as well as those counterparties that are persistently overdrawn. In order to deal with deteriorating relationships promptly and effectively supervise the overall quality of the loans portfolio, the Bank has adopted monitoring processes and support tools that promote actions leading to the regularisation of the relationships.

With reference to the controls adopted for the control and mitigation of concentration risk, it should be noted that, in the appraisal, disbursement, review and monitoring phases, in-depth controls are carried out relating to the concentration of risks for significant exposures to individual counterparties or groups of counterparties between which there are connections of a legal and/or economic nature. In particular, in accordance with the above regulations, specific procedures are followed for loan applications deemed to be "of major relevance" (OMR), based on the size of the exposure and the amount of the request for new lines of credit. In particular, these applications and the related investigation report prepared by the Loan Appraisal Office are sent to the Large exposures office and rating desk, which assesses the consistency of the operation, at both the individual and consolidated levels, with the system of risk objectives identified in the RAF (Risk Appetite Framework). In addition to the normal analysis by the Loan Appraisal Office, large exposures are also examined by the Large exposures office and rating desk in order to provide additional support for the approval process.

2.3 Methods for measuring expected losses

The purpose of this section is to describe the methodological framework implemented by the Bank to calculate the Expected Credit Loss (ECL) of its loan portfolio, in accordance with the requirements of the IFRS 9.

The Bank has defined a specific methodological framework. Building on the models already used in other business areas and processes, this activity involved developing various methodologies and aspects relevant to the calculation of impairment, such as stage allocation methodologies, as well as the micro-modelling of scenario-dependency and the calculation of a multi-period ECL that takes account of the key aspects mentioned.

These methodologies are considered optimal with regard to the rationale underlying the standard, the current and prospective taxonomy and complexity of the portfolio, the materiality of the impact of specific modelling decisions and the following drivers of analysis considered important:

- Disclosure and consistency, with particular reference to the ease with which the approach can be explained to the various types of stakeholder, and consistency with the methodological framework currently used for stress testing.
- Conformity with current regulations, with particular reference to integration of the forward-looking element and the move from a "Through-the-Cycle" to a "Point-in-Time" approach.
- Maintenance effort, particularly in relation to the frequency with which the model is recalibrated under the point-in-time approach.
- Representativeness of the composition of the portfolio, considering the level of specialisation with respect to the clusters within the portfolio and its essential duration.
- Adequacy with respect to the depth and frequency of the available data, specifically considering aspects of data availability and methodological requirements, as well as the stability of the estimates and the number of parameters to be estimated.

Finally, it is important to remember that, for the purposes of determining the Expected Credit Loss, the current models include the effects of the new definition of default (new DoD), and at the same time include prudential overlays aimed at ensuring that the overall level of collective provisions is fully aligned with the current and prospective risk profile of the counterparties and the macroeconomic, geopolitical and business context in which the Bank operates.

Scope of calculation

The scope of application of these methodological approaches includes portfolios classified according to Business Held To Collect models (these portfolios are valued at Amortised Cost, in the event that they pass the "Solely Payment of Principal and Interest" (SPPI) test (attributable to the balance sheet items "Loans and receivables with customers" and "Loans and receivables with banks") and Held To Collect and Sell (attributable to the item financial assets measured at fair value with impact on overall profitability), to determine the portion of the change in fair value attributable to risk of credit.

In addition to the above, applicable to the "on–balance sheet" component, IFRS 9 also applies to the financial instruments associated with "off–balance sheet" categories, such as revocable margins, non-revocable margins and financial guarantees.

Credit risk parameters under IFRS 9

The process of modelling credit risk parameters started with the internal models developed for regulatory purposes. Based on these, the Bank defined a set of refined methodologies and adjustments to model in a specific and appropriate manner the point-in-time and forward-looking components, in order to ensure maximum consistency between the overall methodology adopted and the rationale underlying the standard. The probability of default (PD) was modelled on adaptation of the default rates, applying a variable scale approach.

On this basis, the Bank defined a series of specific methodological approaches, essentially covering the aspects described below, in order to develop a precise model that embodies as closely as possible the rationale and requirements of the standard:

- Transition matrices, used to model the PD dynamics needed to calculate the IFRS 9-compliant ECLs over essentially long-term time horizons;
- Econometric models, defined for various customer segments and sectors of business activity, that make it possible to differentiate the above forward-looking dynamics by examining different macroeconomic scenarios over a long time horizon;
- Convergence dynamics towards long-term equilibrium that make it possible to extend the above-mentioned forward-looking and scenario-dependent dynamics over longer time horizons than those covered by the econometric models;
- Methodologies for estimating the long-term PD by adopting a suitable methodological framework;
- Methodologies for defining appropriate PDs for segments not covered by ratings, including the corporate and retail segments for which no models are available, as well as the exposures to those types of counterparty (e.g. banks, public administrations) that do not fall within the regulatory scope. The approach in these cases uses the ECAI transition matrices and the internal default rates.
- Methodologies to develop a model for the LGD component that embodies as closely as possible the requirements of the new standard, the Bank sought to make methodological choices and/or adopt definitions that differed from those developed in the regulatory context, as well as to develop specific methodologies that model changes in the metric more precisely over long-term time horizons under different macroeconomic conditions.

  More precisely, the LGD parameter used under IFRS 9 differs from those considered by the internal models in the following ways:
  - Definition of LGD by state of impairment (LGS). Although the starting point for the definition of LGD by state of impairment (LGS) uses the same concept as that used in the regulatory context, in order to maximise internal consistency among the models adopted, the Bank defined a different set of underlying methodologies for the calculation of that metric, in order to ensure greater consistency with the rationale underlying the standard.
  - Development of econometric models for LGD by state of impairment. The Bank has developed a specific methodological module that renders LGD by state of impairment (LGS) dependent on the macroeconomic scenario selected.
  - Definition of the danger rate parameter. The Bank has defined an alternative version of the danger rate parameter, which is estimated over a shorter time horizon than that considered in the

regulatory context, achieving greater alignment with the point-in-time calibration logic touched on in the standard.
- Parameters for segments other than Corporate and Retail not covered by the regulatory model. The Bank has defined specific methodologies for estimating the LGD for those portfolio segments that, while falling within the scope of the IFRS 9 simulation, are not currently covered by the internal LGD models.

The Exposure at Default component is modelled using different methodological approaches depending on the segment to which the counterparties belong; in particular:
- for counterparties in the Retail segment, the EAD model developed by the Bank within the regulatory framework and already validated is used;
- for counterparties in the Corporate segment, the EAD model developed by the Bank within the regulatory framework is used;
- for counterparties not covered by the internal model, a standard CCF value is used.

In addition, specific in-model adjustments and model-related add-ons were introduced to ensure that the new values were fully aligned with the current and prospective risk profile of the counterparties in the portfolio.

Stage allocation

The standard requires the classification of all financial instruments subject to impairment into three different stages, considering the level of impairment of the exposure at the analysis date with respect to an initial recognition date:
- Stage 1: performing positions for which no significant increase in credit risk is found at the analysis date with respect to that at the date of initial recognition;
- Stage 2: performing positions for which a significant increase in credit risk is found with respect to that at the date of initial recognition;
- Stage 3: positions in default.

The main element of innovation lies in the need to calculate, for instruments classified in stage 2, the expected loss throughout the residual life of a financial instrument on the basis of the increased risk of default compared to the "initial recognition" date; in accordance with the requirements of the principle, the assessment of the change in credit risk must be based on qualitative and quantitative information.

For this purpose, the Bank has developed a series of methodologies for classifying the exposures to be analysed into the above stages that use both qualitative and quantitative information and approaches, as well as both absolute and relative staging criteria.

The following absolute criteria are considered for staging purposes:
- *Low Credit Risk Exemption*. Consistent with the standard, which accepts the presumption that credit risk has not increased significantly since initial recognition if the risk level of the exposure is deemed to be "low", the Bank has identified the following types of transaction for which, given their nature, it is appropriate to make this election by classifying them automatically in stage 1: transactions with the Bank of Italy and central banks, repurchase agreements expiring within one month and sovereign securities whose issuers have an investment grade rating.
- Past due by 30 days. The Bank, in compliance with the principle that contains an explicit reference to the case in which a relationship shows a delay in the fulfillment of contractual obligations, as an example of a possible indicator of classification in stage 2, includes such positions in stage 2 given the deterioration of the relationship.
- State of forbearance. Forborne exposures comprise loans that have benefited from special concessions, marked by changes in the contractual conditions or refinancing arrangements, following the financial difficulties of the debtor. The methodology defined by the Bank for determining stage allocation only considers that condition appropriate for classification in stage 2 in the case of Performing exposures.
- Purchased or originated credit-impaired (POCI) loans. These comprise all those positions defined as non-performing loans at the time of initial recognition, which are subject to specific regulations

regarding the measurement of the credit risk. The methodology defined by the Bank for determining stage allocation only considers that condition appropriate for classification in stage 2 in the case of Performing exposures.

– Positions originated in the month prior to the reporting date. These are all those positions that originated or entered the portfolio in the month prior to the reporting date for which none of the absolute criteria entailing classification in Stage 02 exist, and which are therefore classified in Stage 01.
– Intra-group positions. In view of their peculiar risk profile, they are classified as Stage 1.
– *Watchlist*. This includes criteria to identify additional positions and/or counterparties which, as a result of various quantitative and qualitative considerations and analyses, are characterised at the reporting date by a high or significantly increased risk profile with respect to the date of origination, or which, more generally, it is deemed appropriate to make subject to particular attention and monitoring, and for which, therefore, classification in Stage 02 is deemed appropriate.
– Backstop PD criterion. In order to have a holistic assessment of the evolution of the counterparties' actual credit risk, it is deemed appropriate to classify in Stage 2 the positions in which the "absolute" increase between the annualised PD lifetime level at the date of origination and the equivalent level at the date of reporting is greater than an assigned criticality threshold (so-called backstop).

As regards the use of relative staging criteria, and therefore the determination of the significant increase in credit risk (SICR), which leads to classifying the positions in the Bank, it has opted for a metric based on lifetime PD which, although in the face of a greater effort in terms of implementation, it nevertheless allows for greater compliance with the requirements of the principle (in particular, use of relative measures for the evaluation and adoption of a point-in-time logic). In fact, assessment of the change in creditworthiness of a generic position by comparing a suitable metric based on the lifetime PD – relating to the residual life of the relationship – determined at the reporting date, with the lifetime forward PD – relating to the same point in time – estimated with reference to the curve at the origination date of the position.

The above methodology therefore requires the availability of a series of information and suitable methodologies for constructing lifetime cumulative PD curves, at both the reporting date and the origination date, for all counterparties included in the loan portfolio subject to the impairment calculations.

The lifetime PD curves to be used at the reporting date are calculated by applying non-homogeneous Markovian methodologies to transition matrices estimated using a frequency approach for different portfolio segments/clusters and subsequently rendered point in time and scenario dependent by applying econometric models based on a Merton-type methodological framework commonly found in the literature.

The lifetime PD curves at the origination date, on the other hand, are obtained using a simple Markovian methodology applied to transition matrices estimated over a long-term time horizon if it is prior to first-time adoption of the accounting standard, while for subsequent dates the lifetime PD curves calculated on that date are used.

The lifetime PD curves at the reporting and origination dates for positions associated with counterparties for which no internal rating is available, or that belong to segments not covered by internal models, are constructed using transition matrices estimated by external rating agencies (the so-called ECAI) appropriately elaborated for those bank counterparties for which an ECAI rating is available. Said rating is applied a homogeneous Markovian methodology to obtain lifetime curves, and/or using internal new default rates analysed by portfolio cluster and macroclasses of creditworthiness in all other situations. More precisely, the internal new default rates are used to reconstruct a simplified transition dynamic that, together with the econometric models and the long-term convergence mechanisms described earlier, is used to obtain lifetime cumulated PD curves.

At the same time as selecting the stage allocation approach to use and defining an appropriate metric, the Bank also devised and applied a series of analytical methodologies in order to first identify appropriate levels of detail for segmenting the loan portfolio and, subsequently, to calibrate the corresponding threshold levels for assigning a given position to either Stage 1 or Stage 2.

In general terms, the definition of different levels of granularity, through which to segment the different partitions of the loan portfolio and the calibration of respective threshold levels considered, involved the use of statistical, or more generally data-driven techniques, as well as specific sensitivity and benchmarking analyses.

Based on the information obtained following the initial analyses carried out using the above methodologies, the Bank decided to calculate the write-downs using different thresholds for the following levels of detail:

– the portfolio covered by an internal model is segmented by operational macro-segment and rating class. In order to consider appropriately the usual evolutionary dynamics of the lifetime PD curve and their effect on the values of the metric, the above criteria were used to identify the segments in which that phenomenon is significant, for which the threshold levels were further differentiated with reference to the residual lives of the positions segmented into appropriate buckets.
– for portfolios not covered by an internal model, a distinction is made between banking counterparties, whose PD-based metric is estimated using lifetime PD curves generated by the ECAI transition matrices, applying the methodology described earlier, and other types of customer, whose PD-based metric is calculated with reference to the lifetime PD curves obtained via appropriate processing, in the manner described earlier, of the corresponding new default rates estimated internally, which are further segmented into appropriate macro-segments.

The threshold values for the various portfolio segments indicated above are, in the most general case, calibrated at the level of macro-segment, rating class and residual life of the position, taking as the threshold value that corresponding to the assigned percentile, taken from the metric, of the empirical observed distribution of the underlying estimation pool. This value is determined with reference to the percentage of positions in the segment analysed that, considering their trends over the observable period, have transitioned to lower classes of creditworthiness under a notching-down approach with variable scale; at this level it is possible to apply adjustments and corrections due to rounding, the application of prudential add-ons or consideration of the impact of the threshold values concerned on the final write-down calculations.

It should also be noted that, in those cases in which staging is determined on the basis of the so-called relative criteria (namely, comparison between the PD-based metric value and the corresponding SICR threshold value) outlined above, a further mechanism is envisaged to maximise the correspondence between the evolutionary dynamics of the regulatory rating and staging; in other words, it is required that positions that experience a deterioration in creditworthiness cannot experience transitions from Stage 02 to Stage 01, and vice versa.

Modelling of the scenario-dependency component

One of the key points of the IFRS 9 standard relates to the use of forecasts that contain forward-looking and, in particular, scenario-dependency elements.

In order to guarantee maximum alignment with these requirements, the Bank has explicitly and specifically included that component in many aspects of the methodological framework; more precisely, modelling of the scenario-dependency component by the Bank involved the selection and definition of macroeconomic scenarios, their parametrisation in a suitable manner and the interpretation of their dynamics in order to identify scenario-dependency risk parameters and methods for calculating the ECL.

In general, the Bank uses for the adoption of three different macro-scenarios that make it possible to develop, in accordance with the requirements of the standard, a sufficiently detailed and precise forecast estimate, and at the same time adequate to the size, structure and complexity of the Bank and its business:

- a baseline scenario, based on "central" trends in the macroeconomic variables with respect to the value observed when making the initial forecast that, generally, should therefore represent the outcome considered most likely;
- a moderately adverse scenario that, while undeniably representing an unfavourable but plausible development of the macroeconomic situation, should not normally result in conditions that are particularly stressed;
- a moderately favourable scenario that should represent a positive but completely plausible development of the macroeconomic situation, based on the conditions observed at the time of the forecast.

With reference to the choice of macro-scenarios used, it is important to clarify how, in view of the continuing uncertainties that characterised the macroeconomic, geopolitical and business context during the current financial year, the Bank confirmed the replacement of the moderately favourable scenario with an extreme adverse scenario also this year, in order to better guarantee the alignment between the quantification of adjustments and the actual current and prospective risk profile of the portfolio.

For this purpose, an external supplier with recognised specific experience in the field of forecasting scenarios and a consolidated reputation at a national level is used, by providing forecasts of macro-economic, financial and banking variables, in the activities which assume, in a forecasting or simulation perspective, the anticipation of future events, both for strategic purposes and for sound and prudent management.

With regard to the frequency of these macro-economic forecasts, it should be noted that they are updated by the external provider on a quarterly basis under market conditions considered to be standard; however, these estimates are updated more frequently if the provider identifies elements of atypicality and/or particular turbulence in the general macro-economic context.

The parametrisation of the above scenarios results in the supply, for each scenario considered, of forecasts of numerous variables of different types. These include quarterly forecasts covering strictly macroeconomic factors – such as Italian and EU GDP, the inflation rate, the unemployment rate, the level of Italian public debt – as well as strictly financial variables – mainly stock indices, money market and swap rates, the yields on government securities, the yield spreads on securities with different credit ratings, the prices of such commodities as gold and oil, the exchange rates between the Euro and other major currencies over a three-year time horizon.

In order to be considered properly within the multi-period ECL, the dynamics of the macro-economic scenarios described above must be translated appropriately into scenario-dependent credit risk parameters, specifically PD and LGS, using the econometric models also mentioned above. The statistical relations on which these are based are differentiated at the level, respectively, of portfolio cluster and type of guarantee, making use of meaningful variables that statistical tests and economic intuition have identified as significant, plausible and representative.

The dynamics generated initially cover a three-year time horizon that, in order to cover the residual contractual lives of all positions in the portfolio, is then extended on a lifetime basis by developing geometric convergence dynamics driven by suitably calibrated parameters, considering the nature and severity of the scenarios modelled.

However, it is important to note that, given the inherently uncertain nature of these forecasts, the Bank has set up a dedicated "Scenarios Committee" of a managerial nature, during which it ensures to:

- examine the results of the analyses carried out internally, in order to confirm – applying economic, financial, statistical and/or data-driven logic – the plausibility, quality and consistency of the scenarios and related "weighting factors", having regard for the benchmarking exercises carried out with alternative, reputable and independent providers;
- arrange for the communication and critical discussion of the forecasts within the organisation, in order to determine how well the wealth of information received fits with the sentiment of participants regarding the macroeconomic situation and the specific business conditions faced by the Bank, as well as to consider whether or not to include these expert-based elements in the macro-economic data used in the calculations.

Calculation of the multi-period, scenario-dependent ECL

The impairment for each position under a given scenario is calculated as the sum, discounted to present value at the measurement date, of the ECL determined by multiplying together the PD (scenario-dependent)and LGD (scenario-dependent) and the EAD associated with each contractual cash flow generated by the instrument over a time horizon that depends on the staging (i.e. positions classified in stage 1 are written down over a maximum of one year, while those classified in stage 2 are written down considering the entire residual duration of the contract).

Subsequently, these estimates are aggregated appropriately to obtain the best estimate of a final value that gives due weight to the likelihood of the various macro-economic scenarios considered. The aggregation mechanism used by the Bank in fact determines the weighted average of the various ECL, applying weighting factors linked to the probability of occurrence of each scenario.

The Bank uses a methodology to estimate these factors, balancing the results of a purely macro-economic and/or data-driven approach with considerations of a more qualitative and expert-based nature. This approach involves obtaining the estimated probability of occurrence of the scenarios presented by the provider, analysing their plausibility and using them as a starting point for formal discussion within the Bank (Scenarios Committee). This process, which also involves other persons drawn from different business functions, considers the results of the internal analyses carried out, reviews them critically and determines, if deemed appropriate, any adjustments or corrections to be made on the basis of expert-based, decision-making components.

IFRS 9 methodology for other portfolios

The write-downs required in accordance with the logic indicated in the new IFRS 9 are also calculated in relation to the securities portfolio, although it is less material than the loans portfolio discussed above.

In this case, the scope of the calculation includes the securities classified under the new C&M model as Held to Collect (which corresponds to the IAS "held to maturity" classification) and as Held to Collect & Sell (which corresponds to the IAS "available for sale" classification). The ECL must be calculated on the exposures classified in one of the above categories that have passed the solely payment of principal and interest (SPPI) test. In particular, the scope of application under the new C&M model comprises the securities measured at: amortised cost and at FVOCI.

The calculation framework is developed using methodological logic consistent with that described above, with a number of differences (e.g. estimation of the term structures of risk parameters and their segmentation, statistical and econometric models and micro-factors used as predictors) made necessary by the different type and risk profile of the positions included in the portfolio.

Changes due to the current post-pandemic, geopolitical and macro-economic context

In order to adequately incorporate in the quantification of its provisions the effects of the crisis induced by the emergence of the pandemic and post-pandemic context, especially following the outbreak of the

Russian-Ukrainian and Israeli-Palestinian conflicts and their geopolitical and economic consequences (with particular reference to the energy crisis and the inflationary dynamics), the Bank has introduced a series of evolutionary specifications within its methodological framework.

More precisely, during the year, steps were taken for the following:

- the fine-tuning and evolution of the methodological tools, which have been configured as necessary in light of the continuing macro-economic and geopolitical context characterised by considerable uncertainty, aimed at guaranteeing adequate levels of credit provisioning; worth mentioning, by way of indication, are the fine-tuning of so-called in-model adjustments for the suite of statistical-econometric models, developed according to a data-driven methodology, aimed at modelling in an explicitly prospective manner the evolutionary dynamics of risk parameters for all macroeconomic scenarios that contribute to the calculation of collective impairment losses, and the updating of lists of customers considered to be "high risk positions" due, *inter alia*, to their particular exposure to the geopolitical context and the current energy and inflationary crisis, for which a prudential reclassification to Stage 2 was assessed;
- the maintenance, fine-tuning and evolution of the methodological tools developed in previous years in the installation phase and physiologically subjected to specific adjustment or refinement interventions, in light, *inter alia*, of both the evolution of the regulatory context and the need to provide a punctual and exhaustive addressing of the findings formulated by the Supervisory Authority; in this regard, we note the introduction of additional absolute staging criteria aimed at maximising the consistency between the evolutionary dynamics of staging and those of the regulatory rating, as well as the recalibration of the threshold level of the so-called "PD backstop criterion" by virtue of which all positions for which a significant increase in the annualised value of the PD lifetime is detected between the date of origination and the reporting date are classified as Stage 2;
- the periodic conduct of a set of quantitative and qualitative analyses, aimed at certifying the goodness, plausibility and accuracy of the macroeconomic forecasts periodically provided to the Bank by the appointed provider, prior to their use in the procedures for determining the accounting adjustments with the aim of "conditioning" the factors for estimating collective impairment based on the performance of alternative macroeconomic scenarios; also of note, in this context, is the constant extension of the analysis and reporting structure - subject to enrichments and improvements during the financial year - aimed at reporting the results of the analyses carried out during the periodic meetings of the dedicated managerial committee (Scenarios Committee), which was accompanied by periodic and systematic monitoring, analysis and reporting activity (so-called third party data analysis) of the publications of the most authoritative national and international research bodies and institutions;
- the continuous review, extension and strengthening of periodic analyses for the examination and asseveration of the observed dynamics of a series of key metrics derived from the collective calculation of loss forecasts on the portfolio of performing exposures, also with the objective of verifying their plausibility and robustness (so-called "model monitoring" and performance analyses of IFRS 9 models for collective provisioning);
- the explicit introduction into the estimates of the climate-environmental component of the so-called ESG risks, at first through an add-on estimated according to top-down logic, and subsequently made the subject of specific modelling, with reference both to the types of risk being modelled (i.e. physical and transitional risk and the components - namely, probability of default (PD) and loss given default (LGD) parameters - affected by them, and having an impact on individual positions in terms of both staging and determination of value adjustments;
- a review of the management overlay framework, corrective elements applied to model-based estimates aimed at ensuring that the overall level of collective provisions is fully aligned with the current and prospective risk profile in light of the macroeconomic, geopolitical and business context in which the Bank operates, which resulted:
  - in remapping the so-called "prudential add-ons" previously used in a plurality of specific model-related overlays, estimated according to data-driven logic and aimed at addressing specific sub-optimal elements that were identified in certain components of the risk parameter models,

namely, the probability of default (PD) the loss given default (LGD, with reference to its constituent components of danger rate - DR - and of loss given loss - LGL/LGS -) and the maturity assigned to certain types of technical forms, and in the methods of assigning the same to positions in the performing status categories (i.e. Stage 1 and Stage 2);

- in explicit modelling, in accordance with the recommendations made by the Supervisory Authority following the horizontal review of the so-called IFRS 9 questionnaire, of so-called novel risks (emerging risks) such as those arising from inflation (inflation risk), tension in the distribution chain (supply chain risk), high energy prices (energy risk) and the geopolitical context (geopolitical risk), which have an impact on individual positions in terms of both staging and determining value adjustments;
- the introduction of an additional management overlay component, called process deficiency-related add-on, aimed at addressing aspects of improvement that have been identified in the credit management and monitoring processes, pending a more structural solution of the management processes and control framework in this area.

There were also process and governance changes related to the management and quantification of these components, which were reflected in an extension of the corporate structures involved in the process aimed at their quantification and in a higher level of formalisation and more timely reporting.

ECL sensitivity analyses

Generally speaking, the scenarios adopted for the calculation of collective devaluations contain forecasts for the evolutionary dynamics of dozens of macro-economic variables, developed over multi-year time horizons and updated on a generally quarterly basis in market conditions considered standard[1] and are made the subjects of specific analysis, discussion and approval in dedicated managerial committees. The scenarios examined address different degrees of adverse/favourable conditions affecting the overall macro-economic situation.

For the purposes of estimating devaluations, a basic scenario has historically been considered, defined according to the "central" evolutionary trend of the macro-economic variables with respect to their value observed at the initial moment of the estimate and that should therefore be configured as the one whose realisation is generally considered to be more probable and futuristic, and two scenarios so-called – "adverse" and "favourable" – that address outcomes deemed somewhat plausible and not extreme in the macroeconomic context identified. The importance of the above scenarios in the final determination of the write-downs is defined using an appropriate set of weighting coefficients that, in general, reflect the estimated severity assigned to each scenario by the external provider, as adjusted after specific internal analysis and processing.

However, the cautious approach, adopted since the deflagration of the Russian-Ukrainian conflict in the previous year, of replacing the "favourable" scenario with the "extreme adverse" one was maintained in 2023. In addition, as of June, the weighting factors were also revised, resulting in a greater weight being given to this scenario. The main risk factors guiding these choices are those related to the continuation of the Russian-Ukrainian conflict, with the consequent diplomatic tensions and uncertainties related to the price of gas, inflation trends, still at very high levels, and the central banks' decisions on monetary policy, which could lead to a contraction of credit and greater difficulties for businesses and consumers in repaying debts previously contracted. Last but not least, an eye was kept on the national context, with particular reference to the possible difficulties related to public debt as a result of interest rates that have risen compared to the recent past and which, together with fiscal policies that are set to tighten further, could represent a brake on the country's economic growth. In order to guarantee optimal monitoring of these aspects in view of the particular importance acquired by the same, the Bank has continued to carry out periodic *ad-hoc* analyses of both a qualitative and quantitative nature in this area, also by conducting regular benchmarking analyses with other available information sources, namely both alternative providers and publications of the main domestic and foreign bodies and institutions of established reputation (so-called third party data).

In this regard, it should be noted that, when calculating write-downs at the end of December 2023, the Bank adopted the following three different macro-scenarios and their respective weightings:

- a **baseline scenario**, being the same as the one issued by the official supplier on the occasion of the last forecast report available at the date of calculating collective write-downs, to which a probability of 65% is attributed;
- a **(slightly) adverse scenario**, being the same as the one issued by the official supplier on the occasion of the last forecast report available at the date of calculating collective write-downs, to which a probability of 25% is attributed;
- an **extreme adverse scenario**, being the same as the one issued by the official supplier on the occasion of the last forecast report available at the date of calculating collective write-downs, to which a probability of 10% is attributed;

Finally, with regard to the weighting with which the above-mentioned scenarios contribute to the final calculation of the write-downs, the baseline scenario - which, in accordance with its name, represents the evolution of the macro-economic context considered most plausible and likely at the time of formulating the forecasts - is assigned the highest probability coefficient, while the alternative scenarios, due to their "residual" nature, are assigned lower weighting factors.

[1] These estimates are, however, subject to ad-hoc updates should the provider identify elements of atypicality and/or particular turbulence in the general macroeconomic context.

Table 1 shows the evolutionary dynamics of the main macro-economic variables for each of the above scenarios with reference to a three-year forecast horizon.

Table 1 – Annual forecasts for the main macro-economic variables

	Base Scen. Dec. 2023			Adv. Scen. Dec. 2023			Extr. Scen. Dec. 2023		
Macro-economic variable	2024	2025	2026	2024	2025	2026	2024	2025	2026
Italy's GDP (% on an annual basis)	0.4%	0.8%	0.9%	-0.4%	0.5%	0.5%	-1.9%	0.1%	0.2%
Italy's unemployment	7.7%	7.5%	7.3%	8.0%	8.5%	9.0%	8.4%	9.6%	10.4%
Italy's inflation (% on an annual basis)	2.4%	1.8%	1.5%	4.0%	2.5%	2.3%	6.8%	2.2%	1.0%
Italy's equity index (% on an annual basis)	10.1%	10.7%	6.7%	-2.6%	4.1%	4.8%	-18.7%	2.6%	5.7%
BTP interest rate 10 years (%)	4.6%	5.0%	5.0%	4.9%	5.3%	5.3%	5.6%	6.0%	5.5%
Italian residential property price index (% on annual basis)	0.7%	1.5%	1.8%	0.8%	1.0%	1.1%	0.1%	0.4%	-0.8%
Euro/dollar exchange rate	1.09	1.08	1.09	1.09	1.08	1.09	1.09	1.08	1.09
Brent oil: $ per barrel	83	85	85	95	95	95	125	110	100
Euribor 3 months	4.0%	3.6%	3.1%	4.5%	3.9%	3.4%	4.4%	3.5%	3.1%

For further information on the inclusion of the so-called forward-looking information (FLI) in the impairment model, reference should be made to the preceding paragraphs.

In order to quantify the variability to which the final write-downs are subject, given all the scenario-dependent factors considered explicitly in its methodological framework, the Bank has also carried out specific sensitivity analyses in accordance with sector best practices and the recommendations of the Supervisory Authorities[2] regarding the level of impairment of its performing exposures. The results of these analyses are presented in the following tables.

In particular, **Table 2** analyses by operational macro-segment and stage the different levels of write-down corresponding to the three scenarios identified – baseline, adverse and extreme – used to calculate the official amount, as well as the weighted outcome determined after applying the probabilities indicated above.

[2] See for example the paper ESMA32 -63 - 791 of 22 October 2019.

Table 2 – Write-downs [in €/million] at 31 December 2023 of the performing loans of the Parent Company associated with different macroeconomic scenarios

Management macro-segment	Stage	Base scen.	Adv. scen.	Extr. scen.	Weight. scen.
Corporate & Large Corporate	Stage 01	13.7	16.0	21.2	15.0
	Stage 02	149.1	168.0	206.8	159.6
	Total	**162.8**	**184.0**	**228.0**	**174.6**
Small Business	Stage 01	4.6	5.2	6.7	5.0
	Stage 02	18.9	20.4	23.1	19.7
	Total	**23.5**	**25.6**	**29.8**	**24.7**
Small Economic Operators	Stage 01	4.9	5.3	6.3	5.1
	Stage 02	14.4	15.9	18.1	15.1
	Total	**19.3**	**21.2**	**24.4**	**20.2**
Individuals	Stage 01	7.4	8.6	11.9	8.2
	Stage 02	26.6	30.2	36.2	28.4
	Total	**34.0**	**38.8**	**48.1**	**36.6**
Other	Stage 01	17.7	20.5	25.9	19.2
	Stage 02	0.4	0.5	0.7	0.5
	Total	**18.1**	**21.0**	**26.6**	**19.7**
Total	Stage 01	48.3	55.6	71.9	52.5
	Stage 02	209.4	235.0	284.9	223.3
	Total	**257.7**	**290.6**	**356.8**	**275.8**

Dually, **Table 3** provides a representation of the value of depreciation that would be obtained in correspondence of four different parameters of probabilistic coefficients[3] regarding the official one adopted.

[3] The values of the weighting factors for the baseline, adverse, and favourable scenarios are 60%-35%-5% (alternative weighted scenario 1), 75%-20%-5% (alternative weighted scenario 2), 55%-30%-15% (alternative weighted scenario 3), and 70%-30%-0% (alternative weighted scenario 4), respectively.

Table 3 – Write-downs [in €/million] at 31 December 2023 of the performing positions of the Parent Company's loan portfolio associated with different weightings of the macro-economic scenarios

Management macro-segment	Stage	Weight. scen. 1	Weight. scen. 2	Weight. scen. 3	Weight. scen. 4
Corporate & Large Corporate	Stage 01	14.9	14.5	15.5	14.4
	Stage 02	158.6	155.8	163.4	154.8
	Total	**173.5**	**170.3**	**179.9**	**169.2**
Small Business	Stage 01	4.9	4.8	5.1	4.8
	Stage 02	19.6	19.4	20.0	19.3
	Total	**24.5**	**24.2**	**25.1**	**24.1**
Small Economic Operators	Stage 01	5.1	5.0	5.2	5.0
	Stage 02	15.1	14.9	15.4	14.8
	Total	**20.2**	**19.9**	**20.6**	**19.8**
Individuals	Stage 01	8.1	7.9	8.5	7.8
	Stage 02	28.3	27.8	29.1	27.6
	Total	**36.4**	**35.7**	**37.6**	**35.4**
Other	Stage 01	19.1	18.7	19.8	18.5
	Stage 02	0.5	0.4	0.5	0.4
	Total	**19.6**	**19.1**	**20.3**	**18.9**
Total	Stage 01	52.0	50.9	54.0	50.5
	Stage 02	222.1	218.3	228.4	217.1
	Total	**274.1**	**269.2**	**282.4**	**267.6**

Lastly, **Table 4, Table 5** and **Table 6** show the different levels of collective write-downs corresponding to the baseline, adverse and favourable scenarios respectively, in the event that their parameters were used not only to calculate the ECL, but also in the stage allocation.

Table 4 – Write-downs [in €/million] at 31 December 2023 for the performing positions of the Parent Company's loan portfolio if the parameters of the baseline scenario were used both to calculate the ECL and for the stage allocation

Management macro-segment	Stage_base	Nr. Pos	EAD	Nr. Pos%	EAD%	Baseline ECL
Corporate & Large Corporate	Stage 01	43,495	14,281.3	82.6%	79.8%	14.1
	Stage 02	9,167	3,605.5	17.4%	20.2%	146.9
	Total	**52,662**	**17,886.8**	**20.9%**	**57.8%**	**161.1**
Small Business	Stage 01	42,397	1,801.4	84.0%	75.6%	4.8
	Stage 02	8,053	582.7	16.0%	24.4%	18.2
	Total	**50,450**	**2,384.1**	**20.1%**	**7.7%**	**23.0**
Small Economic Operators	Stage 01	54,898	2,065.8	90.0%	90.6%	5.0
	Stage 02	6,112	213.9	10.0%	9.4%	13.9
	Total	**61,010**	**2,279.7**	**24.3%**	**7.4%**	**18.9**
Individuals	Stage 01	78,117	4,320.5	91.9%	92.0%	7.6
	Stage 02	6,895	377.3	8.1%	8.0%	25.0
	Total	**85,012**	**4,697.8**	**33.8%**	**15.2%**	**32.6**
Other	Stage 01	2,079	3,638.9	89.8%	98.4%	17.7
	Stage 02	237	60.7	10.2%	1.6%	0.4
	Total	**2,316**	**3,699.6**	**0.9%**	**12.0%**	**18.1**
Total	Stage 01	220,986	26,107.9	87.9%	84.4%	49.3
	Stage 02	30,464	4,840.1	12.1%	15.6%	204.3
	Total	**251,450**	**30,948.0**	**100.0%**	**100.0%**	**253.6**

Table 5 – Write-downs [in €/million] at 31 December 2023 for the performing positions of the Parent Company's loan portfolio if the parameters of the adverse scenario were used both to calculate the ECL and for the stage allocation

Management macro-segment	Stage_adv	Nr. Pos	EAD	Nr. Pos%	EAD%	ECL adv.
Corporate & Large Corporate	Stage 01	41,912	13,662.9	79.6%	76.4%	15.3
	Stage 02	10,750	4,223.8	20.4%	23.6%	171.3
	Total	**52,662**	**17,886.7**	**20.9%**	**57.8%**	**186.6**
Small Business	Stage 01	41,036	1,716.7	81.3%	72.0%	5.0
	Stage 02	9,414	667.4	18.7%	28.0%	21.2
	Total	**50,450**	**2,384.1**	**20.1%**	**7.7%**	**26.2**
Small Economic Operators	Stage 01	54,537	2,042.6	89.4%	89.6%	5.2
	Stage 02	6,473	237.1	10.6%	10.4%	16.3
	Total	**61,010**	**2,279.7**	**24.3%**	**7.4%**	**21.5**
Individuals	Stage 01	77,546	4,241.7	91.2%	90.3%	8.5
	Stage 02	7,466	456.2	8.8%	9.7%	31.9
	Total	**85,012**	**4,697.9**	**33.8%**	**15.2%**	**40.3**
Other	Stage 01	2,079	3,638.9	89.8%	98.4%	20.5
	Stage 02	237	60.7	10.2%	1.6%	0.5
	Total	**2,316**	**3,699.6**	**0.9%**	**12.0%**	**21.0**
Total	Stage 01	217,110	25,302.8	86.3%	81.8%	54.5
	Stage 02	34,340	5,645.2	13.7%	18.2%	241.2
	Total	**251,450**	**30,948.1**	**100.0%**	**100.0%**	**295.7**

Table 6 – Write-downs [in €/million] at 31 December 2023 for the performing positions of the Parent Company's loan portfolio if the parameters of the extreme scenario were used both to calculate the ECL and for the stage allocation

Management macro-segment	Stage_fav	Nr. Pos	EAD	Nr. Pos%	EAD%	ECL fav.
Corporate & Large Corporate	Stage 01	37,451	12,315.1	71.1%	68.9%	16.8
	Stage 02	15,211	5,571.6	28.9%	31.1%	217.5
	Total	**52,662**	**17,886.8**	**20.9%**	**57.8%**	**234.3**
Small Business	Stage 01	37,240	1,547.3	73.8%	64.9%	5.4
	Stage 02	13,210	836.8	26.2%	35.1%	26.4
	Total	**50,450**	**2,384.1**	**20.1%**	**7.7%**	**31.8**
Small Economic Operators	Stage 01	52,594	1,948.0	86.2%	85.5%	5.7
	Stage 02	8,416	331.7	13.8%	14.5%	20.9
	Total	**61,010**	**2,279.7**	**24.3%**	**7.4%**	**26.7**
Individuals	Stage 01	57,404	3,205.9	67.5%	68.2%	9.0
	Stage 02	27,608	1,492.0	32.5%	31.8%	68.0
	Total	**85,012**	**4,697.9**	**33.8%**	**15.2%**	**77.0**
Other	Stage 01	2,076	3,638.9	89.6%	98.4%	25.9
	Stage 02	240	60.7	10.4%	1.6%	0.7
	Total	**2,316**	**3,699.6**	**0.9%**	**12.0%**	**26.6**
Total	Stage 01	186,765	22,655.3	74.3%	73.2%	62.8
	Stage 02	64,685	8,292.8	25.7%	26.8%	333.6
	Total	**251,450**	**30,948.1**	**100.0%**	**100.0%**	**396.4**

See "Part A – Accounting policies" for information about the determination of expected losses on stage 3 exposures i.e. non-performing loans. More specifically, the expected losses on non-performing loans at 31 December 2023 are determined analytically with reference to expected recoveries, which are discounted using the original effective interest rates over the collection period. Given that the expected recoveries are determined with reference to the specific circumstances of each debtor, it is not considered meaningful to analyse the sensitivity of the ECL identified.

2.4 Credit risk mitigation techniques

In order to mitigate credit risk, the guarantees typical of banking activities are acquired: mainly of a real nature, on real estate and financial instruments, and of a personal nature. The latter, represented above all by limited generic sureties, are almost entirely issued by private individuals and manufacturing companies whose creditworthiness, subject to specific assessment, is considered adequate. Clearly it is fundamental with regard to unsecured guarantees to check the quality of the guarantor's assets. This analysis is not limited to the initial phase of the relationship but is repeated over the life of the relationship. If the guarantor is found to be economically unsuitable, the Bank reviews the relationship in order to verify the continued reliability of the borrowing counterparty.

The presence of guarantees is taken into consideration when weighting the overall credit lines to be granted to a customer or to the legal or economic group to which it might belong.

The estimated value of the security offered by counterparties is "discounted" on a prudent basis, having regard for the nature of the instrument made available (mortgages on buildings, pledges of cash or other financial instruments).

With regard to mortgage guarantees, the Bank adopts reliable principles and standards for the valuation of properties in order to obtain realistic and detailed estimates of the value of the assets as collateral. The Bank has also a procedure that is able to ensure efficient management and timely assessment of properties that are subject to real encumbrances, by taking a census of the assets and filing the expert appraisals in a specific IT application. Moreover, residential and commercial/instrumental buildings are assessed at least once a year, partly with a view to complying with the supervisory instructions. Property must meet specific requirements in order to mitigate lending risk (value of the property independent of the creditworthiness of the counterparty, loan repayments independent of cash flows deriving from the asset, and residential property used directly or rented). These requirements are checked by the branches and the electronic credit application is processed for subsequent checks by the investigation office and the approval committees.

The value of collaterals given in the form of financial instruments listed on regulated markets is automatically revised each day with reference to the quoted prices, in order to check that the cover remains within the agreed line of credit or, otherwise, the position is examined by the managers on a timely basis.

The Bank is not party to settlement agreements regarding on- and "off-balance sheet" transactions.

Suitable arrangements are made when obtaining, assessing and verifying guarantees to ensure that they will prevail over third parties and can be enforced, both at the time and in the future.

At this time, there are no contractual restrictions threatening the legal validity of guarantees received.

The central functions that perform the above checks are different to the functions that grant and review lending; the Internal Audit Department carries out periodic checks to ensure that these activities are performed properly and on a prudent basis.

3 Impaired credit exposures

3.1 Management strategies and policies

Credit risk management is carried out during all stages of lending by means of effective surveillance and monitoring, so that timely assessments can be made as soon as any anomalies arise.

Loans for which there are particularly serious signs of stress are classified as "non-performing" (Non-Performing Exposures).

As of 1 January 2021, the new European rules on the classification of counterparties to default for prudential purposes apply. The new discipline, introduced by the European Banking Authority (EBA) and implemented at national level by the Bank of Italy, establishes more restrictive criteria and methods for classifying a credit exposure as default compared to those adopted to date by Italian intermediaries, with the aim of harmonising the approaches for applying the notion of insolvency and identifying the conditions of unlikely fulfilment among financial institutions and the various jurisdictions of EU countries. On the basis of the regulatory framework in force, the Bank classifies non-performing exposures, depending on the type and severity of the impairment, into three categories, corresponding to the same number of administrative statuses of the loan:

- Non-performing past due exposures;
- Unlikely to pay;
- Bad loans.

Loans are classified as non-performing past due exposures when the following conditions are met:

- at the reporting date the customer has a past due and/or overdrawn portion of the entire exposure at group level that exceeds both of the following materiality thresholds:
  - Relative materiality threshold: the relative component is represented by a percentage calculated as the ratio between the amount of the credit obligation in arrears and the total amount of all exposures to the same debtor recorded on the institution's financial statements; this threshold is set at one percent (1%) for both retail and non-retail exposures;
  - Absolute Materiality Threshold: the absolute component is the maximum amount that the sum of all overdue amounts owed by a debtor to the institution can reach; the maximum amount does not exceed 100 euro for retail exposures or 500 euro for non-retail exposures.
- Customer evidences past due or overdrawn amounts of credit as per previous point for 90 days continuously.

Unlikely to pay (UTP) include credit exposures for which the Bank considers it unlikely that the debtor will fulfil its obligations in full, in terms of principal and/or interest, without actions being taken to preserve the credit reasons such as, for example, the enforcement of accessory guarantees.

Finally, bad loans include on- and off-balance sheet exposures to subjects in a state of insolvency (not necessarily ascertained in court) or in substantially comparable situations, regardless of any loss forecasts. Accordingly, no account is taken of any guarantees received in support of such exposures.

The loans not allocated to the above categories are deemed to be performing exposures.

Loans are classified as non-performing exposures, depending on the case, either automatically or on the basis of expert proposals and assessments.

More specifically, the classification of non-performing past-due and/or overdrawn exposures takes place automatically when the conditions provided for by the regulations occur. The classification as unlikely to pay (UTP), on the other hand, is based on a system of triggers which may, depending on the case, generate an automatic classification or an assessment by the reference manager. Finally, the classification as non-performing takes place on the proposal of the manager, as part of the continuous monitoring of the counterparty.

The return to performing status of non-performing exposures, governed by the Supervisory Authority as well as by specific internal regulations, takes place after verification that the critical conditions and the state of insolvency have ceased to exist.

The management of "non-performing" loans involves taking action, based on the gravity of the situation, to restore normality or, otherwise, to commence appropriate recovery procedures.

More precisely, in the event of positions that are classified as:

- bad loans, suitable procedures are implemented to recover the loans; if circumstances permit, recovery plans are drawn up and/or settlements are proposed on an amicable basis in order to terminate the relationship;
- unlikely to pay loans, an assessment is made of the probability that the debtor will meet its contractual obligations in full, in order to re-establish the original conditions of reliability and profitability of the relationship, or, if this is impossible, steps are taken to transfer the position to the bad loan category. For unlikely to pay loans subject to restructuring agreements, checks are made continuously to ensure that the agreed conditions are met;
- non-performing past due and/or overdrawn exposures are monitored and timely attempts are made to get the situation back to normal; if it is seen that the borrower really is in financial difficulty, the necessary steps are taken to transfer the loan to unlikely-to-pay or non-performing, depending on the circumstances.

Adjustments are made in strict compliance with both the primary and secondary regulations and on a highly prudent basis. In particular, having regard for bad loans and unlikely-to-pay loans, the Bank carries out an analysis of each position, which also takes into account the discounting effects of expected recovery.

Overall assessments are made solely with regard to smaller individual loans, being not more than 10,000 euro for bad loans and 350,000 euro for unlikely-to-pay loans. The objective is to adopt a prudent approach to the control of these non-performing assets that, given their intrinsic characteristics (large number of not significant amounts), can be processed rapidly and at low cost on primarily an automated basis, thus ensuring the uniformity of the assessments made.

With reference to non-performing past due and/or overdrawn exposures, the adjustment is determined with reference to the historical experience of losses on loans with that type of anomaly.

For the purposes of managing non-performing loans and the possible impacts arising from the application of the "Addendum to the ECB Guidelines for Banks on Impaired Loans (NPL): supervisory expectations regarding prudential provisions for non-performing exposures", the Bank carried out an update of the NPL strategy over the 2023-2025 horizon envisaging the combined use of ordinary and extraordinary initiatives.

See section 2.2 above for information about the operating policies adopted with regard to non-performing loans.

3.2 Write-offs

In line with IFRS 9, a "write-off" is defined as an event that gives rise to a cancellation from the accounting records, when there are no longer reasonable expectations of recovering the cash flows deriving from the asset - in whole or in part - also in cases of a waiver of the receivable, therefore having to reduce directly the gross carrying amount of the asset concerned. This form of write-down constitutes a case of partial or total cancellation of a credit position.

The gross carrying amount of a financial asset is written off if the amount is confirmed to be unrecoverable or there are no realistic prospects of recovery. The timely assessment of non-recoverability is based on certain criteria, such as the inability to enforce mortgage or personal guarantees, the unsuccessful completion of enforcement/court-supervised proceedings, the start of bankruptcy procedures, removal from the register of the business name of the debtor legal entity, the lack of traceability or advanced age of the customer.

The procedure to identify the absence of any reasonable prospects of recovery is focused on the counterparties within the portfolios of non-performing loans and differs depending on the existence or otherwise of mortgage guarantees, the ageing of the position and the progress made with recovery actions and the economic convenience associated with it, the inclusion of a position within a portfolio being sold and the risk of forfeiture of credit rights. During the year, write-offs were made for a total amount of 74 million.

3.3 Financial assets impaired purchased or originated

The category of financial assets impaired purchased or originated (POCI) includes all purchased or originated financial instruments that, already on initial recognition, are found to be credit-impaired.

The accounting rules for POCI apply to financial instruments recorded under balance sheet assets items 30 “Financial assets measured at fair value through other comprehensive income” or item 40 “Financial assets measured at amortised cost”. The “POCI” attribute remains assigned for the entire duration of the relationship and the assets concerned are written down to reflect any losses expected over their residual lifetime.

There are two categories of product associated with POCI financial instruments arising from the granting of new finance:

- standard products with instalment repayment plans: in this case, the DelFiWeb procedure recognises the creation of the new relationship that passes the SPPI test, but with an impaired counterparty and automatically assigns the “POCI” attribute for approval by the competent decision-making body;
- standard products managed in the “Current Accounts” and “Foreign” compartments and non-standard contracts originating from Corporate Finance: for these relationships, the unit responsible for monitoring and managing anomalous credit manually proposes the assignment of the “POCI” attribute, which will be subject to approval by the competent body.

Regardless of how assigned (manual or automatic), the “POCI” attribute must always be confirmed by the competent decision-making body and, once approved, remains valid for the entire duration of the relationship.

4. Financial assets subject to trade renegotiation and exposures subject to forbearance

Financial assets subject to commercial renegotiation

This category includes those renegotiations that envisage changes for commercial reasons to the original contractual conditions governing credit exposures to counterparties that are not in financial difficulty. These changes therefore differ from forbearance and are made to align interest levels with current market conditions.

In addition, commercial renegotiations include changes to the economic conditions applied to newly-arranged credit relationships, being those established for not more than six months.

Commercial renegotiations are principally agreed in order to maintain the commercial relationship with the customer (retention of loans).

Unlike forbearance measures, renegotiations for commercial reasons relate to debtors without financial difficulties and include all operations designed to align their cost of borrowing with market conditions. Commercial renegotiations involve changing the original contractual conditions at the request of the debtor, considering the cost of borrowing or the duration of the loan, with a resulting benefit for the customer. In general, whenever the Bank agrees to renegotiate in order to avoid losing the customer, the transaction is considered substantial because, in its absence, the customer would obtain funding from other sources and the Bank would the expected future revenue streams. These transactions are comparable with early repayment of the original debt and opening a new contract.

Exposures with forbearance measures

The Group defines forbearance measures in relation to any exposure – loans, debt securities, revocable and irrevocable commitments to grant loans (excluding the exposures held for trading) – towards debtors that are, or are about to be, in difficulty with regard to their financial commitments (financial difficulties).

A forbearance is made when the amended contractual conditions are more favourable to the debtor than those applied previously. Consistent with the relevant current regulations, the Bank identifies a series of standardised forbearance measures, distinguishing between short and medium/long-term measures, and periodically monitors their effectiveness in terms of bringing the exposures back into line.

For a relationship to be classified as forborne, the forbearance measure must be agreed in relation to a customer that is experiencing financial difficulties. This situation is objectively verified in the case of a counterparty classified as "non-performing" while it is presumed, and must therefore be assessed following in-depth analyses, in the case of customers in a "performing" state that has a rating at the counterparty level that is identifying a high level of risk, which has expired or would have expired for at least 30 days during the three months prior to the contractual amendment, which has had a deterioration in the internal rating that identifies a rapid increase in risk or in the event that the counterparty has been classified, in the last 3 months, in the management cluster so-called "pink - high risk".

In order to guarantee the quality of credit exposures and monitor their trends effectively, the Group applies "industrialised" internal processes designed to identify the most suitable forbearance measures for debtors experiencing financial difficulties, as well as to manage the forborne classification of the related exposures.

When a forbearance is requested, the Operating Unit responsible for the loan determines the most suitable and sustainable measure for the customer, with support from dedicated tools that provide guidance.

As part of this process, the Unit must assess the nature of the financial difficulties (short or long term) and ensure that the expected duration of the forbearance measure is consistent with the nature of the related relationship.

Subsequently, the economic sustainability of the measure is analysed with respect to the financial situation of the customer; in particular, the adequacy of the assets of the customer is analysed on a current and prospective basis, considering the need for credibility and prudence.

On arrangement of the forbearance, dedicated IT procedures check if the conditions exist for classifying the relationship as "forborne" and, if they do, propose the assignment of this attribute to the competent

Operating Unit. Any exceptions made to this classification must be supported by adequate reasons.

Following approval of the forbearance and the proposed "forborne" classification by the competent decision-making body, specific objectives and deadlines are added to the loan contract, with which the customer must comply when repaying the debt.

These supplementary conditions are determined using prudent criteria and checked as part of the more general monitoring of the position.

The gross exposure associated with "forborne" positions at 31 December 2023 totals 878 million euro, as analysed in the following table:

Gross balances at 31/12/2023 €/000	Retail Secured	Retail Unsecured	Corporate Secured	Corporate Unsecured	Large Corporate	Other	Total
Performing "forborne" – First year of probation period	117,409	18,631	56,985	24,866	5,209	-	223,100
Performing "forborne" – Second year of probation period	37,514	2,861	20,089	3,558	10,045	–	74,067
Non-performing "forborne"	142,632	68,876	232,894	117,391	18,993	1	580,786
Total	**297,555**	**90,368**	**309,968**	**145,815**	**34,247**	**1**	**877,953**

Of this amount, about 175 million euro relates to forbearance granted during 2023: 57% "performing" and 43% "non-performing" relationships. During the year, about 6% of the opening "non-performing forborne" balance have been cured, while 36% of the opening "performing forborne" balance became "fully performing" and no longer classified as forborne.

The stock of forbearance measures associated with customers classified as performing at the beginning of 2023 which was classified among credit-impaired assets during the year comes to approximately 13% of the gross exposure.

In the event of non-substantial changes to a position, IFRS 9 requires the resulting gain or loss to be determined. A change is deemed non-substantial when it does not result in closure of the pre-existing relationship and/or involve the addition of clauses that might cause the relationship to fail the SPPI test.

The profit or loss on non-substantial changes to forborne relationships is calculated as the difference between the present value of the new contractual cash flows following renegotiation or amendment, discounted using the original effective interest rate (rate before the renegotiation or amendment of the loan contract), and the present value of the original contractual cash flows, also discounted using the original effective interest rate.

Furthermore, in compliance with the "Guidelines on the application of the definition of default pursuant to article 178 of Regulation (EU) No. 575/2013", this calculation (Delta Net Present Value) is performed in the presence of a position that is the subject of a forbearance measure. In accordance with regulatory requirements, where the NPV delta is greater than 1%, the company is identified as being in financial difficulty and classified as being in default.

The forbearance measures granted during the year resulted in amendment losses of about 0.9 million euro being charged to the income statement. These losses reduced the carrying amount of the gross exposure and, therefore, the expected future losses.

All performing "forborne" positions are classified in stage 2 and the related adjustments are stated at least for an amount equal to the lifetime losses expected on the loan. The reduction in credit risk and the allocation of the relationship to stage 1 reflects loss of the "forborne" attribute.

5. Impacts from emerging risks

In the credit area, although the uncertainties related to the trend in energy commodity prices have decreased compared to the December 2022 forecast, the monitoring of potential credit risk dimensions related to so-called emerging risks continued. In particular, in the first half of the year, a targeted survey was completed on companies operating in the sectors with the highest consumption of energy and natural gas, and therefore considered highly exposed to fluctuations in raw material costs. The survey, carried out by filling out questionnaires, identified a shortlist of "potentially high-risk" counterparties. Furthermore, in May 2023, given the natural disaster that hit the districts of Emilia-Romagna and the severe damage recorded in that territory, a specific monitoring activity was started that led to the identification of a second list of counterparties that are also “potentially at high risk”. The overall positions identified as “high risk”, in line with the IFRS 9 framework applied by the Bank were prudentially classified as Stage 2.

With regard to the process of calculating provisions on a collective basis, a number of evolutions were introduced into the methodological framework, with particular reference to the areas of stage allocation and the so-called ECL override. In particular, the Bank proceeded with: (i) the re-mapping of the so-called “umbrella overlay”, previously in use, into a plurality of so-called model-related overlays, individually estimated according to data-driven logic in order to address specific sub-optimality profiles identified in certain model components, and (ii) the quantification of a specific overlay to cover the risk factors connected to the climate-environment component of ESG risks. Finally, during the fourth quarter of 2023, the quantification of a specific overlay to cover so-called novel risks was completed.

At the end of 2023, there are no more Covid-19-related moratoria still in place; they have all reached their natural expiry dates. For the latter, a regular resumption of payments was observed; the exposure of relations with irregularities after the end of the suspension is equal to 2.3% of the total of relations with expired moratoria. The following table shows the volume of loans subject to government guarantees originated by the Bank at 31 December 2023.

	Gross carrying amount (millions of €)	Net carrying amount (millions of €)
Loans subject to government guarantees	1,710	1,682

QUANTITATIVE INFORMATION

A. Loan quality

A.1 Performing and non-performing exposures: balance, impairment, developments, business and geographical distribution

A.1.1 Distribution of financial assets by portfolio and credit quality (book values)

Portfolio/quality	Bad loans	Unlikely-to-pay loans	Non-performing past due exposures	Performing past due exposures	Other performing exposures	**Total**
1. Financial assets measured at amortised cost	57,312	382,557	30,769	503,964	39,086,954	40,061,556
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	3,120,776	3,120,776
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	19,484	1,965	2,960	302,916	327,325
5. Financial assets held for sale	-	-	-	-	-	-
31/12/2023	**57,312**	**402,041**	**32,734**	**506,924**	**42,510,646**	**43,509,657**
31/12/2022	**117,813**	**412,506**	**25,309**	**449,984**	**41,368,952**	**42,374,564**

The word exposures is understood as excluding equity securities and mutual funds.

A.1.2 Distribution of financial assets by portfolio and credit quality (gross and net values)

Portfolio/quality	Non-performing				Performing			
	Gross exposure	Total write-downs	Net exposure	Total partial write-offs*	Gross exposure	Total write-downs	Net exposure	**Total (net exposure)**
1. Financial assets measured at amortised cost	1,163,798	(693,160)	470,638	75,412	39,832,098	(241,180)	39,590,918	40,061,556
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	3,121,747	(971)	3,120,776	3,120,776
3. Financial assets designated at fair value	-	-	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	39,385	(17,936)	21,449	-	-	-	305,876	327,325
5. Financial assets held for sale	-	-	-	-	-	-	-	-
31/12/2023	**1,203,183**	**(711,096)**	**492,087**	**75,412**	**42,953,845**	**(242,151)**	**43,017,570**	**43,509,657**
31/12/2022	**1,373,010**	**(817,382)**	**555,628**	**81,793**	**41,590,768**	**(144,335)**	**41,818,936**	**42,374,564**

*value to be reported for information purposes

The gross carrying amount of financial assets measured at fair value at year end includes the credit risk component.

Partial write-offs recorded over the years in relation to the above portfolios total 75.4 million euro, reflecting the bad loans still held on the books.

The following analysis for “Financial assets held for trading and hedging derivatives” shows the accumulated unrealised losses and the net exposures that are obviously of poor quality, as well as the net exposures of the remaining financial assets.

Portfolio/Quality	Assets with evident poor credit quality		Other assets
	Accumulated losses	Net exposure	Net exposure
1. Financial assets held for trading	–	–	22,461
2. Hedging derivatives	–	–	1
Total 31/12/2023	**–**	**–**	**22,462**
Total 31/12/2022	**–**	**1**	**51,034**

A.1.3 Distribution of financial assets by past due categories (book values)

Portfolios/risk stages	First stage			Second stage			Third stage			Impaired purchased or originated		
	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days
1. Financial assets measured at amortised cost	355,708	-	-	97,243	47,347	1,362	37,794	33,604	155,873	2,715	1,183	9,265
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Total 31/12/2023	**355,708**	**-**	**-**	**97,243**	**47,347**	**1,362**	**37,794**	**33,604**	**155,873**	**2,715**	**1,183**	**9,265**
Total 31/12/2022	**287,453**	**-**	**-**	**110,182**	**37,993**	**2,020**	**29,029**	**29,364**	**215,360**	**5,484**	**917**	**16,113**

A.1.4 Financial assets, commitments to grant loans and financial guarantees given: analysis of total value adjustments and total provisions (part 1)

	Total write-downs											
	First stage assets						Second stage assets					
Reasons/risk stages	Loans with banks and central banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	Loans with banks and central banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs
Total opening adjustments	**167**	**39,640**	**1,308**	**-**	**-**	**41,114**	**245**	**101,040**	**10**	**-**	**-**	**101,295**
Increases in financial assets purchased or originated	424	15,372	489	-	-	16,285	-	43,313	40	-	-	43,353
Derecognition other than write-offs	(550)	(11,554)	(977)	-	-	(13,081)	(1)	(20,943)	(10)	-	-	(20,955)
Net adjustments/write-backs for credit risk (+/-)	468	5,708	111	-	-	6,288	(139)	62,896	-	-	-	62,757
Contractual amendments without derecognition	-	(5)	-	-	-	(5)	-	(71)	-	-	-	(71)
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	641	-	-	-	641	-	(215)	-	-	-	(215)
Total closing adjustments	**509**	**49,802**	**931**	**-**	**-**	**51,242**	**105**	**186,020**	**40**	**-**	**-**	**186,164**
Recoveries from collection on financial assets subject to write-offs	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-

	Total write-downs										
	Third stage assets						Financial assets impaired acquired or originated				
Reasons/risk stages	Loans with banks and central banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs
Total opening adjustments	**-**	**737,589**	**-**	**-**	**737,588**	**-**	**65,453**	**-**	**-**	**63,115**	**2,337**
Increases in financial assets purchased or originated	-	34,143	-	-	34,143	-	-	-	-	-	-
Derecognition other than write-offs	-	(138,661)	-	-	(138,661)	-	(1,672)	-	-	(1,321)	(351)
Net adjustments/write-backs for credit risk (+/-)	-	5,674	-	-	5,674	-	11,174	-	-	11,447	(273)
Contractual amendments without derecognition	-	(112)	-	-	(112)	-	15	-	-	14	1
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	(47,269)	-	-	(47,269)	-	(5,302)	-	-	(5,302)	-
Other changes	-	42,735	-	-	42,735	-	(5,249)	-	-	(8,893)	3,644
Total closing adjustments	**-**	**634,099**	**-**	**-**	**634,098**	**-**	**64,419**	-	-	**59,060**	**5,358**
Recoveries from collection on financial assets subject to write-offs	-	39,330	-	-	39,330	-	-	-	-	-	-
Write-offs recognised directly in the income statement	-	(20,497)	-	-	(20,497)	-	(468)	-	-	(468)	-

A.1.4 Financial assets, commitments to grant loans and financial guarantees given: analysis of total value adjustments and total provisions (part 2)

	Total provisions for commitments to grant loans and financial guarantees given				Total
Reasons/risk stages	First stage	Second stage	Third stage	Commitments to grant funds and fin. guarantees given impaired acquired or originated	
Total opening adjustments	**10,138**	**9,628**	**12,364**	**21**	**977,603**
Increases in financial assets purchased or originated	3,886	17,789	479	-	**115,935**
Derecognition other than write-offs	-	-	-	-	**(174,368)**
Net adjustments/write-backs for credit risk (+/-)	(2,895)	(4,236)	(433)	322	**78,650**
Contractual amendments without derecognition	-	-	-	-	**(173)**
Changes in estimation methodology	-	-	-	-	**-**
Write-offs not recognised directly in the income statement	-	-	-	-	**(52,571)**
Other changes	-	-	-	-	**37,912**
Total closing adjustments	**11,129**	**23,181**	**12,410**	**343**	**982,988**
Recoveries from collection on financial assets subject to write-offs	-	-	-	-	**39,330**
Write-offs recognised directly in the income statement	-	-	-	-	**(20,965)**

A.1.5 Financial assets, commitments to grant loans and financial guarantees given: transfers between the various stages of credit risk (gross and nominal values)

	Gross values/nominal value					
	Transfers between first stage and second stage		Transfers between second stage and third stage		Transfers between first stage and third stage	
Portfolios/risk stages	First stage to second stage	Second stage to first stage	Second stage to third stage	Third stage to second stage	First stage to third stage	Third stage to first stage
1. Financial assets measured at amortised cost	2,600,023	992,540	138,669	33,237	138,150	7,084
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-
4. Commitments to grant loans and financial guarantees given	503,508	145,036	2,101	1,017	7,434	998
Total 31/12/2023	**3,103,531**	**1,137,576**	**140,770**	**34,254**	**145,584**	**8,082**
Total 31/12/2022	**2,028,161**	**925,437**	**120,687**	**50,844**	**104,750**	**10,368**

A.1.6 Prudential consolidation - Cash credit exposures and off-balance-sheet exposures to banks: gross and net values

Type of exposure/amounts	Gross exposure				
		First stage	Second stage	Third stage	Impaired purchased or originated
A. Cash credit exposures					
A.1 Sight	**3,536,274**	**3,527,430**	**8,844**	**-**	**-**
a) Non-performing	-	-	-	-	-
b) Performing	3,536,274	3,527,430	8,844	-	-
A.2 Others	**4,609,661**	**4,499,242**	**103,941**	**-**	**-**
a) Bad loans	-	-	-	-	-
- of which: exposures subject to forbearance	-	-	-	-	-
b) Unlikely-to-pay	-	-	-	-	-
- of which: exposures subject to forbearance	-	-	-	-	-
c) Non-performing past due exposures	-	-	-	-	-
- of which: exposures subject to forbearance	-	-	-	-	-
d) Performing past due exposures	980	980	-	-	-
- of which: exposures subject to forbearance	-	-	-	-	-
e) Other performing exposures	4,608,681	4,498,262	103,941	-	-
- of which: exposures subject to forbearance	-	-	-	-	-
Total (A)	**8,145,935**	**8,026,672**	**112,785**	**-**	**-**
B. Off-balance sheet credit exposures					
a) Non-performing	-	-	-	-	-
b) Performing	2,275,088	1,492,203	18,127	-	-
Total (B)	**2,275,088**	**1,492,203**	**18,127**	**-**	**-**
Total (A+B)	**10,421,023**	**9,518,875**	**130,912**	**-**	**-**

Type of exposure/amounts	Total adjustments and provisions					Net exposure	Total partial write-offs*
		First stage	Second stage	Third stage	Impaired purchased or originated		
A. Cash credit exposures							
A.1 Sight	**614**	**509**	**105**	**-**	**-**	**3,535,660**	**-**
a) Non-performing	-	-	-	-	-	-	-
b) Performing	614	509	105	-	-	3,535,660	-
A.2 Others	**3,412**	**2,374**	**1,038**	**-**	**-**	**4,606,249**	**-**
a) Bad loans	-	-	-	-	-	-	-
- of which: exposures subject to forbearance	-	-	-	-	-	-	-
b) Unlikely-to-pay	-	-	-	-	-	-	-
- of which: exposures subject to forbearance	-	-	-	-	-	-	-
c) Non-performing past due exposures	-	-	-	-	-	-	-
- of which: exposures subject to forbearance	-	-	-	-	-	-	-
d) Performing past due exposures	17	17	-	-	-	963	-
- of which: exposures subject to forbearance	-	-	-	-	-	-	-
e) Other performing exposures	3,395	2,357	1,038	-	-	4,605,286	-
- of which: exposures subject to forbearance	-	-	-	-	-	-	-
Total (A)	**4,026**	**2,883**	**1,143**	**-**	**-**	**8,141,909**	**-**
B. Off-balance sheet credit exposures	-	-	-	-	-	-	-
a) Non-performing	-	-	-	-	-	-	-
b) Performing	333	309	1	-	-	2,274,755	-
Total (B)	**333**	**309**	**1**	**-**	**-**	**2,274,755**	**-**
Total (A+B)	**4,359**	**3,192**	**1,144**	**-**	**-**	**10,416,664**	**-**

* Value to be reported for information purposes

Cash exposures include loans and receivables with banks shown in item 40 a) and in item 10 as well as other financial assets represented by bank securities included in items 20 c) and 30 of the assets side of the balance sheet, excluding equity securities and mutual funds. Off-balance sheet exposure is represented by guarantees given, commitments and derivatives (except those relating to equity securities and mutual funds). The total values also take into account exposures not within the scope of IFRS 9 impairment.

A.1.7 Cash credit exposures and off-balance-sheet exposures to customers: gross and net values

Type of exposure/amounts	Gross exposure				
		First stage	Second stage	Third stage	Impaired purchased or originated
A. Cash credit exposures					
a) Bad loans	322,088	-	-	301,216	20,872
- of which: exposures subject to forbearance	126,127	-	-	120,824	5,303
b) Unlikely-to-pay loans	839,938	-	-	733,192	69,401
- of which: exposures subject to forbearance	452,211	-	-	387,352	43,327
c) Non-performing past due exposures	41,157	-	-	38,998	119
- of which: exposures subject to forbearance	2,447	-	-	2,290	14
d) Performing past due exposures	519,893	357,217	157,202	-	2,513
- of which: exposures subject to forbearance	15,527	-	14,850	-	365
e) Other performing exposures	38,130,168	33,916,329	3,851,721	-	65,680
- of which: exposures subject to forbearance	281,641	-	239,293	-	29,613
Total (A)	**39,853,244**	**34,273,546**	**4,008,923**	**1,073,406**	**158,585**
B. Off-balance sheet credit exposures					
a) Non-performing	195,523	-	-	93,007	1,462
b) Performing	25,588,136	15,226,701	2,392,278	-	6,395
Total (B)	**25,783,659**	**15,226,701**	**2,392,278**	**93,007**	**7,857**
Total (A+B)	**65,636,903**	**49,500,247**	**6,401,201**	**1,166,413**	**166,442**

Type of exposure/amounts	Total adjustments and provisions					**Net exposure**	**Total partial write-offs***
		First stage	Second stage	Third stage	Impaired purchased or originated		
A. Cash credit exposures							
a) Bad loans	264,776	-	-	248,076	16,700	57,312	75,412
- of which: exposures subject to forbearance	101,714	-	-	97,623	4,091	24,413	19,354
b) Unlikely-to-pay loans	437,897	-	-	377,698	42,338	402,041	-
- of which: exposures subject to forbearance	239,534	-	-	207,101	24,319	212,677	-
c) Non-performing past due exposures	8,424	-	-	8,324	23	32,733	-
- of which: exposures subject to forbearance	539	-	-	529	2	1,908	-
d) Performing past due exposures	13,932	2,472	11,250	-	210	505,961	-
- of which: exposures subject to forbearance	1,430	-	1,407	-	23	14,097	-
e) Other performing exposures	224,806	45,886	173,772	-	5,148	37,905,362	-
- of which: exposures subject to forbearance	26,654	-	24,583	-	2,070	254,987	-
Total (A)	**949,835**	**48,358**	**185,022**	**634,098**	**64,419**	**38,903,409**	**75,412**
B. Off-balance sheet credit exposures	-	-	-	-	-	-	-
a) Non-performing	44,443	-	-	12,409	-	151,080	-
b) Performing	51,223	10,822	23,184	-	338	25,536,913	-
Total (B)	**95,666**	**10,822**	**23,184**	**12,409**	**338**	**25,687,993**	**-**
Total (A+B)	**1,045,501**	**59,180**	**208,206**	**646,507**	**64,757**	**64,591,402**	**75,412**

*value to be reported for information purposes

Cash exposures include the customer loans shown in item 40b as well as other financial assets represented by non-bank securities included in items 20c and 30 of the assets side of the balance sheet, excluding equity securities and mutual funds. Off-balance sheet exposure is represented by guarantees given, commitments and derivatives (except those relating to equity securities and mutual funds). The total values also take into account exposures not within the scope of IFRS 9 impairment.

A.1.9 Cash credit exposures to customers: analysis of gross non-performing exposures

Reasons/Categories	Bad loans	Unlikely-to-pay loans	Non-performing past due exposures
A. Opening gross exposure	**493,762**	**851,186**	**28,061**
- of which: exposures sold not derecognised	-	10,026	707
B. Increases	**157,570**	**346,851**	**43,235**
B.1 reclassified from performing loans	32,488	237,682	36,015
B.2 reclassified from impaired purchased or originated financial assets	834	10,207	14
B.3 reclassified from other categories of non-performing exposures	51,630	8,181	-
B.4 contractual amendments without derecognition	-	586	2
B.5 other increases	72,618	90,195	7,204
C. Decreases	**329,244**	**358,099**	**30,139**
C.1 transfers to performing loans	5	47,404	1,555
C.2 write-offs	50,689	22,848	-
C.3 collections	116,696	192,438	14,734
C.4 proceeds from disposals	31,205	19,346	-
C.5 losses on disposal	14,580	2,305	-
C.6 transfers to other categories of non-performing exposures	8,181	51,631	-
C.7 contractual amendments without derecognition	-	568	-
C.8 other decreases	107,888	21,559	13,850
D. Closing gross exposure	**322,088**	**839,938**	**41,157**
- of which: exposures sold not derecognised	-	27,598	6,368

A.1.9bis Cash credit exposures to customers: analysis of gross exposures subject to forbearance by credit quality

Reasons/Quality	Exposures subject to forbearance: non-performing	Exposures subject to forbearance: performing
A. Opening gross exposure	**643,382**	**402,463**
- of which: exposures sold not derecognised	5,586	27,198
B. Increases	**180,453**	**144,194**
B.1 reclassified from non-impaired exposures not subject to forbearance	22,323	77,644
B.2 reclassified from non-impaired exposures subject to forbearance	51,644	-
B.3 reclassified from impaired exposures subject to forbearance	-	31,531
B.4 reclassified from impaired exposures not subject to forbearance	56,299	3,616
B.5 other increases	50,187	31,403
C. Decreases	**243,049**	**249,489**
C.1 reclassified to non-impaired exposures not subject to forbearance	-	130,871
C.2 reclassified to non-impaired exposures subject to forbearance	31,531	-
C.3 reclassified to impaired exposures subject to forbearance	-	51,644
C.4 write-offs	31,038	-
C.5 collections	102,637	65,072
C.6 proceeds from disposals	25,176	-
C.7 losses on disposal	4,213	-
C.8 other decreases	48,454	1,902
D. Closing gross exposure	**580,786**	**297,168**
- of which: exposures sold not derecognised	18,693	48,174

A.1.11 Non-performing cash credit exposures to customers: analysis of total impairment

	Bad loans		Unlikely-to-pay loans		Non-performing past due exposures	
Reasons/Categories	Total	of which: exposures subject to forbearance	Total	of which: exposures subject to forbearance	Total	of which: exposures subject to forbearance
A. Total opening adjustments	**375,950**	**119,604**	**438,680**	**246,437**	**2,754**	**261**
- of which: exposures sold not derecognised	-	-	4,367	2,398	70	-
B. Increases	**106,902**	**40,548**	**177,646**	**75,747**	**8,042**	**516**
B.1 value adjustments from financial assets impaired acquired or originated	5,502	-	9,217	-	16	-
B.2 other adjustments	63,086	27,967	157,085	72,806	6,941	348
B.3 losses on disposal	14,580	3,910	2,305	204	-	-
B.4 reclassified from other categories of non-performing exposures	23,148	8,565	844	125	17	17
B.5 contractual amendments without derecognition	-	-	94	-	-	-
B.6 other increases	586	106	8,101	2,612	1,068	151
C. Decreases	**218,076**	**58,438**	**178,428**	**82,650**	**2,372**	**239**
C.1 write-backs on valuation	1,229	1,045	24,007	28,622	61	34
C.2 write-backs due to collections	30,135	6,420	52,973	9,595	861	2
C.3 gains on disposal	13,534	3,383	5,000	3,134	-	-
C.4 write-offs	50,689	17,440	22,848	12,905	-	-
C.5 transfers to other categories of non-performing exposures	15	-	22,766	8,504	1,227	203
C.6 contractual amendments without derecognition	-	-	189	-	4	-
C.7 other decreases	122,474	30,150	50,645	19,890	219	-
D. Total closing adjustments	**264,776**	**101,714**	**437,898**	**239,534**	**8,424**	**538**
- of which: exposures sold not derecognised	-	-	11,243	6,929	770	30

A.2 Classification of exposures based on external and internal ratings

A.2.1 Distribution of financial assets, commitments to grant loans and financial guarantees given by external rating classes (gross amounts)

Exposures	External rating classes						Unrated	Total
	Class 1	class 2	class 3	class 4	class 5	class 6		
A. Financial assets measured at amortised cost	**7,550,068**	**1,245,066**	**1,904,921**	**350,086**	**60,638**	**-**	**29,885,118**	**40,995,897**
- First stage	7,550,068	1,245,066	1,880,978	285,961	16,766	-	24,690,162	35,669,001
- Second stage	-	-	23,943	64,085	43,872	-	3,963,005	4,094,905
- Third stage	-	-	-	40	-	-	1,073,366	1,073,406
- Impaired acquired or originated	-	-	-	-	-	-	158,585	158,585
B. Financial assets measured at fair value through other comprehensive income	**2,262,940**	**380,773**	**382,801**	**81,808**	**5,981**	**-**	**7,445**	**3,121,748**
- First stage	2,262,940	380,773	372,409	74,240	5,981	-	7,445	3,103,788
- Second stage	-	-	10,392	7,568	-	-	-	17,960
- Third stage	-	-	-	-	-	-	-	-
- Impaired acquired or originated	-	-	-	-	-	-	-	-
C. Financial assets held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
- Impaired acquired or originated	-	-	-	-	-	-	-	-
Total (A+B+C)	**9,813,008**	**1,625,839**	**2,287,722**	**431,894**	**66,619**	**-**	**29,892,563**	**44,117,645**
D. Commitments to grant loans and financial guarantees given	**150,693**	**111,223**	**114,738**	**48,973**	**10,956**	**-**	**18,999,584**	**19,436,167**
- First stage	150,693	110,699	113,041	48,703	956	-	16,500,806	16,924,898
- Second stage	-	524	1,697	270	10,000	-	2,397,914	2,410,405
- Third stage	-	-	-	-	-	-	93,007	93,007
- Impaired acquired or originated	-	-	-	-	-	-	7,857	7,857
Total (D)	**150,693**	**111,223**	**114,738**	**48,973**	**10,956**	**-**	**18,999,584**	**19,436,167**
Total (A+B+C+D)	**9,963,701**	**1,737,062**	**2,402,460**	**480,867**	**77,575**	**-**	**48,892,147**	**63,553,812**

The distribution of exposures other than those in equity securities is reported by classes that reflect the long-term rating awarded to them by leading international agencies, as held in the Bank’s database.

The risk classes for external ratings indicated in this table refer to the classes of debtor credit-worthiness mentioned in the prudent supervisory regulations. The following is a reconciliation of these rating classes and the ratings issued by the agencies appointed by the Bank. Specifically, the ratings issued by DBRS are used for exposures to governments and central banks, while those of Standard & Poor's and FitchRatings are used for other exposures.

	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6
DBRS Limited	from AAA to AAL	from AH to AL	from BBBH to BBBL	from BBH to BBL	from BH to BL	CCC
Standard & Poor’s Rating Services	from AAA to AA-	from A+ to A-	from BBB+ to BBB-	from BB+ to BB	from B+ to B-	from CCC+ down
Fitch Ratings	from AAA to AA-	from A+ to A-	from BBB+ to BBB-	from BB+ to BB-	from B+ to B-	from CCC+ down

A.2.2 Distribution of financial assets, commitments to grant loans and financial guarantees given by internal rating classes (gross values)

INDIVIDUALS

	Internal rating classes (1)							
Exposures	Rating 1	Rating 2	Rating 3	Rating 4	Rating 5	Rating 6	Rating 7	Rating 8
A. Financial assets measured at amortised cost	**19,787**	**38,126**	**107,900**	**456,377**	**1,093,689**	**879,720**	**763,851**	**363,437**
- First stage	19,252	37,838	107,104	448,590	1,065,537	852,477	711,872	323,053
- Second stage	535	288	796	7,787	28,152	27,243	51,979	40,384
- Third stage	-	-	-	-	-	-	-	-
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
Total (A+B)	**19,787**	**38,126**	**107,900**	**456,377**	**1,093,689**	**879,720**	**763,851**	**363,437**
of which: financial assets impaired purchased or originated								
C. Commitments to grant loans and financial guarantees given	**24,630**	**31,472**	**46,292**	**62,340**	**69,314**	**38,741**	**67,258**	**28,681**
- First stage	24,590	31,436	46,166	61,456	68,065	38,297	64,978	25,815
- Second stage	40	36	126	884	1,249	444	2,280	2,866
- Third stage	-	-	-	-	-	-	-	-
Total (C)	**24,630**	**31,472**	**46,292**	**62,340**	**69,314**	**38,741**	**67,258**	**28,681**
Total (A+B+C)	**44,417**	**69,598**	**154,192**	**518,717**	**1,163,003**	**918,461**	**831,109**	**392,118**

	Internal rating classes (2)						
Exposures	Rating 9	Rating 10	Rating 11	Rating 12	Rating 13	Unrated and insolvent	**Total (A+B+C)**
A. Financial assets measured at amortised cost	**262,717**	**98,618**	**133,366**	**83,315**	**45,616**	**146,471**	**4,492,988**
- First stage	209,842	69,926	77,767	26,711	2,656	117	3,952,741
- Second stage	52,875	28,692	55,599	56,604	42,960	1	393,894
- Third stage	-	-	-	-	-	146,353	146,353
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- First stage	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-
Total (A+B)	**262,716**	**98,617**	**133,366**	**83,315**	**45,616**	**146,471**	**4,492,989**
of which: financial assets impaired purchased or originated							
C. Commitments to grant loans and financial guarantees given	**14,295**	**4,641**	**8,038**	**2,460**	**733**	**2,972**	**401,870**
- First stage	11,931	3,365	5,790	1,458	94	1,327	384,768
- Second stage	2,364	1,276	2,248	1,002	639	434	15,891
- Third stage	-	-	-	-	-	1,211	1,211
Total (C)	**14,295**	**4,641**	**8,038**	**2,460**	**734**	**2,972**	**401,871**
Total (A+B+C)	**277,011**	**103,258**	**141,404**	**85,775**	**46,349**	**149,444**	**4,894,859**

SMEs

Exposures	Internal rating classes (1) Rating 1	Rating 2	Rating 3	Rating 4	Rating 5	Rating 6	Rating 7	Rating 8
A. Financial assets measured at amortised cost	**152,057**	**544,792**	**1,032,347**	**1,325,109**	**1,517,855**	**1,277,747**	**1,288,118**	**568,493**
- First stage	119,283	458,738	872,049	1,005,364	1,207,400	924,482	964,339	449,713
- Second stage	32,774	86,054	160,298	319,745	310,455	353,265	323,779	118,780
- Third stage	-	-	-	-	-	-	-	-
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
Total (A+B)	**152,057**	**544,792**	**1,032,347**	**1,325,109**	**1,517,856**	**1,277,748**	**1,288,118**	**568,493**
of which: financial assets impaired purchased or originated								
C. Commitments to grant loans and financial guarantees given	**392,982**	**1,068,145**	**1,012,940**	**882,488**	**631,630**	**428,528**	**366,638**	**147,509**
- First stage	346,816	914,746	867,426	704,879	530,867	367,085	300,601	114,795
- Second stage	46,166	153,399	145,514	177,609	100,763	61,443	66,037	32,714
- Third stage	-	-	-	-	-	-	-	-
Total (C)	**392,982**	**1,068,145**	**1,012,940**	**882,489**	**631,629**	**428,528**	**366,638**	**147,509**
Total (A+B+C)	**545,039**	**1,612,937**	**2,045,287**	**2,207,598**	**2,149,485**	**1,706,276**	**1,654,756**	**716,002**

Exposures	Internal rating classes (2) Rating 9	Rating 10	Rating 11	Rating 12	Rating 13	Unrated and insolvent	**Total (A+B+C)**
A. Financial assets measured at amortised cost	**249,683**	**98,836**	**38,609**	**14,379**	**15,578**	**664,866**	**8,788,469**
- First stage	153,536	61,389	6,197	4,106	558	10,248	6,237,402
- Second stage	92,969	37,447	32,412	10,273	15,020	3,758	1,897,030
- Third stage	3,178	-	-	-	-	650,860	654,037
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- First stage	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-
Total (A+B)	**249,682**	**98,836**	**38,609**	**14,379**	**15,578**	**664,866**	**8,788,469**
of which: financial assets impaired purchased or originated							
C. Commitments to grant loans and financial guarantees given	**117,885**	**106,078**	**23,528**	**15,583**	**2,449**	**70,364**	**5,266,749**
- First stage	100,269	92,298	5,565	7,151	5	5,436	4,357,941
- Second stage	17,616	13,780	17,963	8,432	2,444	5,300	849,180
- Third stage	-	-	-	-	-	59,628	59,628
Total (C)	**117,885**	**106,079**	**23,528**	**15,584**	**2,449**	**70,365**	**5,266,749**
Total (A+B+C)	**367,567**	**204,915**	**62,137**	**29,963**	**18,027**	**735,231**	**14,055,218**

SMALL BUSINESS

Exposures	Internal rating classes (1) Rating 1	Rating 2	Rating 3	Rating 4	Rating 5	Rating 6	Rating 7	Rating 8
A. Financial assets measured at amortised cost	**75,814**	**75,745**	**190,825**	**275,542**	**329,479**	**332,690**	**225,926**	**127,315**
- First stage	71,752	62,716	161,522	205,308	233,738	241,624	147,791	80,045
- Second stage	4,062	13,029	29,303	70,234	95,741	91,067	78,135	47,270
- Third stage	-	-	-	-	-	-	-	-
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
Total (A+B)	**75,814**	**75,745**	**190,825**	**275,542**	**329,479**	**332,690**	**225,926**	**127,315**
of which: financial assets impaired purchased or originated								
C. Commitments to grant loans and financial guarantees given	**169,857**	**89,353**	**100,926**	**102,534**	**83,383**	**64,810**	**46,718**	**21,999**
- First stage	163,298	82,966	91,587	84,743	64,568	51,462	35,099	13,121
- Second stage	6,559	6,387	9,339	17,791	18,815	13,348	11,619	8,878
- Third stage	-	-	-	-	-	-	-	-
Total (C)	**169,857**	**89,353**	**100,925**	**102,534**	**83,383**	**64,809**	**46,718**	**21,999**
Total (A+B+C)	**245,671**	**165,098**	**291,751**	**378,076**	**412,862**	**397,500**	**272,644**	**149,314**

Exposures	Internal rating classes (2) Rating 9	Rating 10	Rating 11	Rating 12	Rating 13	Unrated and insolvent	**Total (A+B+C)**
A. Financial assets measured at amortised cost	**81,365**	**66,097**	**33,746**	**17,331**	**7,390**	**183,692**	**2,022,957**
- First stage	48,822	28,705	12,334	2,185	113	-	1,296,655
- Second stage	32,543	37,392	21,412	15,146	7,277	-	542,610
- Third stage	-	-	-	-	-	183,692	183,692
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- First stage	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-
Total (A+B)	**81,365**	**66,097**	**33,746**	**17,331**	**7,390**	**183,692**	**2,022,957**
of which: financial assets impaired purchased or originated							
C. Commitments to grant loans and financial guarantees given	**10,339**	**7,581**	**3,838**	**1,930**	**672**	**28,165**	**732,103**
- First stage	5,928	2,660	1,264	93	135	2,227	599,150
- Second stage	4,411	4,921	2,574	1,837	537	799	107,814
- Third stage	-	-	-	-	-	25,139	25,139
Total (C)	**10,339**	**7,581**	**3,838**	**1,930**	**672**	**28,165**	**732,103**
Total (A+B+C)	**91,704**	**73,678**	**37,584**	**19,261**	**8,062**	**211,857**	**2,755,060**

MICRO-ENTERPRISES

Exposures	Internal rating classes (1)							
	Rating 1	Rating 2	Rating 3	Rating 4	Rating 5	Rating 6	Rating 7	Rating 8
A. Financial assets measured at amortised cost	**78,295**	**132,825**	**453,982**	**446,345**	**91,526**	**270,125**	**199,937**	**200,470**
- First stage	77,416	131,121	444,005	425,650	85,094	257,550	176,668	168,535
- Second stage	879	1,704	9,977	20,695	6,432	12,575	23,269	31,936
- Third stage	-	-	-	-	-	-	-	-
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
Total (A+B)	**78,295**	**132,825**	**453,982**	**446,345**	**91,526**	**270,125**	**199,937**	**200,470**
of which: financial assets impaired purchased or originated								
C. Commitments to grant loans and financial guarantees given	**46,856**	**53,575**	**70,307**	**44,029**	**10,703**	**35,752**	**28,497**	**20,579**
- First stage	46,656	53,395	69,512	42,097	9,559	34,208	25,833	16,854
- Second stage	199	179	795	1,933	1,144	1,544	2,664	3,725
- Third stage	-	-	-	-	-	-	-	-
Total (C)	**46,856**	**53,575**	**70,307**	**44,029**	**10,703**	**35,752**	**28,497**	**20,579**
Total (A+B+C)	**125,151**	**186,399**	**524,290**	**490,374**	**102,229**	**305,876**	**228,434**	**221,050**

Exposures	Internal rating classes (2)						
	Rating 9	Rating 10	Rating 11	Rating 12	Rating 13	Unrated and insolvent	**Total (A+B+C)**
A. Financial assets measured at amortised cost	**96,888**	**48,749**	**56,016**	**38,598**	**21,254**	**98,536**	**2,233,548**
- First stage	73,097	30,310	23,866	12,804	1,917	58	1,908,092
- Second stage	23,791	18,440	32,150	25,794	19,336	-	226,978
- Third stage	-	-	-	-	-	98,478	98,478
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- First stage	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-
Total (A+B)	**96,888**	**48,749**	**56,016**	**38,598**	**21,254**	**98,536**	**2,233,548**
of which: financial assets impaired purchased or originated							
C. Commitments to grant loans and financial guarantees given	**8,653**	**4,828**	**3,597**	**2,833**	**917**	**5,493**	**336,620**
- First stage	6,908	2,790	1,665	1,669	94	639	311,879
- Second stage	1,746	2,038	1,933	1,165	824	1,015	20,902
- Third stage	-	-	-	-	-	3,839	3,839
Total (C)	**8,653**	**4,828**	**3,597**	**2,833**	**917**	**5,493**	**336,620**
Total (A+B+C)	**105,542**	**53,577**	**59,614**	**41,432**	**22,171**	**104,029**	**2,570,168**

LARGE ENTERPRISES; PUBLIC ENTERPRISES

Exposures	Internal rating classes (1)							
	Rating 1	Rating 2	Rating 3	Rating 4	Rating 5	Rating 6	Rating 7	Rating 8
A. Financial assets measured at amortised cost	**41,525**	**419,377**	**849,847**	**776,291**	**473,433**	**563,789**	**367,713**	**210,548**
- First stage	33,425	363,868	665,615	590,931	333,440	472,276	197,629	172,435
- Second stage	8,100	55,509	184,232	185,360	139,993	91,513	170,084	38,113
- Third stage	-	-	-	-	-	-	-	-
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**27,662**	**9,741**	**-**	**36,239**	**-**	**1,990**
- First stage	-	-	27,662	9,741	-	36,239	-	1,990
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
Total (A+B)	**41,525**	**419,376**	**877,509**	**786,032**	**473,433**	**600,028**	**367,713**	**212,538**
of which: financial assets impaired purchased or originated								
C. Commitments to grant loans and financial guarantees given	**200,618**	**741,277**	**1,580,289**	**1,663,979**	**824,110**	**618,538**	**792,585**	**344,701**
- First stage	157,733	588,636	1,506,334	1,182,081	686,203	510,136	261,758	259,828
- Second stage	42,885	152,641	73,955	481,898	137,907	108,402	530,827	84,873
- Third stage	-	-	-	-	-	-	-	-
Total (C)	**200,618**	**741,277**	**1,580,289**	**1,663,979**	**824,110**	**618,538**	**792,585**	**344,701**
Total (A+B+C)	**242,143**	**1,160,654**	**2,457,798**	**2,450,011**	**1,297,543**	**1,218,566**	**1,160,298**	**557,239**

Exposures	Internal rating classes (2)						
	Rating 9	Rating 10	Rating 11	Rating 12	Rating 13	Unrated and insolvent	**Total (A+B+C)**
A. Financial assets measured at amortised cost	**73,973**	**25,797**	**-**	**-**	**-**	**69,788**	**3,872,081**
- First stage	30,074	-	-	-	-	-	2,859,694
- Second stage	43,899	25,797	-	-	-	-	942,599
- Third stage	-	-	-	-	-	69,788	69,788
B. Financial assets measured at fair value through other comprehensive income	**5,889**	**-**	**-**	**-**	**-**	**-**	**81,251**
- First stage	5,889	-	-	-	-	-	81,521
- Second stage	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-
Total (A+B)	**73,973**	**25,797**	**-**	**-**	**-**	**69,788**	**3,953,332**
of which: financial assets impaired purchased or originated							
C. Commitments to grant loans and financial guarantees given	**93,367**	**30,800**	**12,685**	**-**	**-**	**69,721**	**6,972,671**
- First stage	63,953	7,476	12,514	-	-	70	5,236,722
- Second stage	29,414	23,324	171	-	-	24,398	1,690,696
- Third stage	-	-	-	-	-	45,253	45,253
Total (C)	**93,367**	**30,800**	**12,685**	**-**	**-**	**69,721**	**6,972,671**
Total (A+B+C)	**167,340**	**56,597**	**12,685**	**-**	**-**	**139,509**	**10,926,003**

OTHER

	Internal rating classes (1)							
Exposures	Rating 1	Rating 2	Rating 3	Rating 4	Rating 5	Rating 6	Rating 7	Rating 8
A. Financial assets measured at amortised cost	**23,226**	**3,927**	**44,735**	**77,668**	**168,289**	**25,372**	**200,238**	**10,738**
- First stage	23,226	3,927	44,735	77,250	158,109	13,791	158,571	8,700
- Second stage	-	-	-	418	10,181	11,581	41,667	2,039
- Third stage	-	-	-	-	-	-	-	-
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
Total (A+B)	**23,226**	**3,927**	**44,735**	**77,668**	**168,289**	**25,372**	**200,238**	**10,738**
of which: financial assets impaired purchased or originated								
C. Commitments to grant loans and financial guarantees given	**39,243**	**24,074**	**78,898**	**97,345**	**228,348**	**53,878**	**156,715**	**11,223**
- First stage	39,243	24,074	78,812	96,991	225,127	47,780	98,214	11,223
- Second stage	-	-	86	355	3,220	6,098	58,501	-
- Third stage	-	-	-	-	-	-	-	-
Total (C)	**39,243**	**24,074**	**78,898**	**97,345**	**228,348**	**53,878**	**156,715**	**11,223**
Total (A+B+C)	**62,469**	**28,001**	**123,633**	**175,014**	**396,637**	**79,250**	**356,953**	**21,961**

	Internal rating classes (2)						
Exposures	Rating 9	Rating 10	Rating 11	Rating 12	Rating 13	Unrated and insolvent	**Total (A+B+C)**
A. Financial assets measured at amortised cost	**34,514**	**4,619**	**1,736**	**2**	**1**	**18,990,786**	**19,585,852**
- First stage	34,373	4,357	1,210	2	1	18,886,163	19,414,415
- Second stage	141	262	526	-	1	93,173	159,986
- Third stage	-	-	-	-	-	11,450	11,450
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**3,039,255**	**3,039,255**
- First stage	-	-	-	-	-	3,021,336	3,021,336
- Second stage	-	-	-	-	-	17,919	17,919
- Third stage	-	-	-	-	-	-	-
Total (A+B)	**34,514**	**4,619**	**1,736**	**2**	**1**	**22,030,041**	**22,625,106**
of which: financial assets impaired purchased or originated							
C. Commitments to grant loans and financial guarantees given	**1,219**	**-**	**-**	**-**	**10**	**5,035,199**	**5,726,153**
- First stage	960	-	-	-	10	4,789,116	5,411,549
- Second stage	259	-	-	-	-	245,243	313,763
- Third stage	-	-	-	-	-	840	840
Total (C)	**1,219**	**-**	**-**	**-**	**10**	**5,035,199**	**5,726,153**
Total (A+B+C)	**35,733**	**4,619**	**1,736**	**2**	**11**	**27,065,240**	**28,351,259**

The table shows, in rising order of risk, the distribution by rating class of exposures in the Customers portfolio for which the internal rating models are operative.

As regards "Customers", the ratings are split into thirteen classes for performing counterparties and one for those that are insolvent. The first class identifies customers with the lowest risk, while the thirteenth class indicates the maximum risk; situations of insolvency go into another category;

The Bank uses internal ratings to calculate the capital requirements in relation to it corporate and retail portfolios, for which the related IRB models have been validated.

A.3 Distribution of secured exposures by type of guarantee

Cash loans shown in the "Net exposure" column are stated net of specific and portfolio adjustments. Exposures are classified between "fully guaranteed" and "partially guaranteed" by comparing the gross exposure with the value of the contractual guarantee. The amounts shown in the "guarantees" columns refer to the actual value of the guarantee ("fair value"), with an upper limit represented by the book value of the guaranteed exposure: this means that the actual value of the guarantee may be higher than that shown in the table.

A.3.1 Guaranteed cash credit exposures and off-balance-sheet exposures to banks

			Collaterals (1)				Personal guarantees (2)	
							Derivatives on loans	
								Other derivatives
	Gross exposure	Net exposure	Properties - Mortgages	Properties - Lease financing	Securities	Other collaterals	CLN	Central counterparties
1. Guaranteed cash credit exposures:	**246,703**	**246,470**	**-**	**-**	**-**	**-**	**-**	**-**
1.1. fully guaranteed	205,339	205,172	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-
1.2. partially guaranteed	41,364	41,298	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-
2. Guaranteed off-balance sheet exposures:	**21,747**	**21,746**	**-**	**-**	**3,603**	**4,189**	**-**	**-**
2.1. fully guaranteed	7,465	7,465	-	-	3,603	2,350	-	-
- of which non-performing	-	-	-	-	-	-	-	-
2.2. partially guaranteed	14,282	14,281	-	-	-	1,839	-	-
- of which non-performing	-	-	-	-	-	-	-	-

	Personal guarantees (2)							Total (1)+(2)
	Derivatives on loans			Endorsement loans				
	Other derivatives							
	Banks	Other financial corporations	Other parties	General governments	Banks	Other financial corporations	Other parties	
1. Guaranteed cash credit exposures:	**-**	**-**	**-**	**11,965**	**225,593**	**-**	**-**	**237,558**
1.1. fully guaranteed	-	-	-	9,040	196,132	-	-	205,172
- of which non-performing	-	-	-	-	-	-	-	-
1.2. partially guaranteed	-	-	-	2,925	29,461	-	-	32,386
- of which non-performing	-	-	-	-	-	-	-	-
2. Guaranteed off-balance sheet exposures:	**-**	**-**	**-**	**5,825**	**470**	**-**	**-**	**14,087**
2.1. fully guaranteed	-	-	-	1,041	470	-	-	7,464
- of which non-performing	-	-	-	-	-	-	-	-
2.2. partially guaranteed	-	-	-	4,784	-	-	-	6,623
- of which non-performing	-	-	-	-	-	-	-	-

A.3.2 Guaranteed cash credit exposures and off-balance sheet exposures to customers

			Collaterals (1)				Personal guarantees (2)	
							Derivatives on loans	
								Other derivatives
	Gross exposure	Net exposure	Properties - Mortgages	Properties - Lease financing	Securities	Other collaterals	CLN	Central counterparties
1. Guaranteed cash credit exposures:	**15,947,708**	**15,246,177**	**9,153,319**	**-**	**452,015**	**285,782**	**-**	**-**
1.1. fully guaranteed	13,115,166	12,496,097	9,153,035	-	376,061	199,398	-	-
- of which non-performing	862,734	389,210	327,568	-	3,398	2,752	-	-
1.2. partially guaranteed	2,832,542	2,750,080	284	-	75,954	86,384	-	-
- of which non-performing	109,707	47,295	16	-	2,822	263	-	-
2. Guaranteed off-balance sheet exposures:	**3,889,381**	**3,858,916**	**391,777**	**-**	**201,169**	**86,861**	**-**	**-**
2.1. fully guaranteed	2,922,707	2,899,732	391,777	-	130,406	59,055	-	-
- of which non-performing	47,502	32,683	1,946	-	506	591	-	-
2.2. partially guaranteed	966,674	959,184	-	-	70,763	27,806	-	-
- of which non-performing	11,540	7,694	-	-	93	541	-	-

	Personal guarantees (2)							
	Derivatives on loans			Endorsement loans				Total
	Other derivatives							(1)+(2)
	Banks	Other financial corporations	Other parties	General governments	Banks	Other financial corporations	Other parties	
1. Guaranteed cash credit exposures:	**-**	**-**	**-**	**2,503,995**	**13,937**	**293,768**	**1,989,377**	**14,692,193**
1.1. fully guaranteed	-	-	-	819,694	8,912	233,395	1,695,040	12,485,535
- of which non-performing	-	-	-	25,851	-	5,474	24,076	389,119
1.2. partially guaranteed	-	-	-	1,684,301	5,025	60,373	294,337	2,206,658
- of which non-performing	-	-	-	33,036	-	2,893	6,333	45,363
2. Guaranteed off-balance sheet exposures:	**-**	**-**	**-**	**58,529**	**16,794**	**114,666**	**2,591,542**	**3,461,338**
2.1. fully guaranteed	-	-	-	5,912	10,330	94,313	2,153,858	2,845,651
- of which non-performing	-	-	-	41	-	7,130	22,469	32,683
2.2. partially guaranteed	-	-	-	52,617	6,464	20,353	437,684	615,687
- of which non-performing	-	-	-	320	-	20	5,962	6,936

A.4 Financial and non-financial assets obtained by enforcing guarantees received

	Credit exposure cancelled	Gross value	Total write-downs	Book value	
					of which obtained during the year
A. Property, equipment and investment property	**-**	**-**	**-**	**-**	**-**
A.1. For business purposes	-	-	-	-	-
A.2. For investment purposes	-	-	-	-	-
A.3. Inventories	-	-	-	-	-
B. Equity securities and debt securities	**-**	**-**	**-**	**-**	**-**
C. Other assets	**83,908**	**54,495**	**-**	**54,495**	**54,495**
D. Non-current assets and groups of assets held for sale	**-**	**-**	**-**	**-**	**-**
D.1. Property, equipment and investment property	-	-	-	-	-
D.2. Other assets	-	-	-	-	-
Total 31/12/2023	**83,908**	**54,495**	**-**	**54,495**	**54,495**
Total 31/12/2022	**84,126**	**32,698**	**-**	**32,698**	**32,698**

B. Distribution and concentration of exposures

Preparation of this section has excluded in the exposures reported in tables A.1.6. and A.1.7., exposures to counterparty risk relating to loans of securities or goods, granted or received.

B.1 Distribution by sector of cash credit exposures and off-balance sheet exposures to customers (book value)

	General governments		Financial companies		Financial companies (of which: insurance companies)	
Exposures/Counterparties	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. Cash credit exposures						
A.1 Bad loans	-	-	-	5	-	-
- of which: exposures subject to forbearance	-	-	-	-	-	-
A.2 Unlikely-to-pay loans	20	20	1,963	18,716	-	-
- of which: exposures subject to forbearance	-	-	30	14,823	-	-
A.3 Non-performing past due exposure	1	1	17	6	-	-
- of which: exposures subject to forbearance	-	-	-	-	-	-
A.4 Performing exposures	11,149,119	2,604	6,473,581	11,969	3,039	2
- of which: exposures subject to forbearance	-	-	94	7	-	-
Total (A)	**11,149,140**	**2,625**	**6,475,561**	**30,696**	**3,039**	**2**
B. Off-balance sheet credit exposures						
B.1 Non-performing exposures	214	2	211	160	-	-
B.2 Performing exposures	995,322	222	2,816,785	5,142	4,066	-
Total (B)	**995,536**	**224**	**2,816,996**	**5,302**	**4,066**	**-**
Total (A+B) 31/12/2023	**12,144,676**	**2,849**	**9,292,557**	**35,998**	**7,105**	**2**
Total (A+B) 31/12/2022	**11,730,173**	**8,620**	**8,923,356**	**36,518**	**116,517**	**21**

	Non-financial corporations		Households	
Exposures/Counterparties	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. Cash credit exposures				
A.1 Bad loans	47,137	206,453	10,175	58,317
- of which: exposures subject to forbearance	18,890	73,329	5,524	28,385
A.2 Unlikely-to-pay loans	315,890	332,464	84,168	86,697
- of which: exposures subject to forbearance	160,720	170,049	51,927	54,662
A.3 Non-performing past due exposure	16,036	3,574	16,680	4,843
- of which: exposures subject to forbearance	740	260	1,169	279
A.4 Performing exposures	13,815,645	161,573	6,972,978	62,592
- of which: exposures subject to forbearance	126,371	14,471	142,618	13,606
Total (A)	**14,194,708**	**704,064**	**7,084,001**	**212,449**
B. Off-balance sheet credit exposures				
B.1 Non-performing exposures	144,025	43,140	6,630	1,141
B.2 Performing exposures	19,071,062	42,752	2,636,213	3,107
Total (B)	**19,215,087**	**85,892**	**2,642,843**	**4,248**
Total (A+B) 31/12/2023	**33,409,795**	**789,956**	**9,726,844**	**216,697**
Total (A+B) 31/12/2022	**31,496,639**	**736,363**	**8,764,954**	**240,203**

B.2 Distribution by territory of cash credit exposures and off-balance sheet exposures to customers

	Italy		Other European countries		America
Exposures/Geographical areas	Net exposures	Total value adjustments	Net exposures	Total value adjustments	Net exposures
A. Cash credit exposures					
A.1 Bad loans	57,225	264,637	87	138	-
A.2 Unlikely-to-pay loans	397,563	435,520	4,361	2,318	25
A.3 Non-performing past due exposure	32,014	8,262	720	162	-
A.4 Performing exposures	34,011,377	235,880	4,179,856	2,425	33,209
Total (A)	**34,498,179**	**944,299**	**4,185,024**	**5,043**	**33,234**
B. Off-balance sheet credit exposures					
B.1 Non-performing exposures	151,074	44,443	6	-	-
B.2 Performing exposures	24,795,243	50,941	622,448	259	43,405
Total (B)	**24,946,317**	**95,384**	**622,454**	**259**	**43,405**
Total (A+B) 31/12/2023	**59,444,496**	**1,039,683**	**4,807,478**	**5,302**	**76,639**
Total (A+B) 31/12/2022	**57,001,880**	**1,007,789**	**3,813,148**	**12,271**	**63,963**

	America	Asia		Rest of the world	
Exposures/Geographical areas	Total value adjustments	Net exposures	Total value adjustments	Net exposures	Total value adjustments
A. Cash credit exposures					
A.1 Bad loans	-	-	-	-	-
A.2 Unlikely-to-pay loans	11	92	48	-	-
A.3 Non-performing past due exposure	-	-	-	-	-
A.4 Performing exposures	283	9,955	128	176,926	22
Total (A)	**294**	**10,047**	**176**	**176,926**	**22**
B. Off-balance sheet credit exposures					
B.1 Non-performing exposures	-	-	-	-	-
B.2 Performing exposures	8	42,045	13	16,241	2
Total (B)	8	42,045	**13**	**16,241**	**2**
Total (A+B) 31/12/2023	**302**	**52,092**	**189**	**193,167**	**24**
Total (A+B) 31/12/2022	**400**	**19,188**	**1,232**	**16,943**	**12**

As regards the geographical distribution of exposures to customers resident in Italy, note that assets included under “Loans and receivables with customers” are mainly concentrated in the traditional areas served by the Bank, namely the North West, 60% and Centre, 29%. This is followed by North East, 10%, and South and Islands, 1%.

B.3 Distribution by territory of cash credit exposures and off-balance sheet exposures to banks

Exposures/Geographical areas		Italy		Other European countries		America
		Net exposures	Total value adjustments	Net exposures	Total value adjustments	Net exposures
A. Cash credit exposures						
A.1 Bad loans		-	-	-	-	-
A.2 Unlikely-to-pay loans		-	-	-	-	-
A.3 Non-performing past due exposure		-	-	-	-	-
A.4 Performing exposures		5,550,029	2,909	2,185,840	691	44,975
Total (A)		**5,550,029**	**2,909**	**2,185,840**	**691**	**44,975**
B. Off-balance sheet credit exposures						
B.1 Non-performing exposures		-	-	-	-	-
B.2 Performing exposures		417,732	162	1,530,777	161	47,816
Total (B)		**417,732**	**162**	**1,530,777**	**161**	**47,816**
Total (A+B)	**31/12/2023**	**5,967,761**	**3,071**	**3,716,617**	**852**	**92,791**
Total (A+B)	**31/12/2022**	**7,853,482**	**784**	**3,330,774**	**2,150**	**45,289**

Exposures/Geographical areas		America	Asia		Rest of the world	
		Total value adjustments	Net exposures	Total value adjustments	Net exposures	Total value adjustments
A. Cash credit exposures						
A.1 Bad loans		-	-	-	-	-
A.2 Unlikely-to-pay loans		-	-	-	-	-
A.3 Non-performing past due exposure		-	-	-	-	-
A.4 Performing exposures		112	197,618	270	163,446	44
Total (A)		**112**	**197,618**	**270**	**163,446**	**44**
B. Off-balance sheet credit exposures						
B.1 Non-performing exposures		-	-	-	-	-
B.2 Performing exposures		2	200,277	8	15,671	-
Total (B)		**2**	**200,277**	**8**	**15,671**	**-**
Total (A+B)	**31/12/2023**	**114**	**397,895**	**278**	**179,117**	**44**
Total (A+B)	**31/12/2022**	**149**	**311,116**	**82**	**42,713**	**34**

B.4 Large exposures

	31/12/2023	31/12/2022
Number of positions	35	30
Exposure	35,189,628	33,597,333
Risk position	9,788,631	9,314,698

The exposure limit of 10% of Tier 1 capital – the threshold for inclusion of a counterparty in the category of "Large exposure" – has to be measured in terms of the "nominal amount" of the exposure, i.e. the sum of cash risk assets and off-balance sheet transactions with a customer or a group of related customers. On the other hand, the "risk position", on which the maximum limits are defined for the assumption of each individual significant risk, is given by the same aggregate weighted according to a system that takes account of the nature of the debtor and any guarantees that have been obtained.

It should be noted that the positions shown above include the Italian Republic (nominal exposure, 11,966 million; risk position, 10.1 million), purely on the basis of sovereign securities held in proprietary portfolios, and the Bank of Italy (nominal exposure, 3,763 million; risk position, nil), mainly for term deposits.

In accordance with the provisions of Article 4 (39) of Regulation (EU) No. 575/2013, as amended and supplemented, the prudential supervisory reporting of large exposures provides for the conventional method of representing groups of connected customers by repeating, for each group of connected customers directly controlled by or economically dependent on a central government, the exposure amounts and the resulting risk position vis-à-vis the corresponding central government.

It should be noted that the information presented in the table under review does not follow the signalling approach described above because the amounts of exposure and risk position towards central governments are not repeated in relation to the groups of related customers with economic and/or legal ties to the aforementioned central governments.

C. Securitisations transactions

Traditional securitisations

QUALITATIVE INFORMATION

During the 2023 financial year, the Bank continued to finalise securitisation transactions through the bulk sale of non-performing loans in line with the corporate objectives of derisking and improving asset quality. As explained in the report on operations, in the last quarter of 2023, the Bank completed a securitisation transaction through the sale of non-performing loans called Luzzatti IV.

Note that the book value of the securitisations originated by third party companies, shown in the following table C.2, at 31 December 2023 amounts to 470 million euro.

New transactions during the year

Luzzatti IV securitisation

In December 2023, the Bank carried out the fourth securitisation through a multi-originator sale, relating to exposures classified as bad loans originating from 12 banks, for a total value of 313 million in terms of gross book value, of which 173.7 million attributable to Banca Popolare di Sondrio.

The payment of the purchase price by the Vehicle Company, specifically established pursuant to Law 130 of 30 April 1999, called "Luzzatti POP NPLs 2023 Srl" (SPV) was financed by issuing asset-backed securities for a total nominal value of 91.5 million, split as follows:

– a Senior tranche (Class A) for 77.5 million, with investment grade rating (BBB (high) assigned by Morningstar DBRS and BBB+ assigned by Arc Ratings). The tranche in question, retained by Banca Popolare di Sondrio S.p.A., presents structural characteristics of eligibility for the GACS and, should this state guarantee be reintroduced, the participating banks will assess whether to avail themselves of it. These securities carry a fixed yield of 4%;
– a Mezzanine tranche (Class B) for 11.0 million, unrated, with a yield equal to the sum of an annual spread of 10% and the 6-month Euribor;
– a Junior tranche (Class J) for 3 million, unrated, with a yield equal to the 6-month Euribor plus an annual spread of 15% and any variable yield based on the performance of the securitisation.

On 28 December 2023, the issue date of the securities, the originating banks subscribed 100% of the Senior notes and in application of the retention rule provided for by Article 405 of the CRR, each of the originating banks maintained a stake of not less than 5% of the Mezzanine and Junior tranches. The rest of the Mezzanine and Junior securities were subscribed by third-party investors.

Consistently with the provisions of IFRS 9, due to the regulation of the sale of 95% of the said notes (Mezzanine and Junior), in compliance with the retention rule, pursuant to the provisions of Article 6, paragraph 4, of the Securitisation Regulation, the conditions for derecognition of the bad loans sold were met, as the related rights and benefits were substantially transferred.

The following table shows the securitisation positions held by Banca Popolare di Sondrio at the reporting date.

Seniority	Maturity	Nominal Amount	Morningstar DBRS	Arc Ratings
Senior	June 2043	48,392,000	BBB (high)	BBB+
Mezzanine	June 2043	343,430	N/A	N/A
Junior	June 2043	93,663	N/A	N/A
TOTAL		**48,829,093**		

All of the senior securities are classified as "Financial assets measured at amortised cost" for an amount net of expected losses on the basis of the IFRS 9 impairment model of 48.384 million euro; conversely, the portions owned of the mezzanine (fair value 115,639 euro) and junior (fair value 33 euro) securities have been classified as "Financial assets mandatorily measured at fair value through profit or loss".

The loss on disposal, equal to 0.7 million euro, is included in "Gains (losses) from the sale or repurchase of financial assets measured at amortised cost".

The credit management and recovery activity was entrusted by the Vehicle Company to doNext S.p.A. and doValue S.p.A., servicers appointed in accordance with article 2, paragraphs 3 and 6-*bis* of Law 130/1999.

For the sake of completeness of information, it should be noted that as part of the transaction, the selling banks granted the vehicle Luzzatti POP NPLs 2023 S.r.l. a "Limited Recourse Loan" (MRL), intended, on the date of issue of the securities, as a cash reserve available to the SPV to cover any misalignments between the recovery plan of the Portfolio Sold and the payments to be made to the security holders. The "Limited Recourse Loan" made by Banca Popolare di Sondrio is equal to 2.196 million and is recorded under "Financial assets measured at amortised cost"; it will be repaid based on the available liquidity of the SPV in the order of priority of payments and, in any case, prior to the repayment of the principal of the senior securities, so it does not represent any form of credit support for the securitisation.

The main elements of the transaction described above are summarised below with reference to Banca Popolare di Sondrio:

Portfolio sale date	15/12/2023
Vehicle Company	Luzzatti POP NPLs 2023 S.r.l.
Servicers	doNext S.p.A. and doValue S.p.A
Securities issue date	28/12/2023
Type of transaction	Traditional multi-originator sale
Assets sold	NPLs made up of secured and unsecured credit exposures
Sector of the economy	Non-performing loans to individual, corporate and retail customers
Geographical breakdown	The loans subject to securitisation refer to parties resident in Italy.
Subordinated loan (Cash reserve)	2.196 million
Quality of the assets transferred	Bad loans
Amount of securitised assets	The total of the loans receivable from the portfolio sold amounts to 173.7 million euro.
Sale price of the securitised assets	The sale price is 50.7 million euro
Organisational structure	The company doNext S.p.A. prepares a quarterly report containing all the information relating to the receivables of each debtor position.
Internal risk measurement and control systems	The settlement or judicial recovery of bad loans assigned is entrusted solely to the Servicers appointed by the SPV. Banca Popolare di Sondrio has not maintained any role or involvement in the management of credit recovery.

Securitisation transactions already in place

Securitisation transactions completed in the three-year period 2020-2022 included:

- subscription of the Senior securities issued by the vehicle company and sale of the Mezzanine and Junior tranches to third parties, in compliance with the requirements of prudential regulations. As a result of this holding, the receivables sold have been derecognised, as the Group has substantially transferred the rights and benefits of the financial assets sold;
- obtaining the State guarantee on the Senior securities (so-called Guarantee for Securitisation of Bad Loans - GACS pursuant to Decree 18 of 14 February 2016 converted into Law No. 49 of 8 April 2016 and subsequent MEF decree of 3 August 2016), excluding the Luzzatti III sale.

The following is a summary of transactions completed in previous years.

Diana securitisation

Portfolio sale date	01/06/2020
Vehicle Company	Diana S.P.V. S.r.l.
Servicers	Prelios Credit Servicing S.p.A.
Securities issue date	17/06/2020
Type of transaction	Traditional with GACS guarantee from the Economic and Finance Ministry.
Assets sold	NPLs made up of secured and unsecured credit exposures
Sector of the economy	Non-performing loans to individual, corporate and retail customers
Geographical breakdown	The loans subject to securitisation refer to parties resident in Italy.
Subordinated loan (Cash reserve)	10.925 million original, 5.013 million residual as at 31.12.2023
Guarantees and credit lines issued by third parties	IRC contract for hedging cash flows of notes issued
Quality of the assets transferred	Bad loans
Amount of securitised assets	The total of the loans receivable from the portfolio sold amounts to 872 million euro.
Sale price of the securitised assets	The sale price is 274 million euro
Organisational structure	Prelios Credit Servicing S.p.A. prepares a quarterly report containing all the information relating to the receivables of each debtor position.
Internal risk measurement and control systems	The settlement or judicial recovery of bad loans assigned is entrusted solely to the Servicers appointed by the SPV. Banca Popolare di Sondrio has not maintained any role or involvement in the management of credit recovery.

The vehicle company has issued the following securities:

Seniority	Maturity	Issue amount	Rating DBRS Morningstar	Rating Moody's	Rating Scope Ratings
Senior	December 2038	235,000,000	BBB	Baa2	BBB
Mezzanine	December 2038	35,000,000	N/A	N/A	N/A
Junior	December 2038	3,651,000	N/A	N/A	N/A
TOTAL		**273,651,000**			

All senior securities are classified in the portfolio of “Financial assets measured at amortised cost”, based on the reimbursements received from the execution date of the transaction to the closing date of this financial year and the expected losses recognised on the basis of the IFRS 9 impairment model, the net book amount at the end of the year, amounts to 70.717 million. The units of mezzanine (fair value 668,621 euro) and junior (fair value 528 euro) securities owned by the Company have instead been recorded as “Financial assets mandatorily measured at fair value through profit or loss”.

Luzzatti I securitisation

In December 2020, Banca Popolare di Sondrio carried out the second securitisation through a multi-originator sale, relating to exposures classified as bad loans originating from 15 banks, for a total value of 919.9 million in terms of gross book value, of which 371.8 million attributable to Banca Popolare di Sondrio.

The main elements of the transaction described above are summarised below with reference to Banca Popolare di Sondrio:

Portfolio sale date	03/12/2020
Vehicle Company	POP NPLs 2020 S.r.l.
Servicers	Credito Fondiario S.p.A. and Fire S.p.A.
Securities issue date	23/12/2020
Type of transaction	Traditional multi-originator sale with GACS guarantee from the Economic and Finance Ministry.
Assets sold	NPLs made up of secured and unsecured credit exposures
Sector of the economy	The portfolio being sold is made up principally of corporate debtors.
Geographical breakdown	The loans subject to securitisation refer to parties resident in Italy.
Subordinated loan (Cash reserve)	4.505 million original, 2.350 million residual as at 31.12.2023
Guarantees and credit lines issued by third parties	IRC contract for hedging cash flows of notes issued
Quality of the assets transferred	Bad loans
Amount of securitised assets	The total of the loans receivable from the portfolio sold amounts to 345 million euro.
Sale price of the securitised assets	The sale price is 112 million euro
Organisational structure	Credito Fondiario S.p.a. prepares a quarterly report containing all the information relating to the receivables of each debtor position.
Internal risk measurement and control systems	The settlement or judicial recovery of bad loans assigned is entrusted solely to the Servicers appointed by the SPV. Banca Popolare di Sondrio has not maintained any role or involvement in the management of credit recovery.

The following table shows the securitisation positions held by Banca Popolare di Sondrio:

Seniority	Maturity	Nominal Amount	Rating DBRS Morningstar	Rating Scope Ratings
Senior	November 2045	109,783,000	BBB	BBB
Mezzanine	November 2045	568,250	CCC	CC
Junior	November 2045	227,400	N/A	N/A
TOTAL		**110,578,650**		

All senior securities are classified in the portfolio of "Financial assets measured at amortised cost", based on the reimbursements received from the execution date of the transaction to the closing date of this financial year and the expected losses recognised on the basis of the IFRS 9 impairment model, the net book amount at the end of the year, amounts to 52.295 million. The units of mezzanine (fair value 101,111 euro) and junior (fair value 227 euro) securities owned by the Company have been recorded as "Financial assets mandatorily measured at fair value through profit or loss".

Luzzatti II securitisation

In December 2021, the Bank carried out the third securitisation through a multi-originator sale, relating to exposures classified as bad loans originating from 11 banks, for a total value of 789.2 million in terms of gross book value, of which 420.9 million attributable to Banca Popolare di Sondrio (made up 57% of secured loans).

The main elements of the transaction described above are summarised below with reference to Banca Popolare di Sondrio:

Portfolio sale date	13/12/2021
Vehicle Company	POP NPLs 2021 S.r.l.
Servicers	Zenith Service S.p.A. and doValue S.p.A.
Securities issue date	23/12/2021
Type of transaction	Traditional multi-originator sale with GACS guarantee from the Economic and Finance Ministry.
Assets sold	NPLs made up of secured and unsecured credit exposures
Sector of the economy	Non-performing loans to individual, corporate and retail customers
Geographical breakdown	The loans subject to securitisation refer to parties resident in Italy.
Subordinated loan (Cash reserve)	4.113 million original, 2.910 million residual as at 31.12.2023
Guarantees and credit lines issued by third parties	IRC contract for hedging cash flows of notes issued
Quality of the assets transferred	Bad loans
Amount of securitised assets	The total of the loans receivable from the portfolio sold amounts to 374 million euro.
Sale price of the securitised assets	The sale price is 99.250 million euro
Organisational structure	Zenith Service S.p.A. prepares a quarterly report containing all the information relating to the receivables of each debtor position.
Internal risk measurement and control systems	The settlement or judicial recovery of bad loans assigned is entrusted solely to the Servicers appointed by the SPV. Banca Popolare di Sondrio has not maintained any role or involvement in the management of credit recovery.

The following table shows the securitisation positions held by Banca Popolare di Sondrio at the reporting date.

Seniority	Maturity	Nominal Amount	Rating DBRS Morningstar	Arc Ratings
Senior	October 2045	97,715,000	BBB	BBB
Mezzanine	October 2045	665,614	N/A	N/A
Junior	October 2045	266,246	N/A	N/A
TOTAL		**98,646,860**		

All senior securities are classified in the portfolio of "Financial assets measured at amortised cost", based on the reimbursements received from the execution date of the transaction to the closing date of this financial year and the expected losses recognised on the basis of the IFRS 9 impairment model, the net book amount at the end of the year, amounts to 67.091 million. The units of mezzanine (fair value 93,142 euro) and junior (fair value 266 euro) securities owned by the Company have been recorded as "Financial assets mandatorily measured at fair value through profit or loss".

Luzzatti III securitisation

In December 2022, the Bank carried out the third securitisation through a multi-originator sale, relating to exposures classified as bad loans originating from 15 banks, for a total value of 545.2 million in terms of gross book value, of which 242.5 million attributable to Banca Popolare di Sondrio (made up 57% of secured loans).

The main elements of the transaction described above are summarised below with reference to Banca Popolare di Sondrio:

Portfolio sale date	15/12/2022
Vehicle Company	Luzzatti POP NPLs 2022 S.r.l.
Servicers	Prelios Credit Solutions S.p.A. and Fire S.p.A
Securities issue date	29/12/2022
Type of transaction	Traditional multi-originator sale
Assets sold	NPLs made up of secured and unsecured credit exposures
Sector of the economy	Non-performing loans to individual, corporate and retail customers
Geographical breakdown	The loans subject to securitisation refer to parties resident in Italy.
Subordinated loan (Cash reserve)	2.520 million, 2.277 million residual as at 31.12.2023
Quality of the assets transferred	Bad loans
Amount of securitised assets	The total of the loans receivable from the portfolio sold amounts to 242.5 million euro.
Sale price of the securitised assets	The sale price is 58.2 million euro
Organisational structure	Prelios Credit Solutions S.p.A. prepares a quarterly report containing all the information relating to the receivables of each debtor position.
Internal risk measurement and control systems	The settlement or judicial recovery of bad loans assigned is entrusted solely to the Servicers appointed by the SPV. Banca Popolare di Sondrio has not maintained any role or involvement in the management of credit recovery.

The following table shows the securitisation positions held by Banca Popolare di Sondrio at the reporting date.

Seniority	Maturity	Nominal Amount	Moody’s	Arc Ratings
Senior	January 2042	56,005,000	Baa1	BBB+
Mezzanine	January 2042	414,406	N/A	N/A
Junior	January 2042	71,042	N/A	N/A
TOTAL		**56,490,448**		

All senior securities are classified in the portfolio of “Financial assets measured at amortised cost”, based on the reimbursements received from the execution date of the transaction to the closing date of this financial year and the expected losses recognised on the basis of the IFRS 9 impairment model, the net book amount at the end of the year, amounts to 43.898 million. The units of mezzanine (fair value 127,165 euro) and junior (fair value 249 euro) securities owned by the Company have been recorded as “Financial assets mandatorily measured at fair value through profit or loss”.

Synthetic securitisations

On 14 June 2022, the Bank signed a synthetic securitisation transaction with the EIB Group for a countervalue of 958 million euro against a portfolio of loans granted to 'corporate' counterparties. A net economic interest (retention) of at least 5% was maintained on the financing of the portfolio subject to the transaction.

Synthetic securitisations provide for the purchase of credit risk protection underlying a portfolio of loans, of which the Originator retains full ownership, by entering into collateral agreements. Such transactions are therefore designed to transfer credit risk from the Originator to an external Counterparty, without derecognition of the assets, which are therefore retained on the Bank's financial statements.

By means of synthetic securitisation, the bank acquires, in synthetic and thus aggregate form, a hedge against “first losses” that may occur in an identified portfolio of loans. The financial structure mitigates the credit risks present in the loans subject to the transaction and consequently frees up financial resources, which can also be allocated to the development of new loans.

The structure of the transaction envisages the portfolio being virtually divided into 2 tranches according to the degree of risk: Senior and Junior. The initial portfolio subjected to the transaction was broken down as follows:

- Senior: 910.43 million;
- Junior: 47.92 million.

In particular, the Senior tranche does not benefit from any guarantee, while the Junior tranche is covered by a guarantee from the European Investment Fund (EIF) and counter-guaranteed by the European Investment Bank (EIB), using funds from the European Guarantee Fund (EGF), the EU recovery aid instrument launched in 2020 in response to the Covid-19 crisis.

Synthetic securitisations provide for the purchase of credit risk protection underlying a portfolio of loans, of which the Originator retains full ownership, by entering into collateral agreements. Such transactions are therefore designed to transfer credit risk from the Originator to an external Counterparty, without derecognition of the assets, which are therefore retained on the Bank's financial statements.

As at 31 December 2023, the Bank's net exposure to the securitisation was 606.4 million euro, of which 30.3 million euro was represented by the Junior component.

QUANTITATIVE INFORMATION

C.1 Analysis of exposures arising from major "own" securitisations by type of securitised asset and by type of exposure

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
Type of underlying assets/Exposures	Book value	Value adjustments/write-backs	Book value	Value adjustments/write-backs	Book value	Value adjustments/write-backs
A. Fully derecognised from the financial statements	–	–	–	–	–	–
Non-performing loans	282,386	20	1,106	–	1	–
B. Partially derecognised from the financial statements	–	–	-	-	–	–
C. Not derecognised from the financial statements	**576,197**	**(5,714)**	**–**	**–**	**30,251**	**(3,190)**
C.1 Corporate loans (*)	576,197	(5,714)	–	–	30,251	(3,190)

* The sub-item "Loans to companies" relates to the synthetic securitisation transaction.

The table shows the on-balance sheet exposures assumed by Banca Popolare di Sondrio in relation to its Diana, Luzzatti, Luzzatti II, Luzzatti III and Luzzatti IV securitisations. The parts of the table relating to guarantees issued and credit lines are not shown as these situations do not apply in this case.

C.2 Exposures deriving from the main "third-party" securitisations broken down by type of securitised assets and by type of exposure

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
Type of underlying assets/Exposures	Book value	Value adjustments/write-backs	Book value	Value adjustments/write-backs	Book value	Value adjustments/write-backs
Bnt Portfolio Spv Srl 15.05.2014/08.02.2042						
Mortgage loans	16,032	–	–	–	–	–
Alba 6 SPV 27.06.2014/25.10.2045						
Lease contracts	453,720	(131)	–	–	–	–

The note linked with the securitisation by Bnt Portfolio Spv Srl is classified among the financial assets mandatorily measured at fair value through profit or loss. That fair value is indicated in the "Book value" column. The parts of the table relating to guarantees issued and credit lines are not shown as these situations do not apply in this case.

C.3 SPV for securitisation

			Assets			Liabilities		
Company Name	Registered office	Consolidation	Loans	Debt securities	Other	Senior	Mezzanine	Junior
Alba 6 Spv Srl	Conegliano (TV)	NO	693,106	-	38,815	453,993	-	143,665
Bnt Portfolio Spv Srl	Conegliano (TV)	NO	106,524	-	9,436	113,924	-	-
Diana SPV	Conegliano (TV)	NO	88,641	-	16,587	70,724	35,040	3,653
Pop Npls 2020 Srl	Rome (RM)	NO	110,583	–	42,190	121,208	25,000	10,000
Pop Npls 2021 Srl	Milan (MI)	NO	134,544	-	19,279	131,165	25,517	10,258
Pop Npls 2022 Srl	Conegliano (TV)	NO	82,075	–	20,436	92,742	18,546	3,243
Pop Npls 2023 Srl	Conegliano (TV)	NO	91,500	-	3,490	77,500	11,000	3,000

C.4 Non-consolidated special purpose vehicle for securitisation

Pursuant to Circular 262 of the Bank of Italy, the information referred to in this section does not have to be provided by banks that prepare consolidated financial statements.

C.5 Servicer activities – own securitisations: collection of securitised loans and redemption of securities issued by the SPV for securitisation

At 31 December 2023, the Bank does not perform any servicer activity for its own securitisations in which the assets sold have been derecognised in accordance with IFRS 9

D. Disclosure of structured entities not consolidated for accounting purposes (other than SPV for securitisation)

Pursuant to circular 262 of the Bank of Italy, the qualitative and quantitative information referred to in this section does not have to be provided by banks prepare the consolidated financial statements.
Please refer to the corresponding part of the consolidated notes.

E. Sale transactions

A. Financial assets sold and not fully derecognised

QUANTITATIVE INFORMATION

Pursuant to IFRS 7, paragraph 42D, letters a), b) and c), the following table shows the book value of repurchase agreements on securities owned (mainly classified in the portfolio of "Financial assets measured at amortised cost") which did not lead to derecognition of the underlying financial assets from the financial statements.

The non-derecognition of the securities, with reference to repurchase agreements, is linked to the Bank retaining all the risks and benefits associated with the security, since there is an obligation to repurchase it forward at a contractually established price. Depending on the type of counterparty, the consideration for the sale is recognised under payables to banks or to customers, while the securities involved in the transaction remain recorded in their portfolios.

E.1 Financial assets sold recognised for their full amount and associated financial liabilities: book value

	Financial assets sold and recognised in full				Associated financial liabilities		
	Book value	of which: subject to securitisation transactions	of which: subject to sales contracts with repurchase agreement	of which: non-performing	Book value	of which: subject to securitisation transactions	of which: subject to sales contracts with repurchase agreement
A. Financial assets held for trading	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-	-
4. Derivatives	-	-	-	-	-	-	-
B. Other financial assets mandatorily measured at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets designated at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	**1,263,058**	**-**	**1,263,058**	**-**	**1,225,990**	**-**	**1,225,990**
1. Debt securities	1,263,058	-	1,263,058	-	1,225,990	-	1,225,990
2. Equity securities	-	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost	**4,664,695**	**-**	**4,664,695**	**-**	**4,255,021**	**-**	**4,255,021**
1. Debt securities	4,664,695	-	4,664,695	-	4,255,021	-	4,255,021
2. Loans	-	-	-	-	-	-	-
Total 31/12/2023	**5,927,753**	**-**	**5,927,753**	**-**	**5,481,011**	**-**	**5,481,011**
Total 31/12/2022	**2,266,821**	**-**	**2,266,821**	**-**	**2,046,584**	**-**	**2,046,584**

E.2 Financial assets sold recognised partially and associated financial liabilities: book values

In both the current and the previous year, the Bank has no financial assets sold but still partially recognised and associated financial liabilities.

E.3 Sale transactions with liabilities having recourse only to the assets sold and not derecognised in full: fair value

	Recognised in full	Recognised in part	Total 31/12/2023	Total 31/12/2022
A. Financial assets held for trading	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equity securities	-	-	-	-
3. Loans	-	-	-	-
4. Derivatives	-	-	-	-
B. Other financial assets mandatorily measured at fair value	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equity securities	-	-	-	-
3. Loans	-	-	-	-
C. Financial assets designated at fair value	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Loans	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	**1,263,058**	**-**	**1,263,058**	**139,142**
1. Debt securities	1,263,058	-	1,263,058	139,142
2. Equity securities	-	-	-	-
3. Loans	-	-	-	-
E. Financial assets measured at amortised cost (fair value)	**4,446,783**	**-**	**4,446,783**	**2,047,815**
1. Debt securities	4,446,783	-	4,446,783	2,047,815
2. Loans	-	-	-	-
Total financial assets	**5,709,841**	**-**	**5,709,841**	**2,186,957**
Total associated financial liabilities	**5,481,012**	**-**	**5,481,012**	**2,046,584**
Net value 31/12/2023	**228,829**	**-**	**228,829**	**-**
Net value 31/12/2022	**140,373**	**-**	**-**	**140,373**

B. Financial assets sold and fully derecognised with recognition of continued involvement

At 31 December 2023, there are no financial assets sold and fully derecognised with recognition of continued involvement.

C. Financial assets sold and fully derecognised

Pursuant to the provisions of the Communication of the Bank of Italy of 23 December 2019, the following section provides the qualitative and quantitative information regarding the only sale of non-performing loans, classified as “Unlikely to pay”, carried out as of 2020 of multi-originator type in favour of a mutual investment fund with simultaneous subscription of units issued by the fund.

During 2023, three sale transactions took place:

1. Illimity Credit & Corporate Turnaround Fund
2. Illimity Real Estate Credit Fund (hereinafter “iREC Fund”)
3. Keystone

Illimity Credit & Corporate Turnaround Fund Transaction

On 23 June 2023, the transaction was completed involving the sale of loans, qualified with the status of “unlikely to pay” by the Bank. This deal was carried out through the contribution of non-performing loans at the price of 6.595 million, offsetting the sale price with the subscription price, for the same amount, of 6,920.142 class A units, of the “illimity Credit & Corporate Turnaround Fund”.

Taking into account the carrying amount of the loans at 25 May 2023, the sale transaction resulted in the recognition of a negative economic effect of 0.2 million.

The “illimity Credit & Corporate Turnaround Fund” is an Italian alternative investment fund (AIF) of a closed-end, single-sub-fund type reserved for qualified investors, established and managed by illimity SGR S.p.A.

The Fund's management policies are focused on maximising the recovery rate of the receivables acquired and the return on the financial instruments invested in, and on providing new finance as part of the restructuring plans of the companies in the portfolio, through instruments that allow a higher degree of priority in repayment than the financial debt already in place (Debtor-in-Possession Financing).

The structure and functioning of the transaction are governed, also in terms of governance, by the Fund Regulations.

The body responsible for managing the Fund is the Board of Directors which makes use of an Advisory Board that can express a binding opinion to the Board of Directors only in the event of any investment or divestment or contract or other act in conflict of interest, actual or potential, between related parties and with other funds managed by the AMC. There is also a third decision-making body, namely the Fund Meeting, in which all unit-holders of the Fund's Sub-Funds participate.

From an accounting point of view, in line with the provisions of IFRS 9, the aforementioned sale operation involved derecognition of the loans sold, as a counter-entry to the recognition of the shares attributed to the ICCT fund, as the Bank substantially transferred all the risks and benefits deriving from the possession of the assets being sold and, moreover, did not retain any power of management over the fund, which was taken on by the fund management company.

For further details on the determination of the fair value of the units, please refer to part A.4 of these notes.

The shares of the fund, together with the shares subscribed in the previous year, were recognised in the accounting portfolio of “Financial assets mandatorily measured at fair value through profit or loss”, the fair value as at 31 December 2023 was equal to 20 million euro.

illimity Real Estate Credit Fund Transaction

On 22 December 2023, the transaction was completed involving the sale of loans, qualified with the status of “unlikely to pay” by Banca Popolare di Sondrio. This deal was carried out through the contribution of non-performing loans at the price of 4.6 million, offsetting the sale price with the subscription price, for the same amount, of 4,568,024 class A units, of the “illimity Real Estate Credit Fund”.

Taking into account the carrying amount of the loans at 30 September 2023, the sale transaction resulted in the recognition of a positive economic effect of 0.6 million.

The “illimity Real Estate Credit Fund” is an Italian closed-end alternative investment fund (AIF) falling within the category of AIF (Alternative Investment Funds), reserved and single-sub-fund, set up and managed by illimity SGR S.p.A.

The Fund's management policies focus on maximising the recovery rate of loans, the value of real estate, the value of the assets held by the special purpose vehicles and, in general, the value of the assets falling within the perimeter of the fund, also through dynamic and proactive dialogue with the debtors on the evolution of the business, as well as the definition of a debtor governance consistent with the relevance of the investment and the Fund's role.

The structure and functioning of the transaction are governed, also in terms of governance, by the Fund Regulations.

The body responsible for managing the Fund is the Board of Directors which makes use of an Advisory Board that can express a binding opinion to the Board of Directors only in the event of any investment or divestment or contract or other act in conflict of interest, actual or potential, between related parties and with other funds managed by the AMC. There is also a third decision-making body, namely the Fund Meeting, in which all unit-holders of the Fund's Sub-Funds participate.

From an accounting point of view, in line with the provisions of IFRS 9, the aforementioned sale operation involved derecognition of the loans sold, as a counter-entry to the recognition of the shares attributed to the iREC fund, as Banca Popolare di Sondrio substantially transferred all the risks and benefits deriving from the possession of the assets being sold and, moreover, did not retain any power of management over the fund, which was taken on by the fund management company.

For further details on the determination of the fair value of the units, please refer to part A.4 of these notes. The shares of the fund, together with the shares subscribed in the previous year, were recognised in the accounting portfolio of "Financial assets mandatorily measured at fair value through profit or loss", the fair value as at 31 December 2023 was equal to 18 million euro.

Keystone Transaction

On 22 December 2023, another transaction was completed involving the sale of loans, qualified with the status of "unlikely to pay" and "bad loans" by Banca Popolare di Sondrio. This deal was carried out through the contribution of non-performing loans at the price of 1.531 million, offsetting the sale price with the subscription price, for the same amount, of 1,530,480 class A units, of the "Keystone Fund".

Taking into account the carrying amount of the loans at 30 June 2023, the sale transaction resulted in the recognition of a positive economic effect of 0.2 million.

The "Keystone" Fund is a closed-end mutual fund under Italian law, falling within the category of AIFs (Alternative Investment Funds), reserved for professional investors established and managed by Kryalos SGR S.p.A.

The Fund's management policies will focus on maximising the recovery rate of loans, the value of real estate, the value of the assets held by the special purpose vehicles and, in general, the value of the assets falling within the perimeter of the fund, also through dynamic and proactive dialogue with the debtors on the evolution of the business, as well as the definition of a debtor governance consistent with the relevance of the investment and the Fund's role.

The structure and functioning of the transaction are governed, also in terms of governance, by the Fund Regulations.

The body responsible for managing the Fund and for carrying out investment activities is the Board of Directors, which makes use of an Advisory Committee that can express a binding opinion to the Board of Directors only in the event of approval of any investment or divestment or contract or other act in conflict of interest, actual or potential, between related parties and with other funds managed by the AMC. There is also a third decision-making body, namely the Fund Meeting, in which all unit-holders of the Fund's Sub-Funds participate.

From an accounting point of view, in line with the provisions of IFRS 9, the aforementioned sale operation involved derecognition of the loans sold, as a counter-entry to the recognition of the shares attributed to the Keystone fund, as Banca Popolare di Sondrio substantially transferred all the risks and benefits deriving from the possession of the assets being sold and, moreover, did not retain any power of management over the fund, which was taken on by the fund management company.

For further details on the determination of the fair value of the units, please refer to part A.4 of these notes. The shares of the fund, together with the shares subscribed in the previous year, were recognised in the accounting portfolio of "Financial assets mandatorily measured at fair value through profit or loss", the fair value as at 31 December 2023 was equal to 17 million euro.

Multi-originator assignment of receivables to mutual funds completed in the three-year period 2020-2022.

illimity Real Estate Credit Fund

On 3 August 2022, the Illimity transaction was finalised, involving the sale of loans, qualified with the status of "unlikely to pay" by Banca Popolare di Sondrio to the Italian alternative investment fund (AIF), a closed-end single-sub-fund investment fund reserved for qualified investors, established and managed by illimity SGR S.p.A. named "illimity Real Estate Credit Fund".

The Fund's management policies focus on maximising the recovery rate of loans, the value of real estate, the value of the assets held by the special purpose vehicles and, in general, the value of the assets falling within the perimeter of the fund, also through dynamic and proactive dialogue with the debtors on the evolution of the business, as well as the definition of a debtor governance consistent with the relevance of the investment and the Fund's role.

The fund units have been booked to the portfolio of “Financial assets mandatorily measured at fair value through profit or loss”. As at 31 December 2023, the fair value of these units amounted to 14.174 million euro. Refer to the financial statements at 31 December 2022 for further details.

Keystone Fund

On 28 December 2022, the keystone transaction was finalised, involving the sale of loans, qualified with the status of “unlikely to pay” by Banca Popolare di Sondrio to the Italian alternative investment fund (AIF), a closed-end fund reserved for qualified investors, established and managed by Kryalos SGR S.p.A. called “Keystone”.

The Fund's management policies focus on maximising the recovery rate of loans, the value of real estate, the value of the assets held by the special purpose vehicles and, in general, the value of the assets falling within the perimeter of the fund, also through dynamic and proactive dialogue with the debtors on the evolution of the business, as well as the definition of a debtor governance consistent with the relevance of the investment and the Fund's role.

The fund units have been booked to the portfolio of “Financial assets mandatorily measured at fair value through profit or loss”. As at 31 December 2023, the fair value of these units amounted to 15.564 million euro. Refer to the financial statements at 31 December 2022 for further details.

illimity Credit & Corporate Turnaround Fund

On 31 March 2021 and 21 October 2021, two Illimity transactions were finalised, involving the sale of loans, qualified with the status of “unlikely to pay” by Banca Popolare di Sondrio to the Italian alternative investment fund (AIF), a closed-end single-sub-fund investment fund reserved for qualified investors, established and managed by illimity SGR S.p.A. named “illimity Credit & Corporate Turnaround Fund”.

The Fund's management policies are focused on maximising the recovery rate of the receivables acquired and the return on the financial instruments invested in, and on providing new finance as part of the restructuring plans of the companies in the portfolio, through instruments that allow a higher degree of priority in repayment than the financial debt already in place (Debtor-in-Possession Financing).

The fund units have been booked to the portfolio of “Financial assets mandatorily measured at fair value through profit or loss”. Refer to the financial statements at 31 December 2021 for further details.

IDEA CCR Corporate Credit Recovery II Fund - Credit Section

On 7 October 2020, the DeA Capital deal was completed with the transfer of loans with the status of “unlikely to pay” by Banca Popolare di Sondrio to the Italian alternative mutual investment fund (FIA) of the closed-end multi-sector type reserved for qualified investors, called “IDEA CCR (Corporate Credit Recovery) II” (hereinafter IDEA CCR II), managed by DeA Capital Alternative Funds SGR, which aims to contribute to the relaunch of Italian companies under financial stress, but with solid industrial foundations.

The fund units have been booked to the portfolio of “Financial assets mandatorily measured at fair value through profit or loss”, with a fair value of 6 million euro at 31 December 2023. Refer to the financial statements at 31 December 2021 for further details.

D. Covered bond transactions

On 6 November 2013, the Board of Directors of the Bank authorised a covered bond programme for a maximum amount of 5 billion euro, based on the assignment to a vehicle company of residential mortgages and construction loans arranged by the Parent Company.

On 30 June 2023, the Board of Directors also approved the update of the Programme in narrative by incorporating the changes introduced by the implementing provisions of Title I-*bis* of Law 30 April 1999, No. 130 on covered bonds (OBG), amending Circular No. 285 of 17 December 2013.

As regards the sale of assets, on 1 June 2014, pursuant and consequent to the combined provisions of arts. 4 and 7-*bis* of law 130 of 30 April 1999, a portfolio of performing loans totalling 802 million euro was sold without recourse to “POPSO Covered Bond s.r.l.”, the vehicle company, in relation to the issue on 5 August 2014 of the first series of 5-year covered bonds for 500 million euro.

A second sale of performing loans totalling 202 million euro took place on 5 December 2015, under the same contract.

An additional 2 disposals were made during 2016. The first, on 1 February 2016, of a portfolio of a total of 576 million euro of performing loans in connection with the issuance of the second series of covered bonds totalling 500 million euro on 4 April 2016. The second, on 1 November 2016, of a portfolio of performing loans totalling 226 million euro.

During 2017, a fifth sale of performing loans for a total of 307 million euro took place on 1 October 2017 under the same contract.

Likewise, during 2018, a sixth sale of performing loans for a total of 323 million euro took place on 1 October 2018.

During 2019, a seventh sale of performing loans for a total of 352 million euro took place on 1 December 2019, under the same contract.

During 2022, an eighth sale of performing loans for a total of 167 million euro took place on 1 November 2022, under the same contract.

During 2023, a ninth sale of performing loans for a total of 877 million euro took place on 1 November 2023, under the same contract.

These securitisations involved the sale of residential mortgages to the SPV, which was simultaneously granted a subordinated loan in order to settle the sale price. Since the Bank retains all the risks and benefits relating to those loans, the operations are not treated as a non-recourse sale pursuant to IFRS 9. These loans were not therefore derecognised.

The main strategic objectives for this issue include equipping the Bank with instruments that can be placed on the market, even via public transactions. In addition, the activation of instruments of this type can contribute to:

- extending the maturities of funding and therefore strengthening its correlation with the medium/long-term loans granted;
- diversifying the long-term sources of funding;
- obtaining favourable conditions, with respect to those available via the routine placement of unsecured bonds.

A complex and detailed process has been established for complying with the related regulatory requirements. The process involves, in particular, calculating and monitoring the tests required by law and contracts, checking compliance with the requirements governing the suitability of the assets assigned, preparing the reports required by the regulations and the rating agency, and performing all the related control activities. Among the various counterparties involved for various reasons, BDO Italia Spa, the Independent Auditors and “asset monitor”, is responsible for verifying the tests.

The operations are proceeding smoothly and no issues have emerged with respect to the contractual requirements.

The regulations also require assessment of the objectives, legal, reputational and other risks, and controls put in place by the corporate bodies responsible for strategic supervision and control.

The following information is provided about the bond issued by Banca Popolare di Sondrio S.p.A. for which the vehicle company, Popso Covered Bond s.r.l., acts as Guarantor:

Series and Class	Series 3
ISIN Code	IT0005568529
Issue date	24/10/2023
Maturity Date	24/10/2028
Extended maturity	24/10/2029
Currency	Euro
Amount	500,000,000
Type of rate	Fixed
Parameter	4.125%
Coupon	Annual
Applicable law	Italian

With regard to the first two series of bonds, it should be noted that they were fully redeemed at maturity.

F. Models for the measurement of credit risk

The Bank does not use internal portfolio models for the assessment of credit risk (VaR methodology).

Section 2 – Market risks

2.1 Interest rate risk and price risk - trading book for supervisory purposes

QUALITATIVE INFORMATION

A. General aspects

The securities classified among the “financial assets held for trading” are the principal source of interest rate risk and trading book price risk. The value of financial assets held for trading increased slightly, countering the trend observed in past years (with the exception of last year, when there was a slight increase). At the end of the year, financial assets held for trading, ignoring those pertaining to employee pension funds and real estate funds, consisted of 25.7% shares and the remainder of mutual funds units; no bond component.

The objectives and strategies underlying the trading of the proprietary securities portfolio are oriented towards maximising profitability by seeking to seize trading opportunities also through the use of derivative contracts, usually listed, also with a view to hedging. As part of a risk-containment approach, the bond segment, when present, is characterised by a limited duration. With regard to equity securities, preference is given to those of leading companies, broad market and concentrated on the European market, while, in order to benefit from a better geographical and sector diversification, exposure in ETF and mutual funds has been increased.

The bank’s role in trading activities essentially consists of arbitrage in securities to benefit from short-term trading opportunities, rather than of taking long-term risk positions.

This strategy is consistent with the general approach adopted by the Bank, based on the prudent management of all risks.

With specific reference to interest rate risk, we note the absence of debt securities classified among “financial assets held for trading”.

With regard to the trading of derivative instruments (derivatives in the strict sense), the offices occasionally carry out activities in interest rate options and interest rate swaps (excluding interest rate swaps used to hedge the interest rate risk deriving from disbursement of fixed-rate mortgages “Macro Fair Value Hedging”) in order to respond to customer hedging needs; these transactions are then matched with transactions of the opposite sign entered into with leading financial counterparties.

The main source of price risk consists of equity securities and units in mutual funds classified as “financial assets held for trading”; as regards derivatives, there have been transactions in equity options and index options mostly listed on the IDEM market.

A1. Impacts of rising interest rates

The rise in interest rates by central banks starting in the latter part of 2022 and continuing during 2023, while representing an element of uncertainty, did not have a major impact on both stock and bond markets, which were basically well-priced.

Proprietary trading activity continued on a regular basis during 2023, in compliance with the guidelines resolved upon by the competent bodies, and with an extremely prudential outlook, maintaining partial hedges of the Italian equity segment through options on indices.

The activity in derivative instruments on behalf of customers, with the related balancing operations, also continued regularly, showing volumes and numbers in line with the previous year and was not affected by the event under analysis.

B. Management processes and measurement methods of interest rate risk and price risk

The internal processes for the measurement, control and management of trading book interest rate risk use two separate monitoring systems that are based respectively on:

– an internal model for the daily calculation of the Value at Risk (VaR), which is also used for the analysis of exposure to price risk;

– an analysis of sensitivity to interest rate based on the strategic Asset & Liability Management (ALM) methodologies detailed in section 2.2 below (interest rate risk and price risk of the banking book).

With reference to the model based on the calculation of VaR, the Bank adopts an overall system of limits for exposure to risks in the context of financial activities, in particular those of the market (interest rate in the risk-free and credit spread components, inflation, exchange rate, price, commodity and optionality). This system has the following characteristics: as part of its strategic supervision functions, the Board of Directors quantifies the Maximum Acceptable Loss for the period, consistent with the investment policies defined and with financial operations expected over the next year; with reference to the Maximum Acceptable Loss determined by the Board, the Risks Committee establishes appropriate potential exposure limits in terms of the Value at Risk (VaR); the Financial Risk Office, within the Risk Control Department, measures risk on a daily basis, produces the related reports and monitors compliance with credit limits; the "Treasury" office, within the Finance department, and the "Exchange centre", within the International department, accept risk by operating in the markets in compliance with the identified limits.

The characteristics of the internal management and control of price risk in relation to the trading book are the same – in terms of organisational structure and the limitation of risk acceptance – as those described in relation to interest rate risk.

In line with the Bank's risk map, the above limits do not apply to the securities servicing pensions and similar obligations of employees and real estate funds.

VaR is a probabilistic estimate of the maximum amount that can be lost with reference to a specific time horizon and a given probability level (consistent with the investor's level of risk aversion).

The model used is historical. On the basis of this methodology, the distribution of profits and losses of a portfolio is deduced from the actual historical observations of the returns of the elements that constitute it, obtained by carrying out the repricing of each position with application of the risk factors corresponding to each day falling within the time interval taken as a reference, using the full revaluation method. The VaR therefore corresponds to the worst value of the series of profits and losses thus obtained, chosen considering the desired confidence interval. At the reporting date, the following financial instruments of the regulatory trading book are included in the related risk measurements: for interest rate risk, debt securities (not present at the end of 2023) and forward contracts on exchange rates, in addition to other financial derivatives (in a strict sense) traded by the Exchange Centre (options on exchange rates, forward contracts on goods, options on interest rates, interest rate swaps); for price risk: equity securities and options on shares and indices. Apart from the instruments included in the following table 2, mutual funds are also covered by the VaR model. Forward contracts on commodities negotiated by the Exchange Centre fall within the category dedicated to commodity risk.

For instruments with optionality, a specific VaR ("optionality VaR") is calculated in order to capture the impact on the series of profits and losses of fluctuations in the volatility of the underlying.

The parameters for the calculation of VaR are as follows: holding period of one day, observation period of one year (corresponding to approximately 252 business days) with a decay factor of 0.99 and a confidence interval of 99%.

With regard to the methodologies used to aggregate the various risk profiles, the aggregation is determined by calculating the VaR in a manner that takes account of the correlation between risk profiles, rather than by simple summation, such that the overall VaR is usually less than the sum of the partial VaRs.

The internal policies and procedures for after-the-event verification of the results of the model with the real ones (so-called "back testing") are expressed in a comparison between the daily VaR and:

– the change in market value of the following day referring to the same positions on which the VaR was calculated ("theoretical P&L");
– the change in the hypothetical present value of the instrument/portfolio, calculated using the respective pricing model applied by the risk exposure calculation tool, of the following day referring to the same positions on which the VaR was calculated ("theoretical P&L according to the model");
– the change in market value on the following day on the portfolio including the movements that

have taken place ("actual P&L").

For back testing purposes, the VaR and P&L figures incorporate all of the risk factors impacting the positions under analysis.

As for risk exposure, measured in terms of VaR, the global VaR on rate risk at the end of the period stood at 0.084 million (entirely attributable to the risk - free rate, as the credit spread risk was zero) compared to 0.193 million of last year (also entirely attributable in this case to the risk-free rate alone, the credit spread risk being zero), while the global price VaR at the end of the period was equal to 1.325 million from 2.952 million at the end of 2022.

The internal model described is not used to determine the capital requirements for market risk reported for supervisory purposes. The Standardised Approach is used in this case.

With reference to the second method cited, based on sensitivity analyses, conducted through an ALM procedure, please refer to section 2.2 (Interest rate risk and price risk – banking book), which also explains stress testing. With regard to the results, please refer to the contents of the following paragraph (Quantitative information).

B1. Impacts of rising interest rates

Substantially good market sentiment allowed for the gradual retraction of VaR measures and the achievement of positive portfolio returns. Risk measures remained consistently within their respective propensity and there were no breaches in the year in the system of risk exposure limits insisting on the set of instruments held for trading purposes ("trading book").

QUANTITATIVE INFORMATION

1. Regulatory trading book: distribution by residual maturity (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives

Currency: EURO

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	Over 1 year to 5 years	From over 5 years to 10 years	Over 10 years	Unspecified duration
1. Cash assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**1,713,559**	**530,820**	**405,432**	**1,290,337**	**518,102**	**4,784**	**-**
3.1 With underlying securities	-	156	9	-	-	-	-	-
- Options	-	156	9	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	156	9	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	1,713,403	530,811	405,432	1,290,337	518,102	4,784	-
- Options	-	103,470	112,912	260,410	1,101,710	501,520	1,758	-
+ Long positions	-	51,735	56,456	130,205	550,855	250,760	879	-
+ Short positions	-	51,735	56,456	130,205	550,855	250,760	879	-
- Other derivatives	-	1,609,933	417,899	145,022	188,627	16,582	3,026	-
+ Long positions	-	809,648	201,724	79,785	94,316	8,291	1,513	-
+ Short positions	-	800,285	216,175	65,237	94,311	8,291	1,513	-

1. Regulatory trading book: distribution by residual maturity (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives

Currency: OTHER CURRENCIES

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	Over 1 year to 5 years	From over 5 years to 10 years	Over 10 years	Unspecified duration
1. Cash assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**1,234,839**	**212,433**	**130,942**	**22,084**	**-**	**-**	**-**
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	1,234,839	212,433	130,942	22,084	-	-	-
- Options	-	24,104	29,060	53,468	3,820	-	-	-
+ Long positions	-	12,052	14,530	26,734	1,910	-	-	-
+ Short positions	-	12,052	14,530	26,734	1,910	-	-	-
- Other derivatives	-	1,210,735	183,373	77,474	18,264	-	-	-
+ Long positions	-	600,771	91,688	38,737	9,132	-	-	-
+ Short positions	-	609,964	91,685	38,737	9,132	-	-	-

2. Supervisory trading book: distribution of exposures in equity securities and equity indices for the main countries of the listing market

Type of transactions/Listing index	Listed						
	ITALY	FRANCE	SPAIN	NETHERLANDS	GERMANY	OTHER COUNTRIES	Unlisted
A. Equity securities							
- long positions	14,521	3,523	1,362	1,136	5,896	1,813	580
- short positions	-	-	-	-	-	-	-
B. Purchase/sale transactions not yet settled in equity securities							
- long positions	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-
C. Other derivatives on equity securities							
- long positions	18	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-
D. Derivatives on stock indices							
- long positions	-	-	-	-	-	-	-
- short positions	6,448	-	-	-	-	-	-

3. Trading book for supervisory purposes – internal models and methodologies for the sensitivity analysis

Here we show the year-end figures for VaR split between rate risk and price risk, and between transactions explicitly foreseen in tables above and other transactions for which the calculation is carried out in any case.

Value at Risk (VaR), end of period

	(in thousands of euro)
1. **Cash assets**	**–**
1.1 Debt securities	–
1.2 Other assets	–
2. **Cash liabilities**	**–**
2.1 Repurchase agreements	–
2.2 Other liabilities	–
3. **Financial derivatives**	**84**
3.1 With underlying securities	–
- Options	–
+ Long positions	–
+ Short positions	–
- Other derivatives	–
+ Long positions	–
+ Short positions	–
3.2 Without underlying securities	84
- Options	0
+ Long positions	65
+ Short positions	82
- Other derivatives	84
+ Long positions	272
+ Short positions	255
Total interest rate risk	**193**
A. Equity securities	**84**
- Long positions	551
- Short positions	–
B. Purchase/sale transactions not yet settled in equity securities	–
- Long positions	–
- Short positions	–
C. Other derivatives on equity securities	**120**
- Long positions	120
- Short positions	–
D. Derivatives on stock indices	**87**
- Long positions	–
- Short positions	87
Total Price risk transactions tab.2	**567**
Mutual funds	**803**
Total Price risk	**1,325**
Global trading (net of exchange and commodities)	**1,244**

Interest-rate risk

Information on average, minimum and maximum VaR is provided below.

Interest rate Value at Risk (VaR)

	(in thousands of euro)
Medium	195
Minimum	84
Maximum	341

With regard to the distribution of VaR during the year, the average interest rate VaR for each month in 2023 is shown below.

January	174
February	131
March	268
April	308
May	295
June	281
July	196
August	172
September	159
October	145
November	109
December	93

With reference to the debt securities included in the management trading portfolio, the number of days in which the actual losses exceeded the VaR was 2 out of 48 total observations; there were no days in which the theoretical losses or the theoretical model losses exceeded the VaR.

With regard to the debt securities held in the trading book for supervisory purposes (not present at the end of 2023), forward contracts on exchange rates, options on interest rates, interest rate swaps. the following information is taken from the ALM procedure, consistent with that provided in section 2.2 below in relation to the investment portfolio. Please note that the outcomes below refer to the hypothetical rate movement scenarios in use for the monthly risk analyses, including:

- the six scenarios described in the Regulatory Technical Standards EBA/RTS/2022/10;
- two hypothetical scenarios for the shift of rates aimed respectively at capturing future market expectations (“ongoing”) and specific particularly adverse situations that have occurred in the past (“historical”).

Effects of a change in interest rates over a twelve-month period on the future net interest income.

Future net interest income means the difference between future interest income and future interest expense, calculated on existing transactions and on transactions to be settled on the reference date, possibly renewed while maintaining constant volumes. The figures given below do not include the effects generated by forward contracts on exchange rates.

	Change in net interest income				
	from 01/01/2023 to 31/12/2023				
In thousands of euro Exposure to risk	at the end of the period	average	minimum	maximum	**31/12/2022**
shock up parallel shift	991	1,070	645	1,331	543
shock down parallel shift	-689	-881	-1,168	-583	-440
steepener shock shift	-432	-501	-644	-293	-224
flattener shock shift	669	728	421	908	359
short shock up shift	931	1,009	590	1,258	502
short shock down shift	-662	-837	-1,110	-535	-394
ongoing shift	-496	-307	-525	-6	27
Historical	1,584	976	600	1,584	501
Worst case scenario	-689	-881	-1,168	-583	-440

Effects of a change in interest rates on the future profit over a twelve-month period.

Future profit means the difference between future revenues and future costs calculated on existing transactions and on transactions to be settled on the reference date, possibly renewed while maintaining constant volumes. The figures given below do not include the effects generated by forward contracts on exchange rates.

	Change in profit				
	from 01/01/2023 to 31/12/2023				
In thousands of euro Exposure to risk	at the end of the period	average	minimum	maximum	**31/12/2022**
shock up parallel shift	991	920	-1,039	1,262	543
shock down parallel shift	-689	-713	-1,091	1,302	-440
steepener shock shift	-432	-512	-644	-293	-224
flattener shock shift	669	714	305	896	359
short shock up shift	931	951	-23	1,226	502
short shock down shift	-662	-777	-1,076	103	-394
ongoing shift	-496	-297	-525	103	27
Historical	1,584	789	-1,550	1,584	501
Worst case scenario	-689	-777	-1,550	-293	-440

Effects of a change in interest rates on equity.

Equity means the difference between the current value of asset and liability items calculated on existing transactions and on the transactions to be settled at the reference date in the event of inertial volumes.

	Change in equity value				
	from 01/01/2023 to 31/12/2023				
In thousands of euro Exposure to risk	at the end of the period	average	minimum	maximum	**31/12/2022**
shock up parallel shift	1,612	1,901	101	2,433	1,614
shock down parallel shift	-1,238	-1,661	-2,098	103	-1,532
steepener shock shift	-342	-368	-444	-114	-47
flattener shock shift	660	716	314	877	340
short shock up shift	1,090	1,224	307	1,531	781
short shock down shift	-903	-1,116	-1,363	-291	-726
ongoing shift	-441	-402	-517	-121	-34
Historical	1,945	2,183	41	2,728	1,882
Worst case scenario	-1,238	-1,713	-2,098	-291	-1,532

Price risk

Information on average, minimum and maximum VaR is provided below.

Price Value at Risk (VaR)

	(in thousands of euro)
Medium	2,415
Minimum	1,210
Maximum	3,540

As regards the distribution of VaR during the year, we indicate below the average value of the price VaR in each of the twelve months of 2023.

January	2,671
February	2,421
March	2,814
April	3,419
May	2,941
June	2,811
July	2,533
August	1,944
September	1,907
October	2,010
November	2,096
December	1,405

With regard to equities and mutual funds in the management trading portfolio, there were no days on which actual losses, theoretical losses and theoretical model losses exceeded the VaR out of 254 total observations.

2.2 Interest rate risk and price risk – Investment portfolio

QUALITATIVE INFORMATION

A. General aspects, management and measurement of interest rate risk and price risk

As already described in section 2.1 above, the internal processes for the measurement, control and management of the investment portfolio interest rate risk also uses two distinct monitoring systems:

- an internal model for the daily calculation of the Value at Risk (VaR), which is also used for the analysis of exposure to price risk;
- an analysis of sensitivity to interest rate risk based on the strategic Asset & Liability Management (ALM) methodologies.

More specifically, the daily calculation of VaR is used to monitor the financial assets classified as "other financial assets mandatorily measured at fair value", and the "financial assets measured at fair value through other comprehensive income", excluding the investments made by the pension funds; the internal process for the control and management of interest rate and price risk, as well as the related methodology, are much the same as those detailed in the qualitative information provided regarding the "Interest rate risk and price risk – trading portfolio for supervisory purposes". It is recalled that "financial assets measured at amortised cost" are monitored via a purely credit risk metric that is more representative of the typical risk profile of this type of investment. At year-end, bonds in the banking book, disregarding those pertaining to the staff pension fund, comprised 41.7% of variable-rate positions, down slightly from 51.5% at year-end 2022.

With regard to monitoring based on sensitivity analysis using strategic ALM methodologies, a distinction is made between interest rate risk from fair value and interest rate risk from cash flow: the main sources of interest rate risk from fair value reside in funding (especially on demand but with appropriate modelling of maturities) and lending transactions (mainly mortgages and debt securities) at a fixed rate; on the other hand, the cash flow rate risk also originates from the remaining assets and liabilities at sight or at an indexed rate.

The internal management and control processes of interest rate risk adopt a system of indicators that hinges on a first group of summary metrics consisting of two risk indicators called "complementary" whose respective threshold systems are defined by the Board of management within the Risk Appetite Framework and on a second group of metrics consisting of ten risk indicators called "operational" whose limits are established by the Risks Committee, in harmony with the risk appetite established by the board. The first indicator in the first set of metrics monitors the exposure to interest-rate risk of the banking book by assigning a value limit to the percentage ratio of the minimum between the change in equity and zero, expressed in absolute terms, and total Tier 1 capital. The change in the value of equity is obtained through the Sensitivity Analysis in Full Evaluation method, under inertial conditions, and considering the smallest change in the value of equity by simulating the six scenarios described in the Regulatory Technical Standards EBA/RTS/2022/10. The second "complementary" indicator monitors the exposure to interest-rate risk of the banking book calculating the percentage ratio of the minimum between the change in profit over a one-year time horizon and zero, expressed in absolute terms, and total Tier 1 capital. The change in profit is obtained by considering the smallest change in profit obtained in the six scenarios described in the "Regulatory Technical Standards EBA/RTS/2022/10" and resulting from the contribution given by the change in net interest income using the "Interactive Simulation" method under static conditions with constant volumes and the change in value of instruments with an impact on the income statement or balance sheet - securities classified in the accounting categories "financial assets measured at fair value through other comprehensive income" (FVOCI) and "other financial assets mandatorily measured at fair value" (FVTPLM) - calculated using the "Sensitivity Analysis in Full Evaluation" method, assuming previous movements of the reference curves. The denominator coincides with the total Tier 1 capital. The first and second indicators of the second group of metrics are calculated respectively as the percentage ratio between the change in value of balance sheet assets, and as the percentage ratio between the change in value of balance sheet liabilities, transformed into absolute terms, and total Tier 1 capital. Changes in the value of assets and liabilities in the financial statements are obtained through the

"Sensitivity Analysis in Full Evaluation" method, under inertial conditions, with simulation of the movement of the reference curves in the "parallel shock up" scenario described in the "Regulatory Technical Standards EBA/RTS/2022/10". The third and fourth indicators of the second group of metrics are calculated respectively as the percentage ratio between the change in value of balance sheet assets, and as the percentage ratio between the change in value of balance sheet liabilities, transformed into absolute terms, and total Tier 1 capital. Changes in the value of assets and liabilities in the financial statements are obtained through the "Sensitivity Analysis in Full Evaluation" method, under inertial conditions, with simulation of the movement of the reference curves in the "parallel shock down" scenario described in the "Regulatory Technical Standards EBA/RTS/2022/10". The fifth indicator of the second group of metrics is calculated by assigning a limit value to the percentage quotient between the minimum between the change in value of net assets and zero, transformed into absolute terms, and the total of the Tier 1 capital. The change in value of equity is obtained through the Sensitivity Analysis in Full Evaluation method, under inertial conditions, and considering the change in value of the simulated shareholders' equity in the so-called "ongoing" management scenario aimed at capturing future market expectations, respectively. The sixth and seventh "operational" indicators are calculated respectively as the percentage ratio between the minimum between the change in the net interest income and zero, transformed into absolute terms, and the total Tier 1 capital. The change in net interest income is obtained by using the "Interactive Simulation" method, over a time horizon of one year, with simulation of the movement of the reference curves in the "parallel shock up" and "parallel shock down" scenarios described in the "Regulatory Technical Standards EBA/RTS/2022/10" respectively. The eighth and ninth "operational" indicators are calculated respectively as the percentage ratio between the change in value of instruments with an impact on the income statement or balance sheet - securities classified in the accounting categories "financial assets measured at fair value through other comprehensive income" (FVOCI) and "other financial assets mandatorily measured at fair value" (FVTPLM) - calculated through the "Sensitivity Analysis in Full Evaluation" method and total Tier 1 capital. This change in value is obtained by assuming movements of the reference curves in the "parallel shock up" and "parallel shock down" scenarios described in the "Regulatory Technical Standards EBA/RTS/2022/10" respectively. The tenth indicator of the second group of metrics is obtained by calculating the percentage quotient between the minimum between the change in profit over a time horizon of one year and zero, transformed into absolute terms, and the total Tier 1 capital. The change in profit is obtained by simulating the so-called "ongoing" management scenario, aimed at capturing future market expectations respectively, and is from the contribution given by the change in net interest income using the "Interactive Simulation" method under static conditions with constant volumes and the change in value of instruments with an impact on the income statement or balance sheet - securities classified in the accounting categories "financial assets measured at fair value through other comprehensive income" (FVOCI) and "other financial assets mandatorily measured at fair value" (FVTPLM) - calculated using the "Sensitivity Analysis in Full Evaluation" method, assuming the previous movement of the reference curves. The denominator coincides with the total Tier 1 capital.

The monitoring of the aforementioned indicators, both "complementary" and "operational", is carried out on a monthly basis. The process of monitoring interest-rate risk in relation to the banking book is supported by the preparation of suitable internal information, covering both the situation at specific dates and trends. This information is provided to the competent bodies and functions, either on request or with a fixed frequency, together with the risk analyses and measurements carried out.

With regard to the principal assumptions and underlying parameters, the model used supports the "Sensitivity Analysis in Full Evaluation" method for analysing the sensitivity of equity and the "Interactive Simulation" method for analysing the sensitivity of net interest income, at constant volumes, and the combination of both methods for the sensitivity analysis of profits. Specifically, the first methodology is used to determine the flows of principal and interest originated by the individual assets and liabilities held in the banking book applying, where necessary, the coupon rate for each instrument or, if that is not predetermined, the market curve associated with the risk factor to which the rate is indexed. Next, the "present values" of the assets and liabilities concerned are calculated by summing their cash flows as discounted using the yield curves.

Then, shocks to the benchmark curves are simulated, reflecting different scenarios that would cause market rates to change. The flows of interest and principal, as redetermined with reference to the modified curves, are discounted with reference to the new rate curves to obtain the “stressed present value” of each asset and liability.

Then, for each operation, the change in present value is calculated as the difference between the “stressed present value” and the “non-stressed present value”.

In this way, the model estimates the sensitivity of the banking book, in terms of change in the economic value of equity caused by each scenario expressing movements in market rates, by summing for each operation in the banking book the change in present value obtained above.

In addition, euro loan and deposit current accounts and savings deposits, which are highly stable in volume terms and whose rates are not usually established by contract, are represented by behavioural models that take account of the persistence of their volume and their elasticity with respect to changes in market rates.

Another type of operations subject to its own modelling is mortgages and unsecured loans in euro granted by the Bank. In these transactions, the borrower has an early repayment option and an option to renegotiate the contractual terms of the loan, both of which can be exercised at any time.

The adoption of a specific scenario-dependent model is the best way to address this phenomenon, known as “prepayment”, which is negatively correlated with the level of interest rates. This model is defined using a historical series of a suitable length in terms of time, containing prepayment events, those of renegotiation and other variables that help to differentiate behaviours.

The above analyses are supplemented by the results of applying the “Interactive Simulation” analysis methodology that, following a shock to the market rate curves, measures the sensitivity of net interest income for the current year to the positioning of the flows of principal at the time when the funding and lending operations start to become sensitive to changes in market interest rates.

Ideally, the banking book, made up of both debit and credit items that generate the net interest income, is subdivided between transactions that are partly sensitive to changes in interest rates and those that are entirely sensitive. The first type, mostly comprising fixed-rate transactions, is neutral when it comes to determining the sensitivity of net interest income up to the natural expiry of the transaction, but is impacted at the time of renewal; the second, represented by variable-rate transactions, is conditioned by changes in interest rates at the time of revision of the coupon rate.

The difference between the net interest income generated by each asset or liability item following the application of shocked market curves, and that generated under current market conditions, determines the marginal contribution to overall sensitivity.

Summing this differential for all the operations comprising the banking book determines the total sensitivity of net interest income to the risk of changes in market rates.

The measurements of interest-rate risk using fair value and using cash flows both consider any maximum cap or minimum floor on the coupon rate associated with banking book activities.

The source of price risk lies in the equity securities and mutual funds not included in the trading book for supervisory purposes, excluding treasury shares. It therefore includes the equity securities classified as equity investments and the equity securities and mutual funds classified as “other financial assets mandatorily measured at fair value” or “financial assets measured at fair value through other comprehensive income”, excluding the investments that service employees’ pension and similar obligations and real estate funds. At the end of the year, the financial assets of this kind consisted of 35.9% of shares (13.5% at the end of 2022) and the remainder of mutual funds.

The strategies for governing interest-rate risk include, as part of the annual stress testing of the principal economic, financial and equity variables, carrying out joint simulations to determine the impact of adverse shocks on:

- the net economic value of assets and liabilities in the banking book;
- the total net interest income generated by the banking book items and the trading portfolio securities.

Consistent with the “Sensitivity Analysis in Full Evaluation” and “Interactive Simulation” methods explained above, stress tests are carried out by performing simulations that include volume changes and the use of a set of scenarios regarding rate trends aimed at identifying the trend in the interest rate risk profile under particularly adverse market conditions. The main objective of stress tests is to estimate the impact on risk exposure caused by sudden and unpredictable changes in the general level of interest rates caused by a change in one or more specific risk factors.

The stress analysis is carried out both in terms of the fair value interest rate risk profile, and in terms of cash flow interest rate risk.

It should be noted that starting from the financial year 2022, the Bank has also started initiatives to hedge the interest rate risk arising from the disbursement of fixed-rate loans (so-called "Macro Fair Value Hedging") through the subscription with market counterparties of dedicated interest rate swap contracts with specific characteristics of duration, amount and rate aligned to the pool of loans being hedged.

A1. Impacts of rising interest rates

With specific reference to the securities of the investment portfolio, similarly to what is reported in the previous section 2.1, the movement of the portfolios was carried out in compliance with the guidelines approved by the competent Bodies, using the windows deemed most appropriate. With a view to containing the effects of rising interest rates during 2023, an overall moderate duration was maintained, favouring floating-rate Italian government bonds and government bonds of Eurozone countries with short or very short maturities.

A gradual reduction in VaR was also observed on securities in the investment portfolio, especially starting in the second half of the year as markets began to discount expectations of an imminent easing of monetary policy restrictions by Central Banks. Income dynamics were positive. There were no violations in the year in the VaR limit system based on the risk exposure on the set of financial instruments in the banking book.

QUANTITATIVE INFORMATION

1. Investment portfolio: distribution by residual maturity (by repricing date) of financial assets and liabilities

Currency: EURO

Type/Residual duration	Sight	3	3 to 6 months	6 to 12 months	Over 1 year to 5 years	From over 5 years to 10 years	Over 10 years	Unspecified duration
3. Financial derivatives	**1,368,656**	**641,312**	**- 135,258**	**50,670**	**3,448**	**19,270**	**18,633**	**-**
3.1 With underlying securities	-	311,054	- 152,948	-	- 154,148	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	311,054	- 152,948	-	- 154,148	-	-	-
+ Long positions	-	512,136	198,872	-	-	-	-	-
+ Short positions	-	201,082	351,820	-	154,148	-	-	-
3.2 Without underlying securities	1,368,656	330,258	17,690	50,670	157,596	19,270	18,633	-
- Options	1,368,656	268,904	16,496	48,409	139,605	97	379	-
+ Long positions	684,328	236,093	817	-	35	-	-	-
+ Short positions	684,328	32,811	15,679	48,409	139,570	97	379	-
- Other derivatives	-	61,354	1,194	2,261	17,991	19,173	18,254	-
+ Long positions	-	60,114	-	-	-	-	-	-
+ Short positions	-	1,240	1,194	2,261	17,991	19,173	18,254	-
4. Other off-balance sheet transactions	**1,083,731**	**215,138**	**79,395**	**129,202**	**81,910**	**680**	**1,264**	**-**
+ Long positions	288,071	215,138	79,395	129,202	81,910	680	1,264	-
+ Short positions	795,660	-	-	-	-	-	-	-

This table only shows financial derivatives as an interest rate risk sensitivity analysis based on internal models is provided for cash assets and liabilities.

2. Investment portfolio - internal models and other methodologies for sensitivity analysis

Interest-rate risk

With reference to the assets and liabilities that generate the net interest income - except for the debt securities held in the trading book for supervisory purposes (not present at the end of 2023), forward contracts on exchange rates, options on interest rates and interest rate swaps, as the information on these is disclosed in the section on the trading book for supervisory purposes – as defined in the paragraph in this section on qualitative information, the following are the figures taken from the ALM procedure.

Please note that the outcomes below refer to the hypothetical rate movement scenarios in use for the monthly risk exposure analyses, including:

– the six scenarios described in the Regulatory Technical Standards EBA/RTS/2022/10;
– two hypothetical scenarios for the shift of rates aimed respectively at capturing future market expectations ("ongoing") and specific particularly adverse situations that have occurred in the past ("historical").

An updated version of the behavioural models relating to on-demand items receivable and payable was adopted at the end of the period as at 31/12/2023.

Effects of a change in interest rates over a twelve-month period on the future net interest income.

Future net interest income means the difference between future interest income and future interest expense, calculated on existing transactions and on transactions to be settled on the reference date, possibly renewed while maintaining constant volumes.

	Change in net interest income				
	from 01/01/2023 to 31/12/2023				
In thousands of euro Exposure to risk	at the end of the period	average	minimum	maximum	**31/12/2022**
shock up parallel shift	117,021	36,411	-2,994	117,021	31,647
shock down parallel shift	-97,378	-15,653	-97,378	24,650	-17,708
steepener shock shift	-21,644	24,092	-21,644	63,606	25,101
flattener shock shift	55,717	-1,660	-49,310	55,717	-8,158
short shock up shift	87,525	9,176	-47,912	87,525	1,601
short shock down shift	-64,875	13,294	-64,875	72,450	13,183
ongoing shift	-38,468	-5,916	-38,468	23,095	3,168
Historical	155,399	94,817	52,697	150,399	102,023
Worst case scenario	-97,378	-15,653	-97,378	23,095	-17,795

Effects of a change in interest rates on the future profit over a twelve-month period.

Future profit is understood to mean the difference between future revenues and future costs calculated solely on existing transactions at the reference date and possibly renewed while maintaining constant volumes.

	Change in profit				
	from 01/01/2023 to 31/12/2023				
In thousands of euro Exposure to risk	at the end of the period	average	minimum	maximum	**31/12/2022**
shock up parallel shift	53,948	-33,066	-75,592	86,449	-35,208
shock down parallel shift	-22,458	65,116	-22,458	108,767	61,795
steepener shock shift	-4,896	40,642	-4,896	83,696	36,116
flattener shock shift	29,069	-29,329	-81,026	29,069	-29,792
short shock up shift	42,629	-38,439	-100,329	42,629	-39,676
short shock down shift	-18,018	62,905	-18,018	126,976	56,177
ongoing shift	-15,780	6,854	-15,780	41,442	-770
Historical	76,137	22,423	-22,504	76,495	31,963
Worst case scenario	-22,458	-38,439	-100,329	-2,258	-39,676

Effects of a change in interest rates on equity.

Equity means the difference between the current value of asset and liability items calculated on existing transactions and on the transactions to be settled at the reference date in the event of inertial volumes.

	Change in equity value				
	from 01/01/2023 to 31/12/2023				
In thousands of euro Exposure to risk	at the end of the period	average	minimum	maximum	**31/12/2022**
shock up parallel shift	138,171	-51,717	-106,058	138,171	-99,985
shock down parallel shift	-185,742	50,955	-185,742	122,862	113,642
steepener shock shift	123,331	108,846	90,038	124,297	97,487
flattener shock shift	-43,480	-85,744	-110,930	-43,480	-87,868
short shock up shift	14,575	-92,600	-130,490	14,575	-111,315
short shock down shift	63,598	131,147	63,598	170,298	138,090
ongoing shift	-19,940	15,891	-19,940	37,288	-18,860
Historical	51,587	-30,545	-80,098	51,587	-64,277
Worst case scenario	-185,742	-92,600	-185,742	-50,555	-111,315

With respect to debt securities classified as "other financial assets mandatorily measured at fair value", "financial assets measured at fair value through other comprehensive income", information on the average, minimum and maximum VaR is given below.

Interest rate Value at Risk (VaR)

	(in thousands of euro)
Medium	9,982
Minimum	4,455
Maximum	15,958

With regard to the distribution of VaR during the year, the average interest rate VaR for each month in 2023 is shown below.

January	15,542
February	14,865
March	14,707
April	13,584
May	11,839
June	9,085
July	8,228
August	7,920
September	7,509
October	6,394
November	5,446
December	4,841

With reference to the debt securities included in the "other financial assets mandatorily measured at fair value", and the "financial assets measured at fair value through other comprehensive income", the number of days in which actual losses exceeded the VaR was 1 out of 254 observations for Italian government securities and 1 out of 254 observations for the other debt securities. The same number of exceeds was observed for actual losses. With reference to the theoretical losses from the model, however, there was 1 exceedance out of 254 observations for other debt securities, while there was no exceedance on Italian government bonds.

Price risk

With reference to the closing date, we report above all the VaR figures of equity securities (shares and mutual funds) classified as "other financial assets mandatorily measured at fair value" or "financial assets measured at fair value through other comprehensive income", net of any investments servicing pensions and similar obligations of employees and real estate funds, as well as the figure for investments.

Value at Risk (VaR), end of period

	(in thousands of euro)
Equity securities	1,472
Mutual funds	1,722
Total	**2,962**
Equity investments	**11,269**

The following information is provided about the average, minimum and maximum VaR regarding the equity securities (shares and mutual funds) classified among the "other financial assets mandatorily measured at fair value" and the "financial assets measured at fair value through other comprehensive income", excluding any relevant investments by the pension and real estate funds.

Price Value at Risk (VaR)

	(in thousands of euro)
Medium	5,084
Minimum	2,937
Maximum	7,412

As regards the distribution of VaR during the year, we indicate below the average value of the price VaR in each of the twelve months of 2023.

January	7,229
February	6,722
March	6,309
April	6,094
May	5,872
June	5,408
July	4,904
August	4,193
September	3,904
October	3,594
November	3,558
December	3,284

With reference to the aforementioned perimeter, the theoretical losses from the model have never exceeded the VaR, while there were 2 situations of exceedance out of 254 observations with reference to the theoretical and actual ones.

2.3 Exchange risk

QUALITATIVE INFORMATION

A. General aspects, management and measurement of exchange risk

The principal sources of exchange risk are: the investment in Banca Popolare di Sondrio (SUISSE) SA, denominated in Swiss francs, certain other equity securities, debt securities and mutual funds denominated in foreign currencies, if any, and the net foreign currency position managed by the "Exchange Centre", deriving principally from intermediation in repos with private customers and on the interbank market, as well as the implications of the Bank's foreign exchange position deriving from trading in other financial products (difference between premiums on currency options, interest on foreign currency deposits etc.).

Excluding securities, the Bank's role in foreign currency transactions is largely commercial, with a view to meeting customers' needs.

The characteristics of the internal management and control of exchange risk are the same – in terms of organisational structure and the limitation of risk acceptance – as those described in relation to interest rate risk in section 2.1, to which reference is made. In addition, starting from the end of September 2023, a management monitoring system was introduced dedicated to foreign exchange positions of a structural nature, i.e. the equity investment in Banca Popolare di Sondrio (SUISSE) SA, structured as follows: the Board of Directors, within the scope of its strategic supervision function, quantifies the maximum level of sensitivity of the CET1 capital ratio to a shock to the exchange rate of the currency of denomination of the position itself (SFX Sensitivity); the Risks Committee establishes the maximum acceptable level of loss that can be incurred in relation to the maintenance of the position in foreign exchange of a structural nature (SFX Maximum Loss); the Financial Risk office, within the Risk Control department, provides for the measurement on a daily basis of the risk, the production of the relative reports and the monitoring of compliance with the limits.

The measurement and control of exchange risk essentially involves application of an internal model for the daily calculation of Value at Risk (VaR) with the characteristics described in section 2.1 above. This metric is also the basis for quantifying the SFX Maximum Loss.

At the reporting date, the following assets in terms of financial instruments exposed to exchange rate risk are covered by the VaR model: all assets and liabilities in foreign currency are shown in table 1 below; moreover, the balances used by the internal model do not include accrued income and prepaid expenses, accrued expenses and deferred income, the interest portion of unpaid instalments, the differentials on adoption of the amortised cost principle and loan write-downs. In addition to those shown in table 1 above (options on exchange rates and forward contracts on commodities), the financial derivatives (in a strict sense) traded by the Exchange Centre also include interest rate swaps.

The forward contracts on exchange rates, financial derivatives (in a strict sense), debt securities and equity securities are treated analytically, whereas the overall difference of the other items by individual currency is treated as a deposit (positive or negative) with a maturity of one day.

The internal model based on VaR is not used to determine the capital requirements for market risk reported for supervisory purposes to the Bank of Italy. The standard methodology is used in this case.

A1. Impacts of rising interest rates

Currency transactions continued regularly in line with customers' normal business activities. During 2023, foreign exchange trading (forward transactions and options) increased in terms of numbers, while volumes decreased slightly, reflecting the reduced tension in international markets and decreased volatility; elements therefore not particularly affected by the rise in interest rates.

The riskiness moved in line with the exchange rate trend, however with a limited effect thanks to the policy of limiting the open foreign exchange position. There were no incidents of violation of the respective limit during 2023.

B. Hedging of exchange risk

The Bank has not arranged any specific hedges of exchange risk. The position of the "Exchange Centre" is updated on a real-time basis; this enables exchange traders to act in the interbank market to offset any mismatches that may arise due to the transactions described above.

Any unmatched foreign currency positions are small and, in any case, fall within the limits established by the internal regulations of the "Exchange Centre".

QUANTITATIVE INFORMATION

1. Distribution of assets, liabilities and derivatives by foreign currency

	Currency					
Items	US Dollar	Pound Sterling	Japanese Yen	Swiss Franc	Canadian Dollar	Other Currencies
A. Financial assets	**553,873**	**57,262**	**26,655**	**422,294**	**38,768**	**122,735**
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity securities	22,132	-	1,482	149,418	-	705
A.3 Loans to banks	346,220	44,912	24,155	19,539	38,768	122,025
A.4 Loans to customers	185,521	12,350	1,018	253,337	-	5
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**11,697**	**1,500**	**289**	**7,144**	**386**	**1,558**
C. Financial liabilities	**517,702**	**59,884**	**25,888**	**281,555**	**39,234**	**123,276**
C.1 Due to banks	112,620	30,797	1,156	161,353	877	35,870
C.2 Due to customers	405,082	29,087	24,732	120,202	38,357	87,406
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**26,060**	**-**	**-**	**306**	**-**	**52**
E. Financial derivatives	**1,410,893**	**19,035**	**15,521**	**9,879**	**3,132**	**128,241**
- Options	110,450	-	-	-	-	-
+ Long positions	55,225	-	-	-	-	
+ Short positions	55,225	-	-	-	-	-
- Other derivatives	1,300,443	19,035	15,521	9,879	3,132	128,241
+ Long positions	649,530	9,335	7,664	1,380	1,566	64,057
+ Short positions	650,913	9,700	7,857	8,499	1,566	64,184
Total assets	**1,270,325**	**68,097**	**34,608**	**430,818**	**40,720**	**188,350**
Total liabilities	**1,249,900**	**69,584**	**33,745**	**290,360**	**40,800**	**187,512**
Net balance (+/-)	**20,425**	**(1,487)**	**863**	**140,458**	**(80)**	**838**

2. Internal models and other methodologies for the sensitivity analysis

With reference to the closing date, we report above all the VaR figures split between the transactions explicitly foreseen in table 1 and the other transactions on which the calculation is carried out.

Value at Risk (VaR), end of period

	(in thousands of euro)
Debt securities	–
Equity securities	454
Net balance between other assets and liabilities	112
Financial derivatives	93
- Options	–
+ Long positions	635
+ Short positions	317
- Other derivatives	93
+ Long positions	3,542
+ Short positions	7,233
Total transactions table 1	**520**
- Interest Rate Swap	0
+ Long positions	0
+ Short positions	–
Total	**521**
Details of the principal currencies	
US Dollar	442
Pound Sterling	1
Japanese Yen	10
Swiss Franc	81
Canadian Dollar	1
Other currencies	0
Total	**521**
Structural exchange position	**1,128**

Information on average, minimum and maximum VaR is provided below.

Exchange rate Value at Risk (VaR)

	(in thousands of euro)
Medium	1,457
Minimum	214
Maximum	2,878

As regards the distribution of VaR during the year, we indicate below the average value of the currency VaR in each of the twelve months of 2023.

January	1,688
February	1,800
March	2,001
April	2,326
May	2,118
June	1,807
July	1,583
August	1,546
September	1,423
October	289
November	463
December	435

Section 3 - Derivative instruments and related hedging policy

3.1 Trading derivative instruments

A. Financial derivatives

A.1 Trading financial derivatives: period-end notional amounts

Underlying assets/Types of derivatives	31/12/2023 Over the counter Central counterparties	31/12/2023 Over the counter Without central counterparties With settlement agreements	31/12/2023 Over the counter Without central counterparties Without settlement agreements	31/12/2023 Organised markets	31/12/2022 Over the counter Central counterparties	31/12/2022 Over the counter Without central counterparties With settlement agreements	31/12/2022 Over the counter Without central counterparties Without settlement agreements	31/12/2022 Organised markets
1. Debt securities and interest rates	**-**	**-**	**538,616**	**-**	**-**	**-**	**1,574,549**	**-**
a) Options	-	-	83,076	-	-	-	46,345	-
b) Swaps	-	-	455,540	-	-	-	1,528,204	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and stock indices	**-**	**-**	**106,858**	**-**	**-**	**-**	**108,818**	**-**
a) Options	-	-	106,858	-	-	-	108,818	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currency and gold	**-**	**-**	**1,252,980**	**-**	**-**	**-**	**1,908,695**	**-**
a) Options	-	-	143,257	-	-	-	152,873	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	1,109,723	-	-	-	1,755,822	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**29,853**	**-**	**-**	**-**	**54,242**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**1,928,307**	**-**	**-**	**-**	**3,646,304**	**-**

As foreseen in the Bank of Italy's Circular 262/05, the tables in this section do not include trades in securities, commodities or foreign currencies with settlement by a date in line with market practice for transactions of the same kind or within five working days of the transaction date.

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

Types of derivatives	Total 31/12/2023 Over the counter Central counterparties	Total 31/12/2023 Over the counter Without central counterparties With settlement agreements	Total 31/12/2023 Over the counter Without central counterparties Without settlement agreements	Total 31/12/2023 Organised markets	Total 31/12/2022 Over the counter Central counterparties	Total 31/12/2022 Over the counter Without central counterparties With settlement agreements	Total 31/12/2022 Over the counter Without central counterparties Without settlement agreements	Total 31/12/2022 Organised markets
1. Positive fair value								
a) Options	-	-	3,030	-	-	-	4,070	-
b) Interest rate swaps	-	-	7,606	-	-	-	15,441	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	11,612	-	-	-	29,505	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	213	-	-	-	1,772	-
Total	**-**	**-**	**22,461**	**-**	**-**	**-**	**50,788**	**-**
2. Negative fair value								
a) Options	-	-	2,416	-	-	-	3,399	-
b) Interest rate swaps	-	-	6,356	-	-	-	13,393	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	11,456	-	-	-	29,060	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	195	-	-	-	1,727	-
Total	**-**	**-**	**20,423**	**-**	**-**	**-**	**47,579**	**-**

The fair value of forwards in the trading portfolio for supervisory purposes only includes transactions with underlying currency.

A.3 OTC trading financial derivatives - notional values, positive and negative gross fair value by counterparty

Underlying assets	Central counterparties	Banks	Other financial corporations	Other parties
Contracts which are not part of settlement agreements				
1) Debt securities and interest rates				
- notional value	-	277,992	224	260,401
- positive fair value	-	7,471	-	1,035
- negative fair value	-	1,137	4	6,098
2) Equity securities and stock indices				
- notional value	-	106,858	-	-
- positive fair value	-	661	-	-
- negative fair value	-	68	-	-
3) Currency and gold				
- notional value	-	704,347	-	548,633
- positive fair value	-	4,548	-	8,533
- negative fair value	-	9,541	-	3,380
4) Commodities				
- notional value	-	14,926	-	14,926
- positive fair value	-	155	-	58
- negative fair value	-	50	-	145
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
Contracts which are part of settlement agreements				
1) Debt securities and interest rates				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity securities and stock indices	-			
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currency and gold	-			
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities	-			
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other	-	-	-	-
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC trading financial derivatives: notional amounts

Underlying/Residual life	Up to 1 year	1 to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	212,086	246,832	79,698	538,616
A.2 Financial derivatives on equity securities and stock indices	106,858	-	-	106,858
A.3 Financial derivatives on currencies and gold	1,235,976	17,004	-	1,252,980
A.4 Financial derivatives on commodities	29,853	-	-	29,853
A.5 Other financial derivatives	-	-	-	-
Total 31/12/2023	**1,584,773**	**263,836**	**79,698**	**1,928,307**
Total 31/12/2022	**3,171,468**	**417,736**	**57,100**	**3,646,304**

B. Credit derivatives

There were no credit derivatives at the reporting date.

3.2 Accounting hedges

Qualitative information

On first-time application of IFRS 9, the Bank exercised the option provided by the standard to continue to fully apply the rules of IAS 39 for each type of hedging (micro and macro). Therefore, the provisions of IFRS 9 on hedging do not apply.

A. Fair value hedging

Banca Popolare di Sondrio carries out transactions to hedge the risk arising from changes in market interest rates by entering into Interest Rate Swaps. The hedged mortgages are fixed-rate instruments.

Hedging is managed using a macro (total and open portfolio) approach, as specific hedging of the outstanding loan portfolio, which is characterised by a low unit amount and significant numerosity, would lead to inefficient hedge management.

The derivatives are not listed on regulated markets, but traded in the context of OTC circuits.

B. Cash flow hedging

The Bank did not perform cash flow hedging.

C. Hedges of foreign investments

The Bank did not carry out hedging operations on foreign investments.

D. Hedging Instruments

Generally speaking, in the hypothesis of "fair value hedges", the sources of ineffectiveness of a hedging relationship, during its period of validity, can be related to:

- mismatch between the notional amount of the derivative and the underlying hedged item recognised at the time of the initial designation or generated thereafter, such as in the case of partial loan repayments;
- inclusion of the value of the variable leg of the hedging derivative in the effectiveness test.

During the year, no elements were found that might have caused the hedges to be ineffective, giving the possibility of continuing to apply the hedge accounting rules.

During the year, the Bank did not use dynamic hedges, as defined by IFRS 7, paragraph 23C.

E. Elements hedged

Fixed-rate loans

Banca Popolare di Sondrio currently has accounting hedges, macro fair value hedge type, on fixed rate loans through the use of plain vanilla IRSs to hedge the interest rate risk for the entire duration of the underlying.

The portfolio of hedged fixed-rate loans is open-ended, i.e. it is dynamically made up of the fixed-rate instruments managed at an aggregate level through the hedging derivatives entered into over time.

The effectiveness of the Macro Fair Value Hedge (MFVH) on fixed-rate loans is periodically verified on the basis of specific prospective and retrospective tests. The prospective test aims to verify that for each time interval defined by the Bank, the sensitivity of the underwritten hedging transactions (approximated by the “meta-loan” developed on the basis of the fixed leg of the derivative) is lower than the sensitivity of the hedged loans. This is intended to ensure that derivative instruments entered into for hedging purposes do not create overhedging for specific maturity intervals. The retrospective tests, on the other hand, on the one hand aim at verifying that within the potential hedging perimeter a sub-portfolio is identified and that this sub-portfolio presents a Delta Present Value higher than the Delta Present Value of the meta-mortgage, on the other hand, it is periodically verified, throughout the life of the transaction, that the ratio of the change in fair value of the hedged item to the hedging instrument is within the range 80%-125%.

QUANTITATIVE INFORMATION

A. Hedging financial derivatives

A.1 Hedging financial derivatives: period-end notional amounts

Underlying assets/Types of derivatives	Total 31/12/2023				Total 31/12/2022			
	Over the counter				Over the counter			Organised markets
		Without central counterparties				Without central counterparties		
	Central counterparties	With settlement agreements	Without settlement agreements	Organised markets	Central counterparties	With settlement agreements	Without settlement agreements	
1. Debt securities and interest rates	**-**	**-**	**60,114**	**-**	**-**	**-**	**48,284**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	60,114	-	-	-	48,284	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and stock indices	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currency and gold	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**60,114**	**-**	**-**	**-**	**48,284**	**-**

A.2 Hedging financial derivatives: positive and negative gross fair value – analysis by type of product

	Positive and negative fair value								Change in value used to recognise hedge ineffectiveness	
	Total 31/12/2023				Total 31/12/2022				Total 31/12/2023	Total 31/12/2022
	Over the counter				Over the counter					
		Without central counterparties				Without central counterparties				
Types of derivatives	Central counterparties	With settlement agreements	Without settlement agreements	Organised markets	Central counterparties	With settlement agreements	Without settlement agreements	Organised markets		
Positive fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	1	-	-	-	248	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**1**	**-**	**-**	**-**	**248**	**-**	**-**	**-**
Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	1,803	-	-	-	116	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**1,803**	**-**	**-**	**-**	**116**	**-**	**-**	**-**

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

Underlying assets	Central counterparties	Banks	Other financial corporations	Other parties
Contracts which are not part of settlement agreements				
1) Debt securities and interest rates				
- notional value	-	60,114	-	-
- positive fair value	-	1	-	-
- negative fair value	-	1,803	-	-
2) Equity securities and stock indices				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currency and gold				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
Contracts which are part of settlement agreements				
1) Debt securities and interest rates				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity securities and stock indices				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currency and gold				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC hedging financial derivatives: notional amounts

Underlying/Residual life		Up to 1 year	1 to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates		4,696	17,991	37,427	60,114
A.2 Financial derivatives on equity securities and stock indices		-	-	-	-
A.3 Financial derivatives on currencies and gold		-	-	-	-
A.4 Financial derivatives on commodities		-	-	-	-
A.5 Other financial derivatives		-	-	-	-
Total	**31/12/2023**	**4,696**	**17,991**	**37,427**	**60,114**
Total	**31/12/2022**	**3,727**	**14,520**	**30,037**	**48,284**

B. Hedging credit derivatives

At the reporting date, there were no hedging credit derivatives.

C. Non-hedging derivative instruments

At the reporting date, there were no hedging instruments other than derivatives.

D. Instruments hedged

There are no hedged instruments to which the hedge accounting rules under IFRS 9 apply, as the Bank availed itself of the option, provided for in the first-time application of IFRS 9, to continue to use the provisions of IAS 39 for hedge accounting.

E. Effects of hedging transactions on equity

There are no hedging transactions in equity.

3.3 Other information on trading and hedging derivatives

A. Financial and credit derivatives

A.1 OTC financial and credit derivatives: net fair value by counterparty

	Central counterparties	Banks	Other financial corporations	Other parties
A. Financial derivatives				
1) Debt securities and interest rates				
- notional value	-	338,105	224	260,401
- net positive fair value	-	7,472	-	1,035
- net negative fair value	-	2,940	4	6,098
2) Equity securities and stock indices				
- notional value	-	106,858	-	-
- net positive fair value	-	661	-	-
- net negative fair value	-	68	-	-
3) Currency and gold				
- notional value	-	704,347	-	548,633
- net positive fair value	-	4,548	-	8,533
- net negative fair value	-	9,541	-	3,380
4) Commodities				
- notional value	-	14,926	-	14,926
- net positive fair value	-	155	-	58
- net negative fair value	-	50	-	145
5) Other				
- notional value	-	-	-	-
- net positive fair value	-	-	-	-
- net negative fair value	-	-	-	-
B. Credit derivatives				
1) Purchase of protection				
- notional value	-	-	-	-
- net positive fair value	-	-	-	-
- net negative fair value	-	-	-	-
2) Sale of protection				
- notional value	-	-	-	-
- net positive fair value	-	-	-	-
- net negative fair value	-	-	-	-

Section 4 – Liquidity risk

QUALITATIVE INFORMATION

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

Liquidity risk typically reveals itself in the form of an inability to meet payment commitments or an incapacity to finance assets with the necessary punctuality on a cost/effective basis. These negative circumstances can occur as the company finds it impossible:

– to raise funds or obtain them at a reasonable cost (funding liquidity risk);
– to sell or reduce its position without severely affecting the price, due to low efficiency or malfunctioning on the part of the market (market liquidity risk).

The Bank's overall strategy for managing liquidity risk, with its low propensity for risk, manifests itself firstly in the adoption of specific operating guidelines that make it possible to reduce the likelihood of such problems arising.

In particular, as regards the first of these sources of risk, the Bank is primarily committed to have a wide and stable retail funding base, which by definition is widely diversified; further significant sources of funding are represented by national and international entities and companies, from which the Bank has never had problems raising money at market conditions, given its high reputation. The Bank also makes use of loans granted by the European Central Bank (Targeted Longer-Term Refinancing Operations), amounting to 4.506 billion euro at 31 December 2023.

The potential liquidity risk deriving from difficulties in disinvestment of own positions is contained by the decision of the Bank maintain a portfolio of high quality bonds. most of this portfolio consists of government securities and, to a lesser extent, of other corporate bonds; overall, the portfolio is highly liquid as it mostly comprises instruments that can easily be sold on the market or used, when liquidity is needed, either in repurchase agreements with banks or in refinancing operations arranged with the European Central Bank if, as in most cases, the securities held are eligible.

Another element that contributes positively to the reserve availability known as the "counterbalancing capacity" is represented by the loans granted to the European Central Bank, in addition to eligible debt securities, in the form of collateral, so-called ABACO loans (A.Ba.Co stands for *Attivi BAncari Collateralizzati* or collateralised bank assets).

Control over liquidity risk is carried out by various units: the first level control is performed by the business functions involved in liquidity management, in order to ascertain by themselves that they carry out their duties properly and provide summary reports on the business operations on a daily basis.

Then there is systematic monitoring of the expected liquidity position by the Risk Control Department using a variety of indicators and different analytical time horizons. Focusing on the principal indicators used for short-term analysis, the profile of liquidity mismatches is determined and highlighted in specific tables, covering the following twelve months, using operational treasury and similar data and the counterbalancing capacity. Similar information is made available to the Supervisory Authorities every week, focusing on the time horizon up to 3 months. In addition, contingency indicators are calculated every day in order to identify, on a timely basis, any internal or external tensions affecting operational liquidity. The latter is subject to specific stress tests, conducted monthly, aimed at testing the Bank's ability to cope, through expected cash flows and "counterbalancing capacity", with unfavourable events of an endogenous or exogenous nature, relating to an increase in liquidity needs linked to climate and environmental changes or episodes of downgrading of the Bank or the Italian State, as well as potential combinations of related negative events. The Bank is in fact able to survive independently such serious adverse events beyond the target time horizon established by the Board of Directors, while maintaining a "counterbalancing capacity" which, although reduced, is in any case not zeroed.

The long-term liquidity position is also monitored monthly, with no time limits, by reference to a dedicated diary of due dates and set of metrics designed to check the structural equilibrium of the Bank's financial statements and measure specific aspects, including the concentration of funding.

The short and long-term regulatory indicators, Liquidity Coverage Ratio and Net Stable Funding Ratio, are also quantified monthly and quarterly, respectively; the same metrics are also quantified under stressed conditions, simulating the unfavourable events described above, in order to evaluate the potential risks that would emerge in those circumstances and prepare possible countermeasures. Also monitored on a monthly basis, as required by the supervisory regulations relating to the so-called Additional Liquidity Monitoring Metrics, are additional risk measures relating, inter alia, to the concentration of funding and its cost, as well as the composition of the "counterbalancing capacity"; the indicators relating to the intra-day liquidity risk provided by the Basel Committee for Banking Supervision are also quantified (the latter also subjected to stress tests, applying hypotheses in part specific and in part corresponding to those already mentioned above with reference to the position of operational liquidity) to which are added management indicators subject to specific internal limits.

The following disclosures are provided in accordance with the requirements of IFRS 7.39.

QUANTITATIVE INFORMATION

1. Distribution by residual contractual maturity of financial assets and liabilities

Currency: EURO

Items/Time bands	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year to 5 years	Over 5 years	Unspecified duration
A. Cash assets	**4,165,451**	**939,192**	**2,866,419**	**1,182,611**	**1,572,591**	**2,002,965**	**5,262,884**	**14,477,105**	**11,365,154**	**359,438**
A.1 Government securities	89	49,995	50,238	39,518	121,339	356,717	2,110,259	3,693,000	4,626,000	-
A.2 Other debt securities	9,328	-	135	45,531	69,169	151,959	282,735	2,130,792	838,307	-
A.3 Mutual funds	292,665	-	-	-	-	-	-	-	-	-
A.4 Loans	3,863,369	889,197	2,816,046	1,097,562	1,382,083	1,494,289	2,869,890	8,653,313	5,900,847	359,438
- Banks	18,886	601,514	11,296	123	82,002	126,847	965,331	460,369	19,204	322,403
- Customers	3,844,483	287,683	2,804,750	1,097,439	1,300,081	1,367,442	1,904,559	8,192,944	5,881,643	37,035
B. Cash liabilities	**28,431,401**	**2,236,953**	**954,840**	**2,642,037**	**2,224,196**	**973,044**	**4,727,469**	**3,131,816**	**609,271**	**-**
B.1 Deposits and current accounts	27,561,792	73,688	493,931	1,097,059	709,944	381,446	635,314	175	-	-
- Banks	314,483	-	8,008	-	-	-	-	-	-	-
- Customers	27,247,309	73,688	485,923	1,097,059	709,944	381,446	635,314	175	-	-
B.2 Debt securities	92,930	-	10,279	894	16,760	585,438	285,492	3,017,668	508,891	-
B.3 Other liabilities	776,679	2,163,265	450,630	1,544,084	1,497,492	6,160	3,806,663	113,973	100,380	-
C. Off-balance sheet transactions	**10,250,153**	**1,207,284**	**253,396**	**3,510,861**	**831,772**	**1,499,208**	**3,957,245**	**852,102**	**1,030,631**	**-**
C.1 Financial derivatives with exchange of capital	-	1,193,151	220,401	177,444	359,172	413,932	132,480	514,447	-	-
- Long positions	-	756,782	110,207	88,690	179,535	306,996	66,254	7,176	-	-
- Short positions	-	436,369	110,194	88,754	179,637	106,936	66,226	507,271	-	-
C.2 Financial derivatives without exchange of capital	16,193	-	-	-	148	109	70	-	-	-
- Long positions	8,851	-	-	-	148	109	47	-	-	-
- Short positions	7,342	-	-	-	-	-	23	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to grant loans	10,233,960	14,133	32,995	3,333,417	472,452	1,085,167	3,824,695	337,655	1,030,631	-
- Long positions	51,408	14,133	32,995	3,333,417	472,452	1,085,167	3,824,695	337,655	1,030,631	-
- Short positions	10,182,552	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Item B.1 – Deposits and current accounts reports due to banks and customers allocated to the specific line items.

The breakdown by maturity is based on the residual life of assets and liabilities, being the difference between the reporting date and the maturity dates of each transaction. In the event of repayment plans, the residual maturity of each payment has been considered. Mutual funds units are conventionally assigned to the “on demand” segment. The deposit with the Bank of Italy as a compulsory reserve is shown under loans and receivables with banks within unspecified duration. Non-performing loans are allocated to the pertinent time bands on the basis of forecasts for the recovery of the underlying cash flows made by the Bank for financial statement purposes.

Irrevocable commitments to grant loans include all of the irrevocable commitments, whether or not certain to be called on, relating to lines of credit granted to banks and customers.

1. Distribution by residual contractual maturity of financial assets and liabilities

Currency: OTHER CURRENCIES

Items/Time bands	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year to 5 years	Over 5 years	Unspecified duration
A. Cash assets	**153,643**	**346,096**	**76,563**	**50,084**	**87,929**	**50,970**	**107,293**	**110,205**	**115,558**	**2,348**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Mutual funds	34,686	-	-	-	-	-	-	-	-	-
A.4 Loans	118,957	346,096	76,563	50,084	87,929	50,970	107,293	110,205	115,558	2,348
- Banks	86,934	261,294	56,087	35,327	22,864	21,006	90,887	25,339	-	-
- Customers	32,023	84,802	20,476	14,757	65,065	29,964	16,406	84,866	115,558	2,348
B. Cash liabilities	**772,048**	**79,124**	**165,616**	**16,542**	**2,995**	**5,343**	**4,887**	**968**	**-**	**-**
B.1 Deposits and current accounts	772,048	79,062	165,616	16,542	2,995	5,284	4,768	454	-	-
- Banks	88,572	78,831	162,753	11,430	173	-	806	-	-	-
- Customers	683,476	231	2,863	5,112	2,822	5,284	3,962	454	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	62	-	-	-	59	119	514	-	-
C. Off-balance sheet transactions	**107,005**	**479,264**	**214,717**	**175,217**	**357,864**	**212,433**	**130,942**	**14,308**	**-**	**-**
C.1 Financial derivatives with exchange of capital	-	479,264	214,717	175,217	357,864	212,433	130,942	14,308	-	-
- Long positions	-	235,024	107,360	87,611	178,940	106,218	65,471	7,154	-	-
- Short positions	-	244,240	107,357	87,606	178,924	106,215	65,471	7,154	-	-
C.2 Financial derivatives without exchange of capital	273	-	-	-	-	-	-	-	-	-
- Long positions	146	-	-	-	-	-	-	-	-	-
- Short positions	127	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	29,386	-	-	-	-	-	-	-	-	-
- Long positions	14,693	-	-	-	-	-	-	-	-	-
- Short positions	14,693	-	-	-	-	-	-	-	-	-
C.4 Commitments to grant loans	77,346	-	-	-	-	-	-	-	-	-
- Long positions	38,673	-	-	-	-	-	-	-	-	-
- Short positions	38,673	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Self-securitisation transactions

Credit self-securitisations are transactions carried out with the objective of achieving an improvement in liquidity risk management by optimising the amount of assets immediately available to meet liquidity needs. The Bank's direct and full underwriting of the securities issued by the vehicles, while not allowing it to obtain direct liquidity from the market, nevertheless provides securities that can be used for refinancing operations with the ECB and for repurchase agreements on the market, improving the safety margin against the liquidity risk of the Bank. These disposals did not have any economic impact on the financial statements: receivables continue to be shown under assets, while subscribed securities are not represented.

On 16 June 2023, a securitisation transaction was finalised by the Bank as part of the management of medium- and long-term interbank funding. The transaction consisted in the non-recourse assignment of a granular portfolio of performing loans granted to SMEs, guaranteed or unsecured, amounting to 1,554 million euro, pursuant to Law 130/1999, to the vehicle company, named Centro delle Alpi SME S.r.l., which was set up for this purpose. The transaction involved the issuance by the SPV, on 16 June 2023, of three tranches of securities for 1,576 million euro:

- a senior tranche of 1,127 million euro, broken down as follows:
  - Class A1 - Nominal Value = 941 million euro
  - Class A2 - Nominal Value = 73 million euro
  - Class A3 - Nominal Value = 105 million euro
  - Class A4 - Nominal Value = 8 million euro

  The above securities are rated A by the Standard & Poor's and DBRS Morningstar rating agencies. On 30 June 2023, the classes also became ECB-eligible.
- a mezzanine tranche - rated BB (high) by Standard & Poor's and BBB by DBRS Morningstar - amounting to 142 million euro.
- a junior tranche, amounting to 307 million euro, unrated.

The senior, mezzanine and junior securities were underwritten by Banca Popolare di Sondrio, so no derecognition was made from the balance sheet of the loans. In fact, the Bank retained the credit risk associated with the securitised portfolio and the related benefits; consequently, in the separate financial statements of the originator bank, the loans continue to be recognised as "Assets sold and not derecognised"; the consideration received from the sale is recognised as a balancing entry to a payable to the vehicle company, net of the securities subscribed by the bank itself.

The transaction envisages, for a predefined period, the possibility for the bank to sell further loan portfolios to the special purpose vehicle (revolving period), which would be financed through the collections of the loans included in the purchased portfolios, or through the further drawdowns of the ABS securities issued and fully subscribed for at the time (partly paid structure). Among the main strategic objectives pursued is that of equipping the Bank with an instrument capable of extending the maturities of funding and thus strengthening the correlation between the latter and the mass of medium/long-term loans, as well as that of potentially using part of these securities to diversify the sources of long-term funding.

A complex and well-structured process has been set up to meet the regulatory requirements, allowing, in particular, the calculation and monitoring of the tests required by law and contracts, verification of compliance with the requirements governing the suitability of the assets assigned, the drafting of the reports required by the regulations and the rating agencies, and performance of all the related control activities. Among the various counterparties involved for various reasons, BDO Italia Spa, the Independent Auditors and "asset monitor", is responsible for verifying the tests. The bank performs on behalf of the special purpose vehicle Centro delle Alpi SME srl the activity of "servicer", i.e. the service of management, administration and collection of mortgages; it acts on behalf of the special purpose vehicle but is the sole counterparty of the customers and, in return for this service, servicing fees are collected.

As at 31 December 2023, the value of outstanding securities subscribed by the Bank was unchanged at 949 million for senior securities, 307 million for mezzanine securities and 142 million for junior securities.

Section 5 - Operational Risk

QUALITATIVE INFORMATION

A. General aspects, operational risk measurement and management

The operational risk represents the risk of suffering losses from the inadequacy or malfunctioning of procedures, human resources and internal systems, or from external events.

This category also includes losses caused by fraud, human error, operational interruptions, system downtime, contractual non-performance and natural catastrophes; the scope of operational risk includes legal risks (including conduct risks) and IT risk, but excludes strategic and reputational risks.

To ensure that the Bank has a system of risk management that reflects the changing structure of the business as much as possible, it has adopted a system of operational risk governance and management that is in continuous refinement, with a view to adopting the most suitable technical-organisational solutions to prevent and/or mitigate critical issues involved in its operations.

With reference to the governance of operational risks, the Risk Control Department is responsible for defining methodologies and coordinating execution of the management and control processes at Group level, as well as for preparing dedicated information flows for the competent business functions and bodies, in order to ensure full knowledge of the actual and potential risks faced by the Bank and, therefore, their governability.

The qualitative and quantitative system adopted for managing operational risk is made up of the following components:

- a process of Loss Data Collection (LDC), designed for the accurate detection of risk events that generate losses (and associated recoveries) and the registration not only of monetary values, but also of qualitative information which, put briefly, specify when, how, where and why the event has occurred;
- an Operational Risk Self-Assessment process (RSA), aimed at investigating the perception of business experts regarding the potential risks in which the Bank could incur in corporate operations, as well as to gather indications on the subject of interventions, proposed or implemented, for the prevention and/or mitigation of risk situations;
- a process for measuring operational risk for regulatory purposes that is focused on adoption of the Traditional Standardised Approach (TSA), which envisages the application of different coefficients for each of the business lines making up the most recent three annual observations of the Significant Indicator, calculated in compliance with EU regulations;
- a process for measuring Operational risk exposure through the implementation of an internal statistical model aimed at calculating quantitative risk metrics (Operational VaR – OpVaR).

Overall, consistent with the best practices promoted at regulatory level, these processes assist monitoring of the historical and prospective exposure to operational risk and related trends, as well as the identification, guidance and control of coordinated action to prevent, mitigate and, if necessary, transfer risk (e.g. through the stipulation of insurance coverage).

Legal and non-compliance risks

Among the phenomena falling under the heading of operational risks, particular attention is paid to the analysis of economic events attributable to judicial or extra-judicial proceedings, not directly attributable to debt collection, which the Bank has encountered in the course of its operations or which it has initiated in order to have its own rights recognised; this includes risks connected with legal disputes attributable to intentional violation and/or non-compliance with professional obligations, codes and internal rules of conduct for the protection of customers (conduct risks).

Given the peculiarity of these situations, the process of identifying, assessing and monitoring the risks in question is carried out by the corporate structures in charge of managing legal disputes.

Alongside these are the sanctioning risks associated with non-compliance with laws, regulations, self-regulatory codes, internal procedures and codes of conduct applicable to the company's business (non-compliance risks), the supervision of which is assigned to the Compliance Function.

The monitoring of legal and non-compliance risks takes the form of recording and evaluating in prospective terms disbursements deriving from legal cases, extra-judicial proceedings or sanctioning procedures, including expenses for the services of external lawyers and any accounting provisions of a prudential nature made to the Provision for Risks and Charges, adjusted from time to time based on the progress of the procedural process and the pronouncement of jurisprudential decisions of particular importance.

IT Risk

Particular attention is paid to the management of risks arising from breaches of confidentiality, lack of integrity and/or unavailability of ICT systems and data (also in the face of threats of a cybernetic nature or attributable to recourse to third parties), as well as failure to adapt and/or update information and communication technology.

Specific operational measures are adopted, in particular, to ensure the security of information and the protection of personal data, in compliance with privacy legislation, as well as to guarantee the capacity for technological change and to manage, in a logic of resilience, emergency situations and interruptions to business operations, through the definition of business continuity plans and the provision of disaster recovery measures aimed at allowing, in the event of a disaster, the timely recovery of systems and procedures.

The information sources deriving from the operational risk management system are integrated with the evidence deriving from the IT risk management model, which is based on dynamic processes of:

- identification of the perimeter of information technology resources that qualify as critical to the performance of the company's operations, taking into account business needs, technological evolution and potential vulnerabilities, as well as sector regulations;
- identification of risk scenarios (and related threats) potentially involving ICT resources previously identified as critical;
- expert assessment, both in terms of exposure to specific threats, and impact on different dimensions of analysis, of the Bank's level of residual exposure to cyber risk, taking into account the level of application and completeness of the control oversights mitigating the potential risk.

Impacts resulting from the Covid-19 pandemic

Also in 2023, the Bank - and the companies of the Group as a whole - paid particular attention to the monitoring of operational and IT risks arising from the adoption of management practices and application and technological measures, functional to ensure business continuity and preserve the health and safety of customers and employees.

Enabling conditions were maintained to ensure appropriate security standards and functionality of corporate information systems to cope with the increasing use of telematic banking services and to ensure the adoption of agile working methods (smart working).

QUANTITATIVE INFORMATION

The most significant impacts in absolute terms are mainly represented by loss events attributable to errors/failures in relations with non-customer counterparties, contested breaches of regulatory/contractual obligations and the adoption of improper business and market practices. These types of losses are mainly prudential provisions to the Provision for Risks and Charges for legal proceedings/compensation claims against the Bank.

The total amount of losses also includes disbursements arising from exogenous phenomena, which are usually mitigated through dedicated insurance policies, such as ATM robberies/cashouts and fraud by external subjects, as well as events due to errors/delays in the conduct of operations, system failures and business interruptions.

Among the economic events attributable to unlawful actions by third parties, of particular note during the year was the manifestation of legal risk attributable to proceedings for the seizure of a portfolio of tax credits related to energy efficiency tax bonuses to be acquired in 2021, as a result of the counterparty assignor being charged with criminal offences; an event that led to the prudent recognition, in the Provision for Risks and Charges, of a provision against fraud phenomena potentially compromising the use of credits deriving from superbonus/ecobonus and other building tax bonuses.

The following table shows the operational losses recognised over the past five years (2019-2023) as part of the Loss Data Collection process, using the regulatory classification for operational risk events (Event Type):

- *Internal fraud* - Events involving fraud, embezzlement or circumvention of the law by the Bank's own staff to obtain personal benefits that involve damage (in the form of monetary losses) that would be borne by the Bank.
- *External fraud* - Events of fraud, embezzlement or circumvention of the law by external/third parties to obtain personal benefits that involve damage to the Bank.
- *Employment and safety at work* - Events attributable to acts that do not comply with the law or agreements on employment, health and safety at work.
- *Customers, products and professional practices* - Events due to non-compliance/negligence in the application of laws, codes, rules of conduct and professional obligations towards customers or due to defects in the nature or characteristics of products, services and models.
- *Damage from external events* - Events involving damage or destruction of property due to accidents, natural disasters or other vandalism.
- *Operational interruptions and system malfunctions* - Events attributable to interruption of business continuity and unavailability / malfunctioning of the information systems used to support company operations.
- *Execution, delivery and management of processes* - Events due to errors, shortages and unintentional delays in the execution of daily operations, in the management of processes and relationships with counterparties other than customers (e.g. commercial counterparties, suppliers of goods and services).

Banca Popolare di Sondrio - Sources of operational losses (accounting period: 01/01/2019 - 31/12/2023)

Event Type	Number of operational loss events (%)	Impacts of operational loss events (%)
- Internal fraud	0.13	0.10
- External fraud	19.94	14.08
- Employment practices and workplace safety	0.45	0.39
- Customers, products and professional practices	21.94	32.24
- Damage from external events	7.64	0.57
- Operational interruptions and system malfunctions	0.65	2.16
- Execution, delivery and management of processes	49.25	50.46
Total	**100.00**	**100.00**

Section 6 – Sovereign risk

INFORMATION ON EXPOSURE TO SOVEREIGN DEBT

Consob, with communication No. DEM/11070007 of 5 August 2011, invited listed companies to provide in the financial statements information on exposures to sovereign debtors, i.e. bonds issued by central and local governments, government agencies and any loans made to them.

In this regard, the overall exposure of the bank at 31 December 2023 amounted to 11,149 million euro and was structured as follows:

a) Italian government securities: 6,916 million;

b) Securities of other issuers: 4,137 million;

c) Loans to government departments: 65 million;

d) Loans to other public administrations and miscellaneous entities: 31 million.

The table below shows the balance sheet value of the Bank's total debt securities exposure to sovereign states as at 31 December 2023, by portfolio.

(thousands of euro)	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Financial assets measured at amortised cost	Book value
Government securities				
Italy	–	1,479,931	5,436,120	6,916,051
France	–	300,498	834,928	1,135,426
Spain	–	351,602	1,075,357	1,426,959
Germany	–	226,437	784,521	1,010,959
Austria	–	49,697	50,472	100,169
Holland	–	100,167	50,299	150,465
Other Securities from public bodies				
- Italy	–	4,870	132,138	137,008
- Others	–	54,568	121,864	176,433
Total	**–**	**2,567,770**	**8,485,699**	**11,053,470**

The table does not include GACS-assisted securitisation securities.

With regard to government bond exposures, the following table provides information on maturity, by portfolio:

(thousands of euro)	Within 1 year	from 1 to 5 years	Over 5 years	**Total**
Financial assets measured at fair value through other comprehensive income (Item 30)	632,989	1,323,140	552,203	**2,508,332**
Financial assets measured at amortised cost (Item 40)	1,740,732	2,369,811	4,121,153	**8,231,696**

PART F – Information on Equity

Section 1 – Company equity

A. QUALITATIVE INFORMATION

A healthy banking system is absolutely in the public interest, and the solvency and reliability of banks requires them to maintain appropriate capital resources. Such resources must be sufficient for banks to absorb any losses without prejudicing the rights of depositors, bearing in mind that losses also affect the Bank’s reputation.

The need for adequate capital was made even more evident by the crisis and the actions of the Supervisory Authorities, which now operate on a supranational basis.

The economic/financial crisis has brought the equity levels of banks into sharp focus following the large losses recorded, the explosion of expected losses caused by the recession, the deterioration of loan quality and the uncertain value of assets. Said need is made even more relevant by the ongoing tensions linked to the persistence of high levels of inflation, the Russian-Ukrainian conflict, the energy crisis and lastly the tensions in the Middle East. Without forgetting, at the same time, the need to support the economy in order to stimulate a recovery. Recent events that have affected the banking system are evidence of this. Supervisory Bodies are focusing more and more on the capital adequacy of banks.

The Bank has always made every effort to have an adequate and suitable level of capital to enable its operations to grow steadily and to protect against risk in accordance with the requirements of the supervisory regulations. In line with its origin as a cooperative bank, the capitalisation policy has been identified as the instrument that, by creating the role of shareholder/customer, made it possible to pursue the strategy of autonomous growth decided by management.

By resolution of the shareholders' meeting of 29 December 2021, the Bank, in accordance with the provisions of Law No. 33 of 24 March 2015, converted from a cooperative company limited by shares to a joint-stock company. The transformation into a joint-stock company has not undermined the founding principles that underpin the Bank's activities.

This is why the history of Banca Popolare di Sondrio features periodic increases in capital, carried out in ways that are technically straightforward and transparent, so that the shareholders can immediately understand the terms of the operation. Based on this premise, we have never issued innovative capital instruments and the repeated increases have always been taken up en masse.

The financial resources raised by such operations, together with the reserves built up in accordance with the articles of association, have enabled the Bank to expand its activities harmoniously and to look forward to future challenges with a certain tranquillity.

It should be emphasised that the critical situation in the financial markets, especially in the area of loans to customers in past years, has had a negative impact on banks' profitability and consequently on self-financing, which in the past, has always contributed substantially to banks' capitalisation. The tensions that have characterised the banking system in recent years and that have affected various banks have not, in the last analysis, facilitated the projects to strengthen the capital adequacy of the bank, despite the growth in operations designed to add specialist instruments in support of the real economy. In this context, we have acquired Factorit Spa, Banca della Nuova Terra spa and Prestinuova spa in recent years, while also increasing the equity interests held in companies with complementary activities. The last increase in share capital took place in 2014 through a combined bonus and rights issue with the receipt for the cash portion of 343 million euro.

Capital adequacy is constantly checked and periodically brought to the attention of the Administrative and Control Bodies. Furthermore, in accordance with the CCRR and CRD regulations, it is also assessed in relation to the Bank’s ability to resist in situations of hypothetical stress events in particularly adverse conditions.

The Ordinary Shareholders' Meeting of 29 April 2023, called to approve the 2022 financial statements and the appropriation of profit, resolved to pay a total dividend of 126.948 million euro.

B. QUANTITATIVE INFORMATION

The component parts and size of the Bank's capital and equity are described in Part B, Liabilities, Section 12 of these notes to the financial statements.

B.1 Equity: breakdown

Items/Values	31/12/2023	31/12/2022
1. **Share capital**	**1,360,157**	**1,360,157**
2. **Share premium accounts**	**78,949**	**78,978**
3. **Reserves**	**1,364,174**	**1,276,172**
- of profits	1,364,174	1,276,172
a) legal	573,659	573,659
b) statutory	590,411	590,411
c) treasury shares	30,000	30,000
d) others	170,104	82,102
- others	-	-
4. **Equity instruments**	**-**	**-**
5. **Treasury shares**	**(25,201)**	**(25,264)**
6. **Valuation reserves:**	**7,797**	**(30,086)**
- Equity securities designated at fair value through other comprehensive income	64,267	69,046
- Hedging of equity securities designated at fair value through other comprehensive income	-	-
- Financial assets (other than equity securities) measured at fair value through other comprehensive income	(32,558)	(71,024)
- Property, equipment and investment property	10,449	10,448
- Intangible assets	-	-
- Hedges of foreign investments	-	-
- Cash flow hedges	-	-
- Hedging instruments (non-designated elements)	-	-
- Exchange rate differences	-	-
- Non-current assets and disposal groups held for sale	-	-
- Financial liabilities measured at fair value through profit or loss (changes in own creditworthiness)	-	-
- Financial assets (other than equity securities) measured at fair value through other comprehensive income	-	-
- Actuarial gains (losses) on defined benefit pension plans	(34,361)	(38,557)
- Share of reserves on investments accounted for by the equity method	-	-
- Special revaluation laws	-	-
7. **Profit (loss) for the year**	**392,766**	**212,902**
Total	**3,178,642**	**2,872,858**

B.2 Valuation reserve of financial assets measured at fair value through other comprehensive income: breakdown

Assets/Amounts	31/12/2023		31/12/2022	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	7,362	36,408	-	71,024
2. Equity securities	68,279	4,012	72,804	3,758
3. Loans	-	3,511	-	-
Total	**75,641**	**43,931**	**72,804**	**74,782**

B.3 Valuation reserves of financial assets measured at fair value through other comprehensive income: changes in the year

	Debt securities	Equity securities	Loans
1. Opening balance	**(71,024)**	**69,046**	**-**
2. Positive changes	**43,726**	**1,569**	**-**
2.1 Increases in fair value	43,667	1,569	-
2.2 Adjustments for credit risk	-	-	-
2.3 Transfer to income statement of negative reserves from disposals	59	-	-
2.4 Transfer to other components of equity (equity securities)	-	-	-
2.5 Other changes	-	-	-
- of which business combinations	-	-	-
3. Negative changes	**(1,748)**	**(6,348)**	**(3,511)**
3.1 Reductions in fair value	(1,748)	(5,997)	(3,511)
3.2 Write-backs for credit risk	-	-	-
3.3 Transfer to income statement from positive reserves: from disposal	-	-	-
3.4 Transfer to other components of equity (equity securities)	-	(351)	-
3.5 Other changes	-	-	-
- of which business combinations	-	-	-
4. Closing balance	**(29,046)**	**64,267**	**(3,511)**

B.4 Valuation reserves relating to defined-benefit plans: changes in the year

The valuation reserve relating to the defined-benefit plans is negative by 34.361 million euro. This amount derives from the recognition of the related actuarial gains and losses and the associated taxation.

Section 2 – Capital and capital adequacy ratios

The disclosure on own funds and capital adequacy is represented in the document “Disclosure to the Public - Pillar 3 at 31 December 2023” prepared on the basis of the regulatory provisions established by Circular No. 285 of 17 December 2013 and subsequent updates, issued by the Bank of Italy, and by Regulation (EU) No. 575/2013 of the European Parliament and Council of 26 June 2013 (CRR), as amended. The document contains consolidated information and is published together with the financial statements on the Bank's website.

PART G – Business Combinations involving companies or business units

Section 1 – Transactions realised after the end of the year

On 30 November 2023, the merger by incorporation of Prima S.r.l., a real estate company in which the subsidiary Immobiliare San Paolo S.r.l. held all the shares, became effective.

For details, see Part G of the Notes to the Consolidated Financial Statements as at 31 December 2023.

Section 2 – Transactions realised after the end of the year

There have been no business combinations after 31 December 2023 and up to the date of approval of these Annual Financial Statements.

Section 3 – Retrospective adjustments

In the year 2023, no adjustments were recognised in connection with business combinations that occurred in the same or previous years.

PART H – Transactions with related parties

1. Information on the remuneration of managers with strategic responsibilities

Below is information on the remuneration paid to Directors, Statutory Auditors and key management personnel in accordance with IAS 24.

The values shown with reference to the Directors (including the emolument attributable to the Chief Executive Officer), the Statutory Auditors and the other Managers with strategic responsibilities refer to the emoluments pertaining to the financial year, regardless of their payment.

	Board of Directors	Board of Statutory Auditors	Other managers with strategic responsibilities
Fees for the office held in Banca Popolare di Sondrio	1,941	281	1,995
Non-monetary benefits	-	-	181
Bonuses and other incentives	-	-	817
Other remuneration	246	30	510

In accordance with the provisions of Article 123-*ter* of Legislative Decree 58/1998, as amended, and Article 84-*quater* of the Issuers' Regulation (Consob Resolution No. 11971/1999, as amended), the Bank has made available both at its registered office and on its website the "Report on Remuneration Policy and Compensation Paid". Please refer to said document for more details on the above-mentioned fees.

2. Related-party disclosures

In accordance with Consob Resolution No. 17221 of 12.3.2010 and subsequent amendments, by resolution of the Board of Directors on 11 November 2010, the Bank adopted its own Internal Regulation on related party transactions.

This regulation was last updated by resolution of the Board of Directors on 31 March 2023 and is published on the company website at www.institutional.popso.it.

A related party is understood as being a person in a certain position who could exercise an influence over the Bank such as to condition, directly or indirectly, the way that it operated to favour their own personal interests.

Related parties have been identified in accordance with IAS 24 and with the above mentioned Consob Regulation. Related parties are:

1. Subsidiary companies, parent companies and companies under joint control.
2. Companies that can exercise significant influence over the reporting bank.
3. Associated companies and their subsidiaries.
4. Joint ventures in which the reporting bank holds an investment.
5. Managers with strategic responsibilities within the bank or its parent company.
6. Close family members of the parties listed in point 5.
7. Subsidiary companies, companies under joint control by one of the parties listed in points 5 and 6.
8. Pension funds of employees and any other entity related to them.

Close family members are defined as follows: the spouse (not legally separated) or companion of the person concerned; the children and dependant relatives of the person concerned, of the spouse (not legally separated) and of the companion; the parents, second degree relatives and others living with the person concerned.

A situation of significant influence is presumed to exist if one holds, directly or indirectly, 20% or more of the votes exercisable at the shareholders' meeting of the investee, or 10% in the case of companies with shares listed on regulated markets, unless the contrary can be clearly demonstrated.

Relations with companies in which investments are held are conducted as part of normal operations and mainly relate to current accounts, deposit accounts and loans. These relations are regulated from a Group perspective and are normally in line with the conditions applied to the Bank in the reference markets and may differ from those that the subsidiary could see applied to it acting autonomously.

Other relations with other related parties, excluding the above companies, are also settled on the market terms applying to the individual transactions, or on terms in line with those applied to employees, if applicable.

Related parties with administration, management and control functions, are applied a special approval procedure for the granting of bank credit laid down in art. 136 of the CBA. This makes the transaction subject to the unanimous approval of the Board of Directors and the consent of all members of the Board of Statutory Auditors.

The balance sheet and income statement figures as at 31 December 2023 are shown below for related parties as defined above on the basis of IAS 24:

(thousands of euro)	Assets	Liabilities	Income	Charges	Guarantees given and commitments	Guarantees received
Directors	459	9,220	12	272	105	488
Statutory auditors	553	443	11	2	371	1,565
Management	-	651	-	31	400	-
Family members	1,195	3,062	57	67	197	6,948
Subsidiaries	5,854,312	44,610	137,437	318	2,912,403	11,175
Associated companies	661,127	103,029	11,549	1,468	114,710	612
Others	9,779	1,622	80	1	1,117	-
Totals	**6,527,425**	**162,637**	**149,146**	**2,159**	**3,029,305**	**20,788**

The item Others includes positions with Unipol Group, which exercises significant influence over the Bank.

Assets and liabilities mainly refer to item 40 “Financial assets measured at amortised cost - b) loans to customers” and item 10 “Financial liabilities measured at amortised cost - b) amounts due to customers” and have a percentage incidence of 18.19% and 0.48%, respectively. Income and expenses mainly relate to interest and commission items and account for 7.32% and 0.26%, respectively.

Loans to subsidiaries are represented mainly by interbank relations with Banca Popolare di Sondrio (Suisse) SA, Factorit spa and Banca della Nuova Terra spa, while loans to associated companies relate for 136 million euro to Arca Holding spa and 402 million euro to Alba Leasing spa.

PART I – Equity-settled share-based payment agreements

Please refer to the corresponding section of the consolidated notes.

PART L – Segment reporting

Segment reporting, as required by the relevant international accounting standard (IFRS 8), is presented in consolidated form only. Please refer to the Consolidated Notes to the Financial Statements, Part L, for details on business sectors.

PART M – Information on Leasing

Section 1 – Lessee

QUALITATIVE INFORMATION

Contracts that fall within the application of IFRS 16 can be grouped into three distinct categories:

a) buildings, which are the most significant group;
b) cars;
c) other types, including the rental of IT equipment.

In accordance with IFRS 16, the rights held under licence agreements have been excluded from the scope of application of the standard. They continue to be recognised under IAS 38 – Intangible assets.

The lease contracts mainly relate to buildings used as bank branches and generally have a duration of more than 48 months, typically 72 or 108 months, with automatic renewal options. Lease instalments are revised annually from the second year of the contract to reflect 75% or 100% of the change in the consumer price index for the families of blue- and white-collar workers.

Lease contracts for cars and IT equipment typically have a four-year term without the exercise of renewal and/or purchase options and payment on a monthly basis.

Checks for indicators of potential impairment are carried out consistently with the criteria for other Property, equipment and investment property (e.g. existence of plans to divest or negotiate branches, presence of disused branches). There was no evidence of any impairment in the right-of-use asset.

In line with the disclosures required by paras. 51, 53 and 59 of IFRS 16, the following supplementary information is provided:

- variable lease payments: situations involving variable lease payments are marginal for disclosure purposes, as this practice is rare in contracts signed by the Bank;
- extension and termination options: contracts signed by the Bank generally envisage giving 6 months' notice of termination. The bank is required to pay 35% of the outstanding instalments if car leases are terminated early, while the lease instalments on contracts for IT equipment must be paid in full, regardless of any early termination. Most contracts for the lease of branch premises require payment of the cost of restoring them to their original condition if the lease is terminated. This amount is not very relevant;
- guarantees on the residual value: the Bank does not provide guarantees on the residual value;
- leases not yet signed: the Bank has not made any lease commitments of significant amount;
- sale and leaseback transactions: the Bank has no sales plans or leaseback agreements in place;

Part B of the Notes to the financial statements provides information about leased right-to-use assets (Tables 8.1 - 8.6 Part B, Assets) and lease liabilities (Tables 1.1 - 1.2 - 1.6 Part B, Liabilities). In particular, leased right-to-use assets amount to 166 million euro, while lease liabilities amount to 171 million euro.

Part C of the notes to the financial statements contains the information required by para. 53 of IFRS 16 about the interest charged on lease liabilities and the income earned from sub-leasing transactions. See those sections for further details.

As indicated in part A of the financial statements, the Bank applies the exemptions allowed by IFRS 16 for short-term leases and low-value leases, the costs of which amounted to 0.126 million euro in 2023.

QUANTITATIVE INFORMATION

As required by para. 53 of IFRS 16, the following information is provided: carrying amount of right-to-use assets at the reporting date and the depreciation charge on right-to-use assets by category of underlying asset.

	2023				2022
Assets/Amounts	Buildings	Cars	Other	Total	Total
Initial right-of-use	170,042	51	144	170,237	183,914
Depreciation for the financial year	(20,937)	(34)	(73)	(21,044)	(19,964)
Other changes	16,556	65	90	16,711	6,287
Closing carrying amount	**165,661**	**82**	**161**	**165,904**	**170,237**

As regards the "Other changes", the impact is mainly linked to restatement of the right-of-use assets due to the ISTAT adjustments and to the opening and closing of contracts.

Section 2 – Lessor

QUALITATIVE INFORMATION

The Bank is party to operational leases on buildings. These operational lease contracts do not transfer to the lessee substantially all the risks and benefits deriving from ownership of the assets, which remain with the lessor. In the case of operational lease contracts, the lessor recognises the lease instalments in the income statement on an accruals basis.

QUANTITATIVE INFORMATION

1. Balance sheet and income statement information

Reference should be made to the contents of Part C - Income Statement, Table 14.2 (Other operating income: breakdown) for information on other income deriving from operating leases.

3. Operational leases

The maturities of the payments to be received are summarised below.

3.1 Maturities of payments to be received

	2023	2022
Time band	Lease payments receivable	Lease payments receivable
Up to 1 year	597	618
Over 1 year to 2 years	519	602
Over 2 year to 3 years	449	525
Over 3 year to 4 years	326	453
Over 4 year to 5 years	185	340
Over 5 years	701	689
Total	**2,777**	**3,227**

3.2 Other information

No other information to be reported.

ANNEXES

The annexes listed below contain additional information with respect to the notes to the financial statements, of which they form an integral part:

- list of revalued assets still owned by the Bank (article 10, Law No. 72 of 19/3/1983);
- schedule of the Independent Auditors' fees for the year as per art. 149 *duodecies* of the Issuers' Regulation;
- financial statements of the subsidiaries Banca Popolare di Sondrio (SUISSE) SA., Factorit spa, BNT Banca spa, Sinergia Seconda srl.

LIST OF REVALUED ASSETS STILL OWNED BY THE BANK

(art. 10 of Law 72 dated 19/3/1983)
(in euro)

DESCRIPTION	Carrying amount net of revaluations	Revaluation Law No. 576 of 2/12/75	Revaluation Law No. 72 of 19/03/83	Revaluation Law No. 413 of 30/12/91	Total at 31/12/2023	Accumulated amortisation/depreciation at 31/12/2023	Financial Statements at 31/12/2023
Abbadia Lariana - Via Nazionale 140/A	813,504	-	-	-	813,504	549,115	264,389
Abbiategrasso - Via S.Maria, Ang P.Garibaldi	2,261,103	-	-	-	2,261,103	680,398	1,580,705
Alassio - Via Mazzini 55	1,565,499	-	-	-	1,565,499	70,447	1,495,052
Albiate - Via Trento 35	661,052	-	-	-	661,052	481,797	179,255
Albiolo - Via Indipendenza 10	211,151				211,151	15,836	195,315
Aprica - Corso Roma 140	450,765	-	356,355	146,929	954,049	708,138	245,911
Ardenno - Via Libertà 24	561,355	-	-	-	561,355	463,118	98,237
Berbenno Di Valtellina - Via Ranée 542	24,998,420	-	-	99,417	25,097,837	9,233,578	15,864,259
Bergamo - Via Broseta 64/B	3,794,327	-	-	-	3,794,327	1,869,018	1,925,309
Bergamo - Via G. D'Alzano 5	2,324,744	-	-	-	2,324,744	828,990	1,495,754
Bergamo - Via Ghislandi Vittore 4	1,288,525	-	-	-	1,288,525	367,230	921,295
Berzo Demo - Via Nazionale 14	149,932	-	-	-	149,932	15,743	134,189
Bonate Sotto - Via Vittorio Veneto 37/A	765,114	-	-	-	765,114	445,065	320,049
Bormio - Via Roma 64	439,238	46,481	573,267	136,524	1,195,510	386,584	808,926
Bormio - Via Roma, Ang Via Don Peccedi	3,803,773	-	361,520	301,774	4,467,067	1,790,158	2,676,909
Breno - Piazza Ronchi 4	1,529,470	-	-	87,467	1,616,937	1,139,977	476,960
Brescia - Via Crocifissa Di Rosa 1	1,645,851	-	-	-	1,645,851	210,892	1,434,959
Brescia - Via Gramsci 15	6,394,776				6,394,776	279,982	6,114,794
Brescia - Via Fratelli Ugoni 2	1,031,619	-	-	-	1,031,619	170,217	861,402
Broni - Via Mazzini 1	319,475				319,475	4,792	314,683
Camogli - Via Cuneo 9	220,960	-	-	-	220,960	49,716	171,244
Campione D'Italia - Piazza Roma 2	1,971,731				1,971,731	-	1,971,731
Cantù - Via Milano 47	551,416				551,416	41,356	510,060
Chiavenna - Via Dolzino 67	1,200,578	46,481	1,149,057	1,066,173	3,462,289	2,414,145	1,048,144
Chiesa Valmalenco - Via Roma 138	1,523,025	17,560	664,795	133,250	2,338,630	623,934	1,714,696
Colico - Piazza Cavour 11	247,411	-	-	96,488	343,899	207,899	136,000
Colico - Via Nazionale 27	6,996,045	-	-	-	6,996,045	2,010,412	4,985,633
Como - Via Giulini 12	1,370,193	-	-	-	1,370,193	797,322	572,870
Como - Viale Innocenzo XI 71	4,403,823	-	-	-	4,403,823	1,483,938	2,919,885
Conegliano - Via Carlo Rosselli 2	409,485				409,485	-	409,485
Darfo Boario Terme - Corso Italia 10/12	1,086,632	-	-	-	1,086,632	889,425	197,207
Darfo Boario Terme - Corso Italia 77	559,000	-	-	-	559,000	-	559,000
Delebio - Piazza S. Carpoforo 7/9	1,133,580	23,241	645,773	688,773	2,491,367	1,360,486	1,130,881
Dervio - Via Don Invernizzi 2	1,270,219	-	-	329,276	1,599,495	1,101,979	497,516
Desenzano Del Garda - Via Marconi 1/A	916,934	-	-	-	916,934	13,754	903,180
Domaso - Via Statale Regina 71	584,106	-	-	53,817	637,923	275,745	362,178
Dongo - Piazza V. Matteri 14	3,770,381	-	-	415,551	4,185,932	1,474,624	2,711,308
Edolo - Piazza Martiri Della Libertà 16	1,058,736	-	-	509,161	1,567,897	1,567,897	-
Genoa - Via XXV Aprile 7	10,239,131	-	-	-	10,239,131	4,406,271	5,832,860
Gera Lario - Via Statale Regina 14	292,667	-	131,677	227,733	652,077	408,852	243,225
Gravedona - Piazza Garibaldi 10/12	3,372,727	-	-	-	3,372,727	1,040,345	2,332,382
Gravedona - Via Tagliaferri 5	85,943	-	-	223,957	309,900	106,916	202,985
Gravellona Toce - Corso Marconi 95	1,533,857	-	-	-	1,533,857	603,333	930,524
Grosio - Via Roma 67	95,936	7,230	229,791	51,484	384,441	264,405	120,037
Grosotto - Via Statale 73	460,062	12,911	147,146	42,099	662,218	180,413	481,805
Grumello Del Monte - Via Roma 133	1,809,670	-	-	-	1,809,670	793,529	1,016,141
Isolaccia Valdidentro - Via Nazionale 31	933,532	-	290,229	272,602	1,496,363	526,257	970,106
Lecco - Corso Martiri della Liberazione 63/65	9,408,936	-	351,191	2,124,557	11,884,684	5,729,498	6,155,186
Lecco - Via Galandra 28	168,623	-	-	41,959	210,582	202,159	8,423
Lecco - Viale Monte Grappa 18	999,369	-	-	-	999,369	609,858	389,511
Livigno - Via S.Antoni 135, Via Prestefan	5,946,629	-	345,487	358,828	6,650,944	2,849,191	3,801,753
Lodi - Via Garibaldi 23/25, Angolo Via Marsala	3,685,221	-	-	-	3,685,221	728,782	2,956,439
Madesimo - Via Carducci 3	493,542	-	-	203,733	697,275	697,275	-
Mandello Del Lario - Via Statale 87	1,809,143				1,809,143	334,922	1,474,220
Mantua - Corso Vittorio Emanuele 26	7,822,343	-	-	-	7,822,343	1,299,205	6,523,138
Mantua - Piazza Broletto 7	1,265,944	-	-	-	1,265,944	246,859	1,019,085
Marchirolo - Via Cav. Emilio Busetti 7/A	1,089,018	-	-	-	1,089,018	587,636	501,383
Mazzo Valtellina - Via S. Stefano 18	645,082	16,010	163,550	48,833	873,475	325,511	547,964
Melegnano - Piazza Garibaldi 1	3,160,750	-	-	-	3,160,750	719,181	2,441,569
Milan - Piazza Della Trivulziana 6	925,400	-	-	-	925,400	455,581	469,819
Milan - Piazza Borromeo 1	38,217	-	-	213,722	251,939	243,008	8,931
Milan - Piazzale Cimitero Monumentale 23	1,392,686	-	-	-	1,392,686	271,249	1,121,437
Milan - Via Canova 39, Ang. Corso Sempione	1,738,854	-	-	-	1,738,854	1,217,296	521,557
Milan - Via Compagnoni 9	51,141	-	-	6,842	57,983	57,983	-
Milan - Via Lippi 25	53,970	-	-	1,635	55,605	55,605	-
Milan - Via Morigi 2/A	73,590	-	-	123,930	197,520	197,520	-
Milan - Via Porpora 104	5,318,961	-	-	165,381	5,484,342	2,519,918	2,964,424
Milan - Via Porpora 104	5,318,961	-	-	165,381	5,484,342	2,519,918	2,964,424
Milan - Via S. Maria Fulcorina 1	10,881,110	159,818	3,047,096	2,461,826	16,549,850	6,936,834	9,613,016

DESCRIPTION	Carrying amount net of revaluations	Revaluation Law No. 576 of 2/12/75	Revaluation Law No. 72 of 19/03/83	Revaluation Law No. 413 of 30/12/91	Total at 31/12/2023	Accumulated amortisation/depreciation at 31/12/2023	Financial Statements at 31/12/2023
Milan - Via S. Maria Fulcorina 11	493,165	-	-	-	493,165	493,165	-
Milan - Via Sangallo 16	4,752	-	-	11,915	16,667	16,667	-
Milan - Via Sforza 48	3,197,671	-	-	-	3,197,671	786,491	2,411,181
Milan - Via Solari 15	422,156	-	-	-	422,156	265,958	156,198
Milan - Viale Faenza 22	864,004	-	-	-	864,004	168,481	695,523
Montagna In Valtellina - Via Stelvio 30	472,050	-	328,458	398,008	1,198,516	731,095	467,421
Monza - Via Cavallotti 5	9,784,009	-	-	-	9,784,009	845,990	8,938,019
Morbegno - Piazza Caduti della Libertà 6	2,202,881	-	1,088,606	704,283	3,995,770	2,151,033	1,844,737
Morbegno - Via Garibaldi 81	972,127	25,823	-	56,050	1,054,000	-	1,054,000
Morbegno - Via Nani 13	181,261	-	-	17,739	199,000	-	199,000
Morbegno - Via V Alpini 172	764,418	-	-	-	764,418	580,598	183,820
Mozzo - Via G. D'Annunzio 4	65,741	-	-	14,259	80,000	-	80,000
Novate Mezzola - Via Roma 13	1,079,527	-	251,282	89,219	1,420,028	537,857	882,171
Passo Dello Stelvio	630,416	-	-	296,176	926,592	909,793	16,799
Pescate - Via Roma 98/E	495,395	-	-	-	495,395	418,747	572,043
Ponte di Legno - Piazzale Europa 8	3,670,347	-	-	-	3,670,347	2,022,679	1,647,668
Ponte Valtellina - Piazza della Vittoria 1	833,767	12,911	258,098	86,540	1,191,316	420,849	770,467
Regoledo di Cosio Valtellino - Piazza S.Martino 14	132,135	-	-	-	132,135	29,730	102,405
Regoledo di Cosio Valtellino - Via Roma 7	511,300	-	-	78,405	589,705	109,705	480,000
Rome - Via Laurentina 617/619	2,360,894	-	-	-	2,360,894	247,894	2,113,000
Rome - Via Gherardi 45	2,136,068	-	-	-	2,136,068	288,369	1,847,699
Rome - Piazza Filippo II Macedone 75	2,400,000	-	-	-	2,400,000	1,404,000	996,000
Rome - Via della Farnesina 154	1,011,345	-	-	-	1,011,345	442,828	568,517
Rome - Via di Propaganda Fide 27	155,625	-	350,503	88,926	595,054	595,054	-
Rome - Via Tagliamento 37	1,752,535	-	-	-	1,752,535	289,168	1,463,367
Rome - Via Del Tritone 27	7,451,913	-	-	-	7,451,913	1,453,123	5,998,790
S. Cassiano Valchiavenna - Via Spluga 108	397,672	-	-	103,093	500,765	360,895	139,870
S. Pietro Berbenno - Via Nazionale Ovest 110	1,288,307	22,208	328,181	122,795	1,761,491	851,873	909,618
S. Siro - Via Statale Regina 223	467,692	-	-	-	467,692	303,805	163,887
Salò - Viale De Gasperi 13	1,672,029	-	-	-	1,672,029	822,848	849,181
Segrate - Via Roma 96	1,070,468	-	-	-	1,070,468	141,991	928,477
Seregno - Via Wagner 137/A	123,950	-	-	13,282	137,232	137,232	-
Sesto Calende - Piazza Mazzini 10	443,111	-	-	-	443,111	139,580	303,531
Sondalo - Via Zubiani 2/4/6/8/10	263,671	25,823	312,456	158,005	759,955	220,146	539,809
Sondrio - Corso V. Veneto 7	2,406,658	-	-	1,190,813	3,597,471	880,303	2,717,168
Sondrio - Largo Pedrini 8	363,862	-	-	22,527	386,389	274,566	111,823
Sondrio - Lungo Mallero Cadorna 24	3,441,300	-	196,254	451,249	4,088,803	1,962,651	2,126,152
Sondrio - Piazza Garibaldi 1 – Palazzo Lambertenghi	16,056,897	-	-	-	16,056,897	7,661,828	8,395,069
Sondrio - Piazza Garibaldi 16	1,563,598	351,191	7,810,125	3,142,651	12,867,565	8,221,086	4,646,479
Sondrio - Piazzale Bertacchi 57	2,613,732	-	-	-	2,613,732	1,986,604	627,129
Sondrio - Piazzale Tocalli, Via Delle Prese	348,608	-	-	-	348,608	348,608	-
Sondrio - Via Bernina 1	181,930	-	82,385	45,795	310,110	228,035	82,075
Sondrio - Via Caimi 29	357,915	-	-	46,342	404,257	404,257	-
Sondrio - Via Cesura 4	388,303	-	-	64,149	452,452	237,457	214,995
Sondrio - Via Cesura 3-7-9-13-15	13,587,487				13,587,487	502,206	13,085,282
Sondrio - Via Lusardi 53	247,506	-	-	-	247,506	237,606	9,900
Sondrio - Via Pio Rajna 1	16,195	-	-	40,221	56,416	56,416	-
Sondrio - Via Sertorelli 2	2,193,892	-	-	-	2,193,892	1,123,756	1,070,136
Sondrio - Via Aldo Moro 6	200,035	-	243,248	54,643	497,926	369,250	128,676
Talamona - Via Cusini 29	223,475	-	313,640	203,691	740,806	586,576	154,230
Teglio - Piazza S. Eufemia 2	40,150	13,944	546,700	148,165	748,959	506,172	242,787
Thiene - Via Trento 2	1,313,627	-	-	-	1,313,627	-	1,313,627
Tirano - Località Valchiosa	200,000	-	-	-	200,000	-	200,000
Tirano - Piazza Cavour 20	392,572	-	1,736,322	718,576	2,847,470	1,973,760	873,710
Turin - Via XX Settembre 37	6,473,623	-	-	-	6,473,623	2,233,228	4,240,395
Trescore Balneario - Piazza Cavour 6	1,292,789	-	-	-	1,292,789	407,229	885,560
Tresenda di Teglio - Via Nazionale 57	192,524	-	193,671	67,596	453,791	453,791	-
Treviso - Corso del Popolo 50	4,883,629	-	-	-	4,883,629	1,018,783	3,864,846
Udine - Piazza XXVI Luglio 62	589,701				589,701	8,846	580,856
Valmadrera - Via S.Rocco 31/33	1,440,570	-	-	-	1,440,570	391,315	1,049,255
Varese - Viale Belforte 151	4,711,611	-	-	-	4,711,611	1,883,596	2,828,015
Vercelli - Piazza Mazzucchelli 12	1,648,346	-	-	-	1,648,346	436,149	1,212,197
Verdellino - Largo Luigi Einaudi 1/B	336,182	-	-	-	336,182	257,180	79,003
Verona - Corso Cavour 45/47	2,172,112	-	-	-	2,172,112	392,368	1,779,744
Vezza d'Oglio - Via Nazionale 116	715,844	-	-	-	715,844	75,164	640,680
Villa di Chiavenna - Via Roma 39	371,668	-	-	7,639	379,307	141,307	238,000
Villa di Tirano - Traversa Foppa 25	585,623	-	-	7,651	593,274	250,231	343,044
Villasanta - Via Sciesa 7/9	952,439	-	-	-	952,439	694,202	258,237
Voghera - Via Emilia 49	2,163,073	-	-	-	2,163,073	565,689	1,597,384
GRAND TOTAL	**284,515,884**	**781,632**	**22,496,863**	**19,084,124**	**326,878,503**	**123,596,954**	**203,281,549**

Properties are shown at their total value regardless of their intended use

SCHEDULE OF THE INDEPENDENT AUDITORS’ FEES FOR THE YEAR AS PER ART. 149-*DUODECIES* OF THE ISSUERS’ REGULATION

Amounts in euro	Banca Popolare di Sondrio		Group Companies		Total		Total
Type of services	EY S.p.A.	EY Network	EY S.p.A.	EY Network	EY S.p.A.	EY Network	
Audit services	446,889	-	235,811	534,948	682,700	534,948	1,217,648
Certification services	251,123	-	7,500	5,400	258,623	5,400	264,023
Other services	58,592	199,000	-	-	58,592	199,000	257,592
Total	756,604	199,000	243,311	540,348	999,915	739,348	1,739,263

FINANCIAL STATEMENTS:

BANCA POPOLARE DI SONDRIO (SUISSE) SA

FACTORIT SPA

BANCA DELLA NUOVA TERRA SPA

SINERGIA SECONDA SRL

BANCA POPOLARE DI SONDRIO (SUISSE) SA

FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(in Swiss francs)

ASSETS	2023	2022
Liquidity	703,369,021	888,246,726
Loans and receivables with banks	73,148,051	118,376,519
Loans and receivables with customers	552,309,924	589,856,062
Mortgage loans	4,977,153,939	4,781,338,444
Positive replacement values of derivative financial instruments	581,903	13,135,548
Financial assets	57,727,472	50,774,255
Accruals and deferrals	26,455,517	9,621,717
Equity investments	6,394,774	2,421,333
Property, equipment and investment property	22,834,819	18,552,793
Other assets	4,957,873	3,240,465
Total assets	**6,424,933,293**	**6,475,563,862**

LIABILITIES	2023	2022
Due to banks	1,756,767,674	1,785,437,305
Customer deposits	3,350,485,320	3,472,039,700
Negative replacement values of derivative financial instruments	45,976,073	68,076,436
Cash obligations	60,952,000	30,232,000
Mortgages with issuers of construction bonds and loans	692,000,000	644,100,000
Accruals and deferrals	31,453,705	24,142,974
Other liabilities	17,394,179	5,124,654
Provisions	2,758,246	3,379,950
Reserves for general banking risks	18,000,000	18,000,000
Share capital	180,000,000	180,000,000
Legal reserve from capital	-	-
Legal reserve from profits	240,980,844	228,633,456
Optional retained earnings	-	-
Profit for the year	28,165,252	16,397,387
Total liabilities	**6,424,933,293**	**6,475,563,862**

OFF-BALANCE SHEET TRANSACTIONS	2023	2022
Possible commitments	260,380,061	294,737,638
Irrevocable commitments	25,218,522	16,541,633
Payment and supplementary payment commitments	2,766,960	1,092,560

INCOME STATEMENT

(in Swiss francs)

	2023	2022
Interest income:		
- Interest and discounts	129,802,018	76,510,397
- Interest income and dividends from financial investments	-	-
- Interest and dividends from trading activity	260,202	304,526
Interest expenses	(93,062,812)	(13,851,088)
Gross result from transactions on interest	**36,999,408**	**62,963,835**
Change in adjustment values for loss risks and losses from transactions on interest	(3,097,715)	3,834,839
Net result from transactions on interest	**33,901,693**	**66,798,674**
Fee and commission income:		
- on trading in securities and investments	17,653,086	17,981,062
- on credit transactions	2,652,152	3,268,416
- on other service provisions	7,275,179	6,807,228
Fee and commission expense	(2,607,804)	(3,057,344)
Result from transactions in commissions and from service provisions	**24,972,613**	**24,999,362**
Result from trading transactions and fair value option	**62,534,380**	**10,006,546**
Result from disposal of financial assets	**21,575**	**54,327**
Income from investments	42,922	39,028
Result from real estate	-	10,200
Other ordinary income	2,274,686	2,052,862
Other ordinary expense	(2,837,274)	(3,053,213)
Other ordinary results	**(498,091)**	**(896,796)**
Operating expenses		
Personnel costs	(55,429,014)	(53,235,756)
Other operating costs	(24,898,437)	(23,250,731)
Operating expenses	**(80,327,451)**	**(76,486,487)**

	2023	2022
Value adjustments of investments and depreciation of property, equipment and investment property and amortisation of intangible assets	(4,381,940)	(3,755,861)
Changes in provisions and other value adjustments and losses	(294,889)	479,879
Result of the year	**35,906,315**	**21,145,317**
Extraordinary revenues	408,634	2,070
Extraordinary costs	-	-
Change in reserve for general banking risks	-	-
Taxes	(8,149,697)	(4,750,000)
Profit for the year	**28,165,252**	**16,397,387**
PROPOSED ALLOCATION OF PROFIT FOR THE YEAR:		
Profit for the year	28,165,252	16,397,387
Retained earnings	-	-
Profit available	**28,165,252**	**16,397,387**
The Board of Directors recommends the distribution of a dividend of 4,050,000 CHF and the allocation of 24,115,000 CHF to the legal reserve from profits.		
Retained residual earnings	**-**	**-**

FACTORIT SPA

FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(in euro)

	ASSET ITEMS	31/12/2023	31/12/2022
10.	**Cash and cash equivalents**	**954,715**	**1,913,848**
30.	**Financial assets measured at fair value through profit or loss**	**1,041,024**	**793,216**
40.	**Financial assets measured at amortised cost**	**4,277,811,600**	**3,531,993,369**
	a) Loans and receivables with banks	12,430,654	10,206,145
	b) receivables from financial companies	584,043,482	580,355,907
	c) Receivables from customers	3,681,337,464	2,941,431,317
90.	**Property, equipment and investment property**	**16,721,377**	**17,937,171**
100.	**Intangible assets**	**185,215**	**171,240**
110.	**Tax assets**	**10,401,288**	**17,122,232**
	a) current	-	2,046,548
	b) prepaid	10,401,288	15,075,684
130.	**Other assets**	**11,307,777**	**14,492,164**
	TOTAL ASSETS	**4,318,422,996**	**3,584,423,240**

	LIABILITIES AND EQUITY	31/12/2023	31/12/2022
10.	**Financial liabilities measured at amortised cost**	**3,992,451,372**	**3,278,808,584**
	a) payables	3,992,451,372	3,206,342,913
60.	**Tax liabilities**	**2,408,505**	**4,871,665**
	a) current	548,078	2,832,503
	b) deferred	1,860,427	2,039,162
80.	**Other liabilities**	**26,387,771**	**20,241,656**
90.	**Provision for employee severance pay**	**1,856,691**	**1,893,425**
100.	**Provisions for risks and charges**	**1,760,000**	**1,185,767**
	a) commitments and guarantees given	888,759	340,726
	c) other provisions for risks and charges	871,241	845,041
110.	**Share capital**	**85,000,002**	**85,000,002**
140.	**Reserves**	**165,738,838**	**157,985,405**
150.	**Share premium accounts**	**11,030,364**	**11,030,364**
160.	**Valuation reserves**	**(317,647)**	**(497,061)**
180.	**Profit (loss) for the period (+/-)**	**32,107,100**	**23,903,433**
	TOTAL LIABILITIES AND EQUITY	**4,318,422,996**	**3,584,423,240**

ITEMS		31/12/2023	31/12/2022
10.	INTEREST AND SIMILAR INCOME	128,707,458	33,206,207
	of which: interest income calculated using the effective interest method	128,707,458	33,206,207
20.	INTEREST AND SIMILAR EXPENSES	(86,121,989)	(5,985,691)
30.	**NET INTEREST INCOME**	**42,585,469**	**27,220,516**
40.	FEE AND COMMISSION INCOME	37,398,128	29,941,015
50.	FEE AND COMMISSION EXPENSE	(4,894,514)	(4,243,998)
60.	**NET FEE AND COMMISSION INCOME**	**32,503,614**	**25,697,017**
70.	DIVIDENDS AND SIMILAR INCOME	30,185	29,126
80.	NET TRADING INCOME	(59,098)	28,152
120.	**TOTAL INCOME**	**75,060,170**	**52,974,811**
130.	NET ADJUSTMENTS/WRITE-BACKS FOR CREDIT RISK RELATED TO:	(8,063,452)	797,510
	a) financial assets measured at amortised cost	(8,063,452)	797,510
150.	**NET FINANCIAL INCOME**	**66,996,718**	**53,772,321**
160.	ADMINISTRATIVE EXPENSES:	(18,542,420)	(17,731,056)
	a) personnel expenses	(13,364,527)	(12,447,609)
	b) other administrative expenses	(5,177,893)	(5,283,447)
170.	NET ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES	(548,033)	(49,338)
	a) commitments for guarantees given	(548,033)	(49,338)
	b) other net provisions	-	-
180.	DEPRECIATION AND NET IMPAIRMENT LOSSES ON PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY	(1,350,901)	(1,285,911)
190.	AMORTISATION AND NET IMPAIRMENT LOSSES ON INTANGIBLE ASSETS	(75,282)	(297,384)
200.	OTHER OPERATING INCOME/EXPENSE	878,415	863,591
210.	**OPERATING COSTS**	**(19,638,221)**	**(18,500,098)**
250.	GAINS (LOSSES) ON SALES OF INVESTMENTS	2,721	8,017
260.	**PRE-TAX PROFIT (LOSS) FROM CONTINUING OPERATIONS**	**47,361,218**	**35,280,240**
270.	INCOME TAXES FOR THE YEAR FROM CURRENT OPERATIONS	(15,254,118)	(11,376,807)
280.	**POST-TAX PROFIT (LOSS) FROM CONTINUING OPERATIONS**	**32,107,100**	**23,903,433**
300.	**PROFIT (LOSS) FOR THE YEAR**	**32,107,100**	**23,903,433**

BANCA DELLA NUOVA TERRA SPA

FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(in euro)

	ASSET ITEMS	31/12/2023	31/12/2022
10.	**Cash and cash equivalents**	**4,735,752**	**14,288,861**
40.	**Financial assets measured at amortised cost**	**303,580,093**	**271,908,057**
	a) Loans and receivables with banks	1,530	1,544
	b) Loans and receivables with customers	303,578,563	271,906,513
70.	**Equity investments**	**100,000**	**100,000**
80.	**Property, equipment and investment property**	**987,275**	**1,112,686**
90.	**Intangible assets**	**1,535**	**8,121**
100.	**Tax assets**	**8,549,341**	**9,884,457**
	a) current	134,738	331,282
	b) prepaid	8,414,603	9,553,175
120.	**Other assets**	**511,623**	**697,405**
	TOTAL ASSETS	**318,465,619**	**297,999,587**

	LIABILITIES AND EQUITY	31/12/2023	31/12/2022
10.	**Financial liabilities measured at amortised cost**	**232,065,055**	**214,182,811**
	a) Due to banks	230,857,386	210,959,984
	b) Customer deposits	1,207,669	3,222,827
60.	**Tax liabilities**	**5,190**	**5,288**
	a) current	-	-
	b) deferred	5,190	5,288
80.	**Other liabilities**	**5,124,814**	**4,662,421**
90.	**Provision for employee severance pay**	**107,831**	**113,753**
100.	**Provisions for risks and charges**	**1,232,733**	**1,109,212**
	a) commitments and guarantees given	-	77
	c) other provisions for risks and charges	1,232,733	1,109,135
110.	**Valuation reserves**	**(18,836)**	**(34,828)**
140.	**Reserves**	**46,645,609**	**45,964,467**
160.	**Share capital**	**31,315,321**	**31,315,321**
180.	**Profit (loss) for the year (+/-)**	**1,987,902**	**681,142**
	TOTAL LIABILITIES AND EQUITY	**318,465,619**	**297,999,587**

ITEMS		31/12/2023	31/12/2022
10.	INTEREST AND SIMILAR INCOME	11,040,718	9,619,634
	of which: interest income calculated using the effective interest method	11,040,718	9,619,634
20.	INTEREST AND SIMILAR EXPENSES	(802,159)	(250,730)
30.	**NET INTEREST INCOME**	**10,238,559**	**9,368,904**
40.	FEE AND COMMISSION INCOME	119,178	83
50.	FEE AND COMMISSION EXPENSE	(16,295)	(7,246)
60.	**NET FEE AND COMMISSION INCOME**	**102,883**	**(7,163)**
120.	**TOTAL INCOME**	**10,341,442**	**9,361,741**
130.	NET ADJUSTMENTS/WRITE-BACKS FOR CREDIT RISK RELATED TO:	167,931	(209,876)
	a) financial assets measured at amortised cost	167,931	(209,876)
150.	**NET FINANCIAL INCOME**	**10,509,373**	**9,151,865**
160.	ADMINISTRATIVE EXPENSES:	(6,900,605)	(6,535,823)
	a) personnel expenses	(2,835,509)	(2,579,961)
	b) other administrative expenses	(4,065,096)	(3,955,862)
170.	NET ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES	1,479	(566,456)
	a) commitments for guarantees given	77	(2)
	b) other net provisions	1,402	(566,454)
180.	DEPRECIATION AND NET IMPAIRMENT LOSSES ON PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY	(254,299)	(236,093)
190.	AMORTISATION AND NET IMPAIRMENT LOSSES ON INTANGIBLE ASSETS	(6,586)	(21,541)
200.	OTHER OPERATING INCOME/EXPENSE	(366,249)	(669,440)
210.	**OPERATING COSTS**	**(7,526,260)**	**(8,029,353)**
250.	GAINS (LOSSES) ON SALES OF INVESTMENTS	5,393	-
260.	**PRE-TAX PROFIT (LOSS) FROM CONTINUING OPERATIONS**	**2,988,506**	**1,122,512**
270.	INCOME TAXES FOR THE YEAR FROM CURRENT OPERATIONS	(1,000,604)	(441,370)
280.	**POST-TAX PROFIT (LOSS) FROM CONTINUING OPERATIONS**	**1,987,902**	**681,142**
300.	**PROFIT (LOSS) FOR THE PERIOD**	**1,987,902**	**681,142**

SINERGIA SECONDA SRL

FINANCIAL STATEMENTS AT 31 DECEMBER 2023

(in euro)

ASSETS	31/12/2023	31/12/2022
A) **AMOUNTS RECEIVABLE FROM SHAREHOLDERS**	-	-
Of which already called €		
B) FIXED ASSETS		
I - Intangible assets	-	-
II - Property, equipment and investment property		
1) Land and buildings		
1 - owned	51,890,493	53,649,741
2) Plants and machinery		
1 - owned	-	-
Total property, equipment and investment property	51,890,493	53,649,741
III - Financial assets		
1) investments in		
a) subsidiaries	72,904,650	49,604,650
Total financial assets	72,904,650	49,604,650
TOTAL FIXED ASSETS	**124,795,143**	**103,254,391**
C) CURRENT ASSETS		
I - Inventories	-	-
II - Receivables		
1) due from customers		
a) due within one year	188,090	213,514
2) due from subsidiary companies		
a) due within one year	43,222	43,222
5-bis) due from tax authorities		
a) due within one year	1,212,203	1,779,002
5-ter) deferred tax assets		
a) due within one year	-	-
5 quater) due from others		
a) due within one year	8,131	22,082
Total receivables	1,451,645	2,057,820
III - Financial assets not held as fixed assets	-	-
IV - Cash and cash equivalents	-	-
1) bank and post office deposits	580,660	-
3) cash and equivalents on hand	-	-
Total cash and cash equivalents	**580,660**	**-**
TOTAL CURRENT ASSETS	**2,032,306**	**2,057,820**
D) **PREPAYMENTS AND ACCRUED INCOME**		
TOTAL PREPAYMENTS AND ACCRUED INCOME	**-**	**-**
TOTAL ASSETS	**126,827,449**	**105,312,212**

LIABILITIES	31/12/2023	31/12/2022
A) SHAREHOLDERS' EQUITY		
I - Capital	60,000,000	60,000,000
II - Share premium reserve	-	-
III - Revaluation reserves	-	-
IV - Legal reserve	2,835,908	2,520,127
V - Statutory reserves	-	-
VI - Other reserves	60,000,000	-
VII - Reserve for expected cash flow hedge transactions	-	-
VI - Reserve for portfolio treasury shares	-	-
VIII - Retained earnings	1,057,342	1,057,342
IX - Profit for the year	398,220	315,781
X - Negative reserve for portfolio treasury shares		
TOTAL SHAREHOLDERS' EQUITY	**124,291,470**	**63,893,250**
B) PROVISIONS FOR RISKS AND CHARGES		
TOTAL PROVISIONS FOR RISKS AND CHARGES	**-**	**-**
C) POST-EMPLOYMENT BENEFITS	-	-
D) PAYABLES		
6) advance payments		
a) due within one year	-	-
7) due to suppliers		
a) due within one year	72,319	171,148
9) due to subsidiary companies		
a) due within one year	1,675,051	2,109,473
11) due to parent companies		
a) due within one year	747,521	39,107,487
12) taxes payable		
a) due within one year	4,712	8,688
14) other payables		
a) due within one year	4,760	4,760
TOTAL PAYABLES	**2,504,364**	**41,401,557**
E) **ACCRUED LIABILITIES AND DEFERRED INCOME**		
1) accrued liabilities and deferred income	31,615	17,405
TOTAL ACCRUED LIABILITIES AND DEFERRED INCOME	**31,615**	**17,405**
TOTAL LIABILITIES	**126,827,449**	**105,312,212**

INCOME STATEMENT	31/12/2023	31/12/2022
A) PRODUCTION VALUE		
1) revenues from sales and services		
d) rental of housing units	39,138	36,977
e) rental of capital goods	3,762,406	3,747,431
f) reimbursement of housing unit expenses	556	384
g) reimbursement of expenses for capital goods	287,202	64,776
5) other revenues and income		
c) other revenues	602	15,625
TOTAL PRODUCTION VALUE	**4,089,904**	**3,865,193**
B) PRODUCTION COSTS		
7) for services		
c) housing unit management expenses	802	767
d) capital goods management expenses	501,521	439,306
10) amortisation, depreciation and write-downs		
b) depreciation of property, equipment and investment property	1,759,248	1,758,910
14) other operating expenses		
a) other operating costs and charges	133,610	85,988
b) non-deductible expenses	367,906	317,946
TOTAL PRODUCTION COSTS	**2,763,087**	**2,602,917**
DIFFERENCE BETWEEN PRODUCTION VALUE AND PRODUCTION COSTS	**1,326,817**	**1,262,276**
C) **FINANCIAL INCOME AND CHARGES**		
16) other financial income		
d) from parent companies	13,813	-
17) interest and other financial charges		
c) to parent companies	(728,283)	(763,056)
d) others	-	-
TOTAL FINANCIAL INCOME AND CHARGES	**(714,470)**	**(763,056)**
D) VALUE ADJUSTMENTS OF FINANCIAL ASSETS		
TOTAL VALUE ADJUSTMENTS OF FINANCIAL ASSETS	**-**	**-**
19) write-downs		
a) of investments	-	-
PRE-TAX RESULT	**612,347**	**499,220**
22) current income taxes and deferred tax assets and liabilities		
a) Ires	147,671	120,642
b) Irap	66,456	62,797
c) Deferred taxes	-	-
23) PROFIT FOR THE YEAR	**398,220**	**315,781**

CERTIFICATIONS AND OTHER REPORTS

Certification of the Annual Financial Statements at 31 December 2023 pursuant to article 81-ter of Consob Regulation No. 11971 of 14 May 1999, as amended

1. The undersigned Mario Alberto Pedranzini in his capacity as Chief Executive Officer and Maurizio Bertoletti in his capacity as Manager responsible for preparing the accounting documents of Banca Popolare di Sondrio S.p.A., attest, also taking into account the provisions of Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February 1998:
   - the adequacy, in relation to the characteristics of the enterprise,
   - the actual application,

   of the administrative and accounting procedures for the preparation of the 2023 annual financial statements.

2. The evaluation of the adequacy and effective application of the administrative and accounting procedures for the formation of the annual financial statements as at 31 December 2023 was based on a model, defined by Banca Popolare di Sondrio S.p.A., which makes reference to the principles of the "Internal Control - Integrated Framework (CoSO)", issued by the Committee of Sponsoring Organizations of the Treadway Commission, which acts as a reference framework for the internal control system and for financial reporting that is generally accepted internationally.

3. It is also certified that

   3.1 the financial statements at 31 December 2023:

   a) have been prepared in compliance with the international financial reporting standards recognised by the European Community pursuant to Regulation (CE) 1606/2002 of the European Parliament and by the Council on 19 July 2002;

   b) correspond to the accounting books and records;

   c) provide a true and fair view of the Bank's financial position, results and cash flows.

   3.2 The report on operations includes a reliable analysis of the results of operations, as well as the situation of the Bank, together with a description of the principal risks and uncertainties to which they are exposed.

Sondrio, 12 March 2024

The Managing Director	The Manager responsible for preparing the Company's accounting documents
Mario Alberto Pedranzini	Maurizio Bertoletti

REPORT OF THE
INDEPENDENT AUDITORS
ON THE ANNUAL FINANCIAL STATEMENTS

Banca Popolare di Sondrio S.p.A.

Financial statements as at December 31, 2023

Independent auditor's report
pursuant to article 14 of Legislative Decree n. 39,
dated January 27, 2010, and article 10 of EU Regulation n. 537/2014

EY S.p.A.
Via Meravigli, 12
20123 Milano

Tel: +39 02 722121
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Independent auditor's report in accordance with article 14 of Legislative Decree n. 39, dated January 27, 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Banca Popolare di Sondrio S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Banca Popolare di Sondrio S.p.A. (the "Company" or the "Bank"), which comprise the balance sheet at December 31, 2023, the income statement, the statement of comprehensive income, the statement of changes in equity, and the cash flow statement for the year then ended and the notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at December 31, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 9 of Legislative Decree no. 38 dated February 28, 2005 and article 43 of Legislative Decree no. 136, dated August 18, 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

EY S.p.A.
Sede Legale: Via Meravigli, 12 – 20123 Milano
Sede Secondaria: Via Lombardia, 31 – 00187 Roma
Capitale Sociale Euro 2.600.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. di Milano 606158 - P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998

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We identified the following key audit matter:

Key audit matter	Audit response
Classification and measurement of loans to customers, Loans Loans measured at amortised cost, presented in item 40 b) of the balance sheet, amount to approximately Euro 25,916 million and represent about 50% of total assets. The classification and valuation of loans is relevant for the audit both as the value of loans is significant for the financial statements as a whole and as the value of the related impairment losses is determined by the Directors through the use of estimates that have a high degree of complexity and subjectivity, also linked to the potential worsening of credit risk due to current and prospective economic and financial risks. Among these, the following matters are particularly relevant: • the identification and calibration of parameters for determining the significant increase in credit risk compared to the initial detection date, for the purpose of allocating exposures in Stage 1 and Stage 2 (performing loans); • the definition of valuation models applied for the calculation of statistical expected credit losses based on historical observation of data for each risk class and forward looking factors; • the identification impairment evidence, with subsequent classification of exposures in Stage 3 (non-performing loans); • for loans classified in Stage 3, the determination of the criteria used for estimating the expected cash flows according to the recovery strategy. Information on the evolution of the quality, classification and measurement of loans is provided within Part A - Accounting Policies, in Part B - Information on the balance sheet, in Part C - Information on the Income Statement and in Part E - Information on risks and related hedging policies of the notes to the financial statements.	In relation to these aspects, our audit procedures included, among others: • updating the understanding of the policies, processes and controls implemented by the Company in relation to the classification and measurement of loans and performing compliance procedures on the key controls, including those relating to IT safeguards, in order to verify its operational effectiveness; • performing comparative analysis of the portfolio and the related coverage ratios, with reference to the most significant deviations from the previous year balances; • understanding of the methodology underlying the valuation models used to calculate statistical expected losses; • performing substantive procedures, on sample basis, aimed at verifying the proper classification and measurement of performing and non performing loans; • the verification, through analysis of the supporting documentation, of the accounting of the disposal of non-performing loans carried out during the year; • the assessment of the adequacy of the disclosure provided in the notes to the financial statements. The procedures described above have also been carried out with the support of experts from the EY network on models for the evaluation of financial instruments and IT systems.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 9 of Legislative Decree n. 38 dated February 28, 2005 and article 43 of Legislative Decree n. 136, dated August 18, 2015, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Board of statutory auditors ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant risks or the safeguard measures applied.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/2014

The shareholders of the Bank (at the time Banca Popolare di Sondrio S.C.p.A.), in the general meeting held on April 29, 2017 appointed us to perform the audits of the financial statements for each of the years ending December 31, 2017 to December 31, 2025.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the Board of statutory auditors ("Collegio Sindacale") in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion on the compliance with the provisions of Delegated Regulation (EU) no. 815/2019

The Directors of Banca Popolare di Sondrio S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulation (EU) n. 815/2019 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) to the financial statement, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the financial statement with the provisions of the Delegated Regulation.

In our opinion, the financial statements have been prepared in the XHTML-format, in compliance with the provisions of Delegated Regulation.

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated January 27, 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 1998

The Directors of Banca Popolare di Sondrio S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Banca Popolare di Sondrio S.p.A. as at December 31, 2023, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 1998, with the financial statements of Banca Popolare di Sondrio S.p.A. as at December 31, 2023 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Banca Popolare di Sondrio S.p.A. at December 31, 2023 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milan, April 5, 2024

EY S.p.A.
Signed by: Davide Lisi, Auditor

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP
BANCA POPOLARE DI SONDRIO

GROUP REPORT ON OPERATIONS

Shareholders,

As Parent Company of the Banca Popolare di Sondrio Banking Group, registration No. 5696.0, we are obliged to present consolidated financial statements.

COMPOSITION OF THE BANKING GROUP

The Banca Popolare di Sondrio Banking Group comprises:

Parent Company:

Banca Popolare di Sondrio spa - Sondrio;

Group Companies:

- *Banca Popolare di Sondrio (SUISSE) SA - Lugano CH*

The Parent Company holds all the capital of Banca Popolare di Sondrio (SUISSE) SA, 180,000,000 CHF.

- *Factorit spa - Milan*

The Parent Company holds the entire capital of Factorit spa, 85,000,002 euro.

- *Sinergia Seconda srl – Milan*

The Parent Company holds all the capital of Sinergia Seconda Srl, 60,000,000 euro.

- *Banca della Nuova Terra spa – Sondrio*

The Parent Company holds all the capital of Banca della Nuova Terra spa, 31,315,321 euro.

- *PrestiNuova srl - Agenzia in Attività Finanziaria – Rome*

Banca della Nuova Terra spa holds all the capital of PrestiNuova srl - Agenzia in Attività Finanziaria, 100,000 euro.

- *Popso Covered Bond srl - Conegliano (Tv)*

The Parent Company holds 60% of the capital of Popso Covered Bond srl, 10,000 euro.

Equity investments are consolidated as follows:

CONSOLIDATED EQUITY INVESTMENTS:

Company Name	Head office	Share capital (in thousands)	% holding
Banca Popolare di Sondrio (SUISSE) SA	Lugano	(CHF) 180,000	100
Factorit spa	Milan	85,000	100
Sinergia Seconda srl	Milan	60,000	100
Banca della Nuova Terra spa	Sondrio	31,315	100
Pirovano Stelvio spa (1)	Sondrio	2,064	100
Servizi Internazionali e Strutture Integrate 2000 srl (1)	Milan	75	100
PrestiNuova srl - Agenzia in Attività Finanziaria	Rome	100(3)	100
Immobiliare Borgo Palazzo srl (1)	Tirano	10(2)	100
Immobiliare San Paolo srl (1)	Tirano	10(2)	100
Rent2Go srl (1)	Bolzano	12,050	100
Popso Covered Bond srl	Conegliano	10	60
Centro delle Alpi SME srl (1)	Conegliano	10	-

(1) equity investments not included in the banking group
(2) held by Sinergia Seconda srl
(3) held by Banca della Nuova Terra spa

EQUITY INVESTMENTS MEASURED USING THE EQUITY METHOD:

Company Name	Head office	Share capital (in thousands)	% holding
Alba Leasing spa	Milan	357,953	19.264
Arca Vita spa	Verona	208,279	14.837
Arca Holding spa	Milan	50,000	34.715
Unione Fiduciaria spa	Milan	5,940	24.000
Polis Fondi Sgrpa	Milan	5,200	19.600
Rajna Immobiliare srl	Sondrio	20	50.000

GENERAL ECONOMIC CONTEXT

The report on operations accompanying the Parent Company’s 2023 financial statements contains information on the international, Swiss and Italian economic situation in which the Group operated during the year.

TERRITORIAL EXPANSION

Branches are the main tool through which the relationship between the Banca Popolare di Sondrio Banking Group and its customers is developed. This explains the attention that is constantly paid to the addiction network, which has always been the object of strengthening and rationalisation initiatives. Also in the year under review, Banca Popolare di Sondrio expanded its network with the opening of four branches in San Donà di Piave (Ve), Thiene (Ve), Vicenza and Udine. At the end of 2023, the Group had a total of 377 branches.

FUNDING

In the year under review, the competent authorities continued a restrictive monetary policy aimed at combating inflation, resulting in rates remaining at high levels. At system level, bank funding has slowed down in favour of instruments, e.g. government bonds, which can provide a higher return.

In this context, our Group has nonetheless recorded a positive trend in direct funding which, comprising balance sheet liability items 10b "customer deposits" and 10c "securities issued", stood at 42,393 million, +1.49%.

Indirect customer deposits, at market values, totalled 46,319 million, +18.59%, while insurance deposits rose to 2,067 million, +5.55%.

Total funding from customers therefore amounted to 90,778 million, +9.65%.

Deposits from banks amounted to 9,918 million, compared to 11,382 million, and contributed to an abundance of liquidity throughout the period, albeit less than in the previous year.

Securities under administration lodged by banks have increased from 8,796 to 9,627 million, +9.45%.

DIRECT FUNDING FROM CUSTOMERS

(thousands of euro)	31/12/2023	Compos. %	31/12/2022	Compos. %	Change %
Current accounts and sight deposits	30,553,721	72.07	33,616,828	80.48	-9.11
Fixed-term deposits	4,376,073	10.32	2,661,831	6.37	64.40
Repurchase agreements	2,241,059	5.29	1,576,069	3.77	42.19
Lease liabilities	163,259	0.39	171,146	0.41	-4.61
Bonds	4,383,516	10.34	3,531,946	8.46	24.11
Bank drafts and similar	92,994	0.22	116,815	0.28	-20.39
Other payables	582,189	1.37	96,372	0.23	504.11
Total	**42,392,811**	**100.00**	**41,771,007**	**100.00**	**1.49**

TOTAL FUNDING

(thousands of euro)	31/12/2023	Compos. %	31/12/2022	Compos. %	Change %
Total direct funding from customers	42,392,811	38.43	41,771,007	40.57	1.49
Total direct funding from insurance premiums	2,066,571	1.87	1,957,819	1.90	5.55
Total indirect funding from customers	46,318,512	41.98	39,058,623	37.93	18.59
- Asset management	*7,175,926*	*15.49*	*6,386,243*	*16.35*	*12.37*
- Assets under administration	*39,142,586*	*84.51*	*32,672,380*	*83.65*	*19.80*
Total	**90,777,894**	**82.28**	**82,787,449**	**80.40**	**9.65**
Due to banks	9,917,675	8.99	11,381,703	11.05	-12.86
Indirect funding from banks	9,626,913	8.73	8,795,626	8.55	9.45
Grand total	**110,322,482**	**100.00**	**102,964,778**	**100.00**	**7.15**

Total funding from customers and banks therefore amounts to 110,323 million, +7.15%. As for the individual components, current accounts and sight deposits, down 9.11% to 30,554 million, accounted for 72.07% of all direct funding. Bonds increased by 24.11%, to 4,384 million. Fixed-term deposits amounted to 4,376 million, +64.40%. Repurchase agreements marked 2,241 million, +42.19%. Bank drafts amounted to 93 million, -20.39%. The item represented by leasing liabilities, referring to rental contracts represented on the basis of the provisions of IFRS16, amounted to 163 million, -4.61%, while other forms of collection rose from 96 to 582 million, +504.11%. As regards asset management, please see the chapter on treasury and trading activities.

LOANS TO CUSTOMERS

During 2023, the dynamics of system-wide bank lending were affected by an overall sluggish economy and the increase in rates in connection with the restrictive monetary policy.

Nevertheless, loans to customers of our group totalled 34,480 million euro, +4.42%. The ratio of loans to direct funding from customers has thus risen to 81.33%, from 79.05%.

Loans to customers, as shown in the table below, constitute a restatement of the balances reported in the balance sheet and consist solely of loans, with the exclusion of securities, except for those that do not constitute a financial investment because of their nature. They are equal to the sum of the loans included in line item "40. financial assets measured at amortised cost – b) loans and receivables with customers" and line item "20. financial assets measured at fair value through profit or loss – c) other financial assets mandatorily measured at fair value".

LOANS TO CUSTOMERS

(thousands of euro)	31/12/2023	Compos. %	31/12/2022	Compos. %	Change %
Current accounts	3,595,829	10.43	3,601,999	10.91	-0.17
Mortgage loans	20,820,558	60.38	19,989,083	60.54	4.16
Personal loans and assignments of one-fifth of salary or pension	542,180	1.57	502,524	1.52	7.89
Factoring	3,789,704	10.99	3,273,352	9.91	15.77
Other loans	4,978,676	14.45	4,864,391	14.73	2.35
Debt securities	753,245	2.18	788,830	2.39	-4.51
Total	**34,480,192**	**100.00**	**33,020,179**	**100.00**	**4.42**

The various items have contributed to total customer loans to a different extent. The principal item consists of mortgage and unsecured loans that, following an increase of 4.16% to 20,821 million, now represent 60.38% of total lending. They also include the assets sold and not derecognised in relation to issues of covered bonds and the self-securitisation transaction for which the derecognition was not carried out as the required requirements of IFRS 9 for accounting derecognition were not met. Significant, as in the comparative year, was the increase in residential mortgage loans by the subsidiary Banca Popolare di Sondrio (SUISSE) SA. This was followed by other financing (advances, grants, etc.), which amounted to 4,979 million, +2.35%, or 14.45% of financing. The dynamics of factoring operations were good, +15.77% to 3,790 million, and personal loans, +7.89% to 542 million, while current accounts decreased slightly, -0.17% to 3,596 million, and Debt securities also decreased, equal to 753 million, -4.51%. The latter derive from securitisation transactions of loans to customers carried out by the investee companies Banca della Nuova Terra spa and Alba Leasing spa, and also include securities issued as part of the five sales of NPLs from the SPV Diana, POP NPLS 2020, POP NPLS 2021 and POP NPLS 2022 and POP NPLS 2023.

Total net non-performing loans have fallen by 7.61% to 562 million, compared with 609 million; in the comparative period there was a decrease of 27.27%. This aggregate is equal to 1.63% (1.84% in the comparison period) of the item loans to customers, its contraction was due both to the sales of NPL loans carried out and to the perseverance in the policy of strengthening company structures responsible for the disbursement, management and monitoring of credit.

The total adjustments recorded for non-performing loans total 754 million, -11.44%, representing 57.29% of the gross amount compared with 58.32% last year. The item was affected by the effect of the NPL loan sales carried out. Adjustments for the period were higher compared with those of the previous year. Gross non-performing loans fell from 1,460 million to 1,316 million, -9.84%. The NPL Ratio referred to these loans decreased from 4.29% to 3.71%.

The table gives an overview of performing and non-performing loans.

NON-PERFORMING AND PERFORMING LOANS TO CUSTOMERS

(thousands of euro)		31/12/2023	31/12/2022	Absolute changes	Changes %
Non-performing loans	Gross exposure	1,316,481	1,460,176	-143,695	-9.84
	Value adjustments	754,173	851,582	-97,409	-11.44
	Net exposure	**562,308**	**608,594**	**-46,286**	**-7.61**
Bad loans	Gross exposure	348,408	517,932	-169,524	-32.73
	Value adjustments	286,186	396,095	-109,909	-27.75
	Net exposure	**62,222**	**121,837**	**-59,615**	**-48.93**
Unlikely-to-pay loans	Gross exposure	894,499	880,693	13,806	1.57
	Value adjustments	456,493	450,688	5,805	1.29
	Net exposure	**438,006**	**430,005**	**8,001**	**1.86**
Non-performing past due exposures	Gross exposure	73,574	61,551	12,023	19.53
	Value adjustments	11,494	4,799	6,695	139.51
	Net exposure	**62,080**	**56,752**	**5,328**	**9.39**
Performing loans	Gross exposure	34,167,755	32,557,336	1,610,419	4.95
	Value adjustments	249,871	145,753	104,118	71.43
	Net exposure	**33,917,884**	**32,411,583**	**1,506,301**	**4.65**
Total loans and receivables with customers	Gross exposure	35,484,236	34,017,512	1,466,724	4.31
	Value adjustments	1,004,044	997,335	6,709	0.67
	Net exposure	**34,480,192**	**33,020,177**	**1,460,015**	**4.42**

Net bad loans, adjusted for write-downs, amounted to 62 million, -48.93% (-36.64% in the comparison period), and correspond to 0.18% of total loans to customers, compared to 0.37% at 31 December 2022. The adjustments to cover estimated losses on bad loans went from 396 million to 286 million (-27.75%), representing 82.14% of the gross amount of such loans compared with 76.48% in the previous year. It is one of the highest coverage percentages at national level. Considering the amounts written off in prior years against bad loans and that are still tracked by the Bank, in view of possible future recoveries, the coverage of such loans amounts to about 95%.

Unlikely to pay loans increased slightly, net of write-downs, to 438 million, (+1.86%), corresponding to 1.27% of total loans to customers, compared to 1.30% in the previous year. The related adjustments, with the current coverage ratio of 51.03%, amounted to 456 million,

+1.29% on the comparative period, when they amounted to 451 million; the coverage ratio was 51.17% last year.

Net non-performing past due loans, determined in accordance with supervisory regulations, amounted to 62 million (+9.39%), and represent 0.18% of total loans with customers, compared to 0.17%.

Provisions, for performing loans, added up to 250 million, +71.43%, and amounted to 0.73% of the same compared to 0.45%. Adjustments of 58 million euro relate to Stage 1 and 192 million euro to Stage 2. This increase was affected by uncertainties in the macroeconomic and geopolitical context, but above all by additional prudential overlays affecting the loan portfolio now totalling around 200 million euro.

Total adjustments went from 997 million to 1,004 million.

TREASURY AND TRADING OPERATIONS

The performance of the financial markets is discussed in the report on operations presented by the Parent Company.

The net interbank position was 7,796 million negative at 31 December 2023, compared with 9,516 million negative at the end of 2022. Cash and cash equivalents amounted to 4,547 million, compared with 6,991 million.

As at 31 December 2023, the Parent Company had two TLTRO transactions with the ECB outstanding totalling 4,506 million after the repayment of the 4,368 million tranche on 28 June 2023. The first operation still in force, for the amount of 806 million, is effective from 24 March 2021, with maturity on 27 March 2024. The second was issued on 29 September 2021 for 3,700 million and matures on 25 September 2024. As of 23 November 2022, the interest rate on outstanding transactions is indexed to the average interest rate of the Deposit Facility calculated as of that date, without prejudice to compliance with the requirements of the targets assigned by the ECB on the net loans disbursed.

Although liquidity declined following the repayment of the first tranche of TLTRO III, it remained abundant throughout the reporting period. The exposure to this risk is monitored both with reference to the short term, taking a 3-month view every day, and over the long term with a monthly check. The indicators envisaged by the Delegated Regulation of the European Commission, the short-term one (Liquidity Coverage Ratio) and the structural one (Net Stable Funding Ratio), are both positioned at levels well above the minimums expected, the first at 188% and the second at 126%. The stock of assets refinanceable at the ECB, including Abaco, net of the haircuts applied, amounted to 17.489 billion as of 31 December 2023, of which 7.281 free and 10.208 committed.

Treasury operations, on the lending side, still favoured the use of the Deposit Facility at the ECB remunerated at 4% (data as of 31 December) and risk-free. After the repayment of the first tranche of TLTRO, a large part of the deposited liquidity was collected on the electronic repurchase agreement market with institutional counterparties (MMF Money Market Facility), through Euronext Clearing (formerly Cassa di Compensazione e Garanzia) with underlying Italian government bonds, and on the OTC market, through bilateral transactions with primary financial counterparties with underlying foreign government bonds in euro, corporate bonds and securitisations. The repurchase agreement funding activity was of a significant amount and at advantageous rates, thanks to the excellent quality collateral present in the portfolio. The activity relating to interbank deposits (almost exclusively collections) is also clearly recovering, favoured by the rise in rates; these include deposits made with the MEF (Ministry of Economy and Finance) as part of money market operations with the Treasury in which we participate as an authorised counterparty.

At 31 December 2023, the portfolio of financial assets comprising financial instruments other than securitisations totalled 13,939 million euro, up by 1.99% compared to 31 December 2022. The following table summarises the various amounts involved and the percentage changes.

FINANCIAL ASSETS (DEBT SECURITIES, EQUITY SECURITIES, MUTUAL FUNDS AND DERIVATIVES) BY PORTFOLIO

(thousands of euro)	31/12/2023	31/12/2022	Change %
Financial assets held for trading	150,073	179,665	-16.47
of which, derivatives	*22,717*	*63,361*	*-64.15*
Other financial assets mandatorily measured at fair value	220,051	686,768	-67.96
Financial assets measured at fair value through other comprehensive income	3,212,616	2,555,705	25.70
Financial assets measured at amortised cost	10,355,943	10,245,242	1.08
Total	**13,938,683**	**13,667,380**	**1.99**

Analysing the individual segments, "Other financial assets mandatorily measured at fair value" decreased by 67.96% as a result of the relief work on Funds and SICAV that began in 2022 and ended in the second quarter of the current year. Financial assets measured at fair value with through other comprehensive income increased (+25.70%), following the purchase of short-term foreign government bonds, while financial assets held for trading decreased (-16.47%). Financial assets measured at amortised cost changed a little (+1.08%).

Overall, although decreasing, preference was still given to the variable rate component of Italian government bonds as well as short or very short-term government bonds from Eurozone countries and bank and corporate bonds, mainly ESG.

The total amount of floating-rate and inflation-indexed government bonds was around 5.5 billion, down from 6.3 billion at the end of 2022. ESG securities, mostly green and social bonds, amounted to more than 1.6 billion, or about 11% of the portfolio.

The financial duration of the government bond portfolio, down from 31 December 2022, stood at 3 years and 4 months, while the modified duration at 1.50%, is essentially in line. Overall, including bonds (net of securitisations), the modified duration is 1.75%, slightly down compared to the end of 2022.

Financial assets held for trading

(thousands of euro)	31/12/2023	31/12/2022	Change %
Equity securities	28,831	50,856	-43.31
Mutual funds	98,525	65,448	50.54
Net book value of derivative contracts	22,717	63,361	-64.15
Total	**150,073**	**179,665**	**-16.47**

The trading portfolio, down from 31 December 2022 (-16.47%), amounted to 150 million and constituted an insignificant part of the overall securities portfolio.

Operations mainly focused on equities and units in UCI, in addition to Italian and foreign Government bonds. The increase concerned units in UCI, which include both ETF and funds and Sicav with a view to geographical, currency and sector diversification as an alternative to direct equity exposure. The balance of government bonds at 31 December 2023 is zero as the trading activity in this sector is rather fast, usually closed at the end of the day.

Other financial assets mandatorily measured at fair value

The financial assets mandatorily measured at fair value amounted to 220 million and are down 67.96% from 687 million at the end of 2022.

(thousands of euro)	31/12/2023	31/12/2022	Change %
Bank bonds	20,318	17,250	17.79
Other bonds	37,252	33,100	12.54
Mutual funds in euro	160,446	617,273	-74.01
Mutual funds in foreign currency (USD)	2,035	19,145	-89.37
Total	**220,051**	**686,768**	**-67.96**

The portfolio remained mainly concentrated on euro-denominated mutual funds, which mainly refer to closed-end funds (private debt, private equity, real estate and credit funds) or open-ended funds related to specific themes (PIR - Individual Savings Plan). Overall, the exposure is significantly reduced compared to 31 December 2022 with a view to containing overall volatility of the portfolio.

Financial assets measured at fair value through other comprehensive income

The portfolio of financial assets measured at fair value through other comprehensive income has recorded an increase overall since the end of 2022, to 3,213 million (+25.70%). The general rise in the yield curve has in fact favoured investment in the sector in short-term government bonds, including those of highly rated Eurozone countries.

(thousands of euro)	31/12/2023	31/12/2022	Change %
Floating-rate Italian government securities	1,059,744	1,492,991	-29.02
Fixed-rate Italian government securities	420,187	203,978	106.00
Foreign government securities	1,028,400	338,768	203.57
Bank bonds	419,910	295,117	42.29
Other bonds	192,534	129,192	49.03
Equity securities	91,841	95,659	-3.99
Total	**3,212,616**	**2,555,705**	**25.70**

More specifically, the exposure to floating-rate Italian government bonds was lightened (-29.02%) and now stands at 1,060 million, while the short-term fixed-rate component increased by over 200 million (+106%). Government securities of Eurozone countries with short or very short maturities also rose significantly (+203.57%). The overall weight of Italian government bonds on the segment stands at 46.07%, a net decrease from last year.

Bank bonds, government (sovereign) bonds and non-bank corporate bonds also showed positive changes, overall +44.34% compared to last year. Equity securities showed negative changes due to write-downs (-3.99%).

Financial assets measured at amortised cost

Financial assets measured at amortised cost amounted to 10,356 million, up 1.08% compared to 31 December 2022.

With regard to the portfolio's composition, we highlight, compared to 31 December 2022, the decrease in Italian government bonds, both floating-rate (-9.24%) and fixed-rate (-14.13%), and the increase in foreign government bonds (+20.01%), partly ESG. The component of floating-rate government bonds facilitated a significant increase in the coupon flow, mitigating the effects of rising reference interest rates, which seem to have reached a peak. In addition, investments in bank bonds (+26.84%), both Italian and foreign, and corporate bonds (+19.04%) were still favoured during the period, mainly of the ESG type, especially green bonds and social bonds. Investments in other public administrations decreased due to reimbursements (-19.62%).

(thousands of euro)	31/12/2023	31/12/2022	Change %
LOANS AND RECEIVABLES WITH BANKS	**1,106,533**	**872,396**	**26.84**
Italian bank bonds	875,468	662,648	32.12
Foreign bank bonds	231,065	209,748	10.16
LOANS AND RECEIVABLES WITH CUSTOMERS	**9,249,410**	**9,372,846**	**-1.32**
Floating-rate Italian government securities	4,005,761	4,413,601	-9.24
Fixed-rate Italian government securities	1,450,465	1,689,096	-14.13
Foreign government securities	2,795,577	2,329,482	20.01
Other public administration bonds	254,003	315,996	-19.62
Other bonds	743,604	624,671	19.04
Total	**10,355,943**	**10,245,242**	**1.08**

Asset management

The year 2023 saw a weak performance of the asset management industry, which resulted in negative net inflows system-wide. Savers maintained a very cautious attitude and little inclination to make medium- to long-term investments, mainly due to the uncertainty related to inflationary dynamics and the restrictive monetary policies implemented by central banks. On the other hand, assets under administration benefited from the positive performance of the financial markets.

With regard to funds specifically, funding mainly penalised balanced and flexible products, whose outflows were only partly offset by the good performance of bonds. In particular, the latter have benefited both from the return of savers' interest, after years in which the market had been characterised by essentially zero rates, and from the responsiveness of management houses in modulating a commercial offer more suited to the new context.

The aforementioned general dynamics affected the Group's results, however the numbers show flattering growth. The assets managed in various forms total 7,176 million, +12.37%, of which 5,286 million, +13.99%, relates to mutual funds and SICAV, including Popso (SUISSE) Investment Fund Sicav; assets managed by the Bank total 1,890 million, +8.07%.

BANCA POPOLARE DI SONDRIO SHARE

The Banca Popolare di Sondrio share, traded on the Euronext Milan market of Borsa Italiana, part of the FTSE Italia All-Share index, closed the year 2023 with a positive performance of 55.03%, marking a reference price on 29 December 2023 of 5.86 euro, compared to 3.78 euro at the end of 2022. The general index Ftse Italia All-Share in the same period recorded an increase equal to 26.28%, while the sectoral index Ftse Italia All-Share Banks had an increase of 42.32%.

With regard to treasury shares, transactions of which are carried out in compliance with the specific shareholders' resolution, it should be noted that the Parent Company held 3,632,633 shares, down 9,085 shares compared to the end of 2022 as a result of the assignments made in implementation of the remuneration policies of the Banca Popolare di Sondrio Banking Group, in addition to the 36,730 shares held by Banca Popolare di Sondrio (SUISSE) SA, as part of the remuneration plan based on financial instruments envisaged by the Group's remuneration policies, for a book value of 25.418 million.

EQUITY INVESTMENTS

Equity investments amount to 376 million, +16.65%, essentially due to the measurement at equity of the investees, except for the least significant.

The reader is referred to the report accompanying the Parent Company’s 2023 financial statements and to Part A, section 3 and Part B, section 7 of the explanatory notes.

Transactions with related parties

Transactions with related parties are governed by the “Regulation for transactions with related parties” adopted with Consob resolution No. 17221 dated 12 March 2010 and subsequent amendments, pursuant to which the required information is provided below, and by circular letter No. 285/2013 of the Bank of Italy.

Related-party transactions, as identified in accordance with the provisions of IAS 24 and the aforementioned Consob Regulation, form part of the Banking Group’s ordinary operations and are normally settled on market terms and, in the case of subsidiaries and associates, nonetheless on the basis of evaluations of mutual cost-effectiveness.

With reference to the disclosure obligations referred to in article 5 of the Consob Regulation, it should be noted that, in the period 1 January - 31 December 2023, the following transactions of greater importance with related parties were approved by the competent bodies of the Parent Company:

- Banca della Nuova Terra spa, subsidiary; granting of Finance Area ceiling of 240,000,000 euro revocable and renewal of credit lines totalling 11,500 euro revocable; resolutions of 1/06/2023;
- Banca Popolare di Sondrio (SUISSE) SA, subsidiary; granting of unsecured loan in foreign currency for 1,150,000,000 euro maturing 01/07/2024 and renewal of credit facilities for a total of 2,220,922,000 euro revocable and 900,000,000 euro maturing 01/11/2023; resolutions dated 15/06/2023;

- Banca Popolare di Sondrio (SUISSE) SA, subsidiary; granting of unsecured loan in currency of 188,500,000 euro, maturing on 01/07/2028; resolution of 22/06/2023;
- Factorit spa, subsidiary; granting of current account credit opening of 750,000,000 euro revocable; resolution of 30/06/2023;
- Banca della Nuova Terra spa, subsidiary; granting of revolving facility unsecured of 200,000,000 euro revocable and renewal of credit lines totalling 240,011,500 euro revocable; resolutions of 20/07/2023;
- Factorit spa, subsidiary; granting of revolving facility financial advances 300,000,000 euro revocable; resolution of 09/08/2023;
- Alba Leasing spa, associated company; renewal of credit lines totalling 420,345,500 euro revocable; resolution of 10/10/2023;
- Banca della Nuova Terra spa, subsidiary; granting of unsecured credit facilities of 180,000,000 euro revocable and unsecured revolving facility of 20,000,000 euro revocable and renewal of credit facilities totalling 240,011,500 euro revocable; resolutions of 12/10/2023;
- Factorit spa, subsidiary; renewal of credit lines totalling 4,350,101,500 euro revocable; resolution of 21/12/2023;
- Banca Popolare di Sondrio (SUISSE) SA, subsidiary; granting of unsecured loan in currency of 896,500,000 euro, maturing on 19/12/2024; resolution of 21/12/2023;

During 2023, no transactions of greater or lesser importance were carried out with related parties, which could have had a significant impact on the Group's balance sheet or results. Additionally, there have not been any developments and/or modifications of the transactions carried out with related parties during 2022 - in any case none of an atypical, unusual or non-market nature - with a significant effect on the Group's balance sheet or results for 2023.

In relation to Consob Communication DEM/6064293 of 28 July 2006, note that transactions or balances with related parties, as defined by IAS 24 and the Consob Regulation, have a limited incidence on the balance sheet and financial position, as well as on the Group's economic results and cash flows. In Part H of the notes to the financial statements, the section entitled "Related party transactions" includes a table that summarises these figures.

During 2023 and the current year, there have not been any positions or transactions deriving from atypical or unusual transactions. According to Consob Circular DEM/1025564 of 6 April 2001, atypical and/or unusual transactions are any that may raise doubts concerning the accuracy of the disclosures in the financial statements, conflicts of interests, the protection of the corporate assets or the safeguarding of the shareholders, by virtue of their magnitude, the nature of the counterparties, the subject of the transaction, the methods in which the transfer price is set or the time at which the transaction is carried out.

TRANSACTIONS WITH NON-CONSOLIDATED SUBSIDIARY AND ASSOCIATED COMPANIES

	Associated companies of the Parent Company		Associated companies of subsidiaries	
(thousands of euro)	31/12/2023	31/12/2022	31/12/2023	31/12/2022
ASSETS	**589,408**	**701,255**	**71,719**	**72,908**
LIABILITIES	**89,376**	**92,214**	**13,653**	**11,347**
GUARANTEES AND COMMITMENTS	**113,287**	**210,634**	**1,423**	**685**
Guarantees given	20,392	20,402	418	364
Commitments	92,896	190,232	1,006	321

Article 15 of the Market Regulation

In relation to Article 15 (formerly Article 36) of Consob Regulation No. 16191/2007 (Market Regulation), on the subject of conditions for the listing of parent companies incorporated or regulated under the laws of non-EU countries and of significant relevance for the purposes of the consolidated financial statements, it is hereby certified that the only company concerned is Banca Popolare di Sondrio (SUISSE) SA, which has already adopted adequate procedures to ensure full compliance with the aforementioned regulation.

GOODWILL

Intangible assets include goodwill of 16.997 million, of which 7.847 million relating to the acquisition of Factorit spa in 2010, 4.785 million relating to PrestiNuova spa acquired in 2018, and subsequently incorporated by Banca della Nuova Terra spa and 4.365 million relating to Rent2Go srl, a company of which the Parent Company acquired total control on 1 April 2022. In compliance with IAS 36, said goodwill has been subjected to related impairment testing in order to check for any impairment in value. Information about this is provided in Part B, section 10 Intangible assets, of the notes to the financial statements. Together, the evaluation processes did not highlight any need to write down the balance of goodwill on the books.

HUMAN RESOURCES

The Group had 3,597 employees at the end of 2023, an increase of 123 compared to the previous year.

The personnel departments have been heavily involved in selecting, training and managing staff, in order to ensure that the necessary professional resources are available for the Group's operational development and growth, having regard for the changes taking place in the reference markets.

A breakdown of personnel by individual category is contained in the consolidated notes.

CAPITAL AND RESERVES

Shareholders' equity at 31 December 2023, inclusive of valuation reserves and the profit for the year, amounts to 3,809.274 million. Compared with the total at 31 December 2022 of 3,387.436 million, this represents an increase of 421.838 million (+12.45%). The change essentially derives positively from the accounting of the profit for the year under review and from the reduction of the negative valuation reserves and negatively from the distribution of part of the profit for the 2022 financial year.

The Shareholders' Meeting held on 29 April 2023, called to approve the financial statements for the year 2022 and the allocation of profit, resolved to distribute a dividend, paid from 24 May 2023, of 0.28 euro for each of the 453,385,777 shares outstanding as at 31 December 2022. The Parent Company's share capital, which consists of 453,385,777 ordinary shares without nominal value, amounts to 1,360.157 million, unchanged with respect to the comparative period.

The share premiums varied slightly and amounted to 78.949 million, with a decrease of 29 thousand euro, due to negative differences between the unloading price and the corresponding book value of the shares sold.

The item reserves rose to 1,950.646 million (+8.95%); the increase of 160.178 million resulted mainly from the allocation of part of the profit for the financial year 2022.

The valuation reserves item, mainly represented by the balance between gains and losses recorded on assets measured at fair value through other comprehensive income (FVOCI) and between actuarial profits and losses on defined benefit plans for employees, recorded a still negative balance of 16.222 million, a clear improvement compared to the end of 2022, when it was negative for 68.086 million; the effect can be linked to the positive trend of the financial markets. Treasury shares in portfolio amounting to 25.418 million increased slightly.

With regard to capital adequacy, the harmonised legislation for banks and investment firms is contained in Regulation (EU) No. 575/2013 (CRR) and in Directive 2013/36/EU (CRD IV), which define the general limits on capital ratios, which are equal to 7% for the CET 1 Ratio, 8.50% for the Tier 1 Capital Ratio and 10.50% for the Total Capital Ratio. The European Central Bank, which by virtue of its powers, based on the evidence gathered as part of the supervisory review and evaluation process, has the authority to set customised capital and/or liquidity ratios for each intermediary subject to Community supervision, with communication dated 15 December 2022 at the conclusion of the annual Supervisory Review and Evaluation Process (SREP) conducted in 2022, sent the Parent Company the decision of the Supervisory Board regarding the minimum coefficients to be respected on a consolidated basis with effect 1 January 2023.

The minimum capital levels required of our banking Group are:

- a minimum requirement of Common Equity Tier 1 Ratio of 8.50%, calculated as the sum of the Pillar 1 regulatory minimum requirement (4.50%), the Capital Conservation Buffer (2.50%), and an additional Pillar 2 requirement (1.50%);
- a minimum requirement of Tier 1 Capital Ratio of 10.50%, calculated as the sum of the Pillar 1 regulatory minimum requirement (6%), the Capital Conservation Buffer (2.50%) and an

additional Pillar 2 requirement (2.00%).

- a minimum requirement of Total Capital Ratio of 13.16%, calculated as the sum of the Pillar 1 regulatory minimum requirement (8%), the Capital Conservation Buffer (2.50%) and an additional Pillar 2 requirement (2.66%).

While the first two additions are specified by the prudential regulations and are identical for all banks in a given country, the third is determined by the ECB based on the actual degree of risk faced by the individual bank. The additional Pillar 2 Requirement (or "P2R2") is 2.66%.

On 1 December 2023, at the conclusion of the annual SREP conducted in 2023, notification was received from the European Central Bank of the new decision of prudential requirements to be met on a consolidated basis, effective as of 1 January 2024. The additional Pillar 2 Requirement (or "P2R2") is 2.79% (previously 2.66%). The new ratio, to be held in the form of Tier 1 (CET 1) capital for at least 56.25% and Tier 1 capital for at least 75%, includes a quota of 0.04% as an increase in the second pillar requirement for non-performing exposures. Consequently, the minimum required Common Equity Tier 1 Ratio is 8.57%, the minimum required Tier 1 Capital Ratio is 10.59%, and the minimum required Total Capital Ratio is 13.29%.

Since 2017, the ECB has been providing the Bank with "Pillar 2 Guidance", which acts a guide to the future evolution of the Group's capital. This latter parameter takes on a confidential nature and is not subject to disclosure, as it is an element which, even according to the direction made known by the ECB, does not assume relevance in relation to the determination of distributable dividends. Consolidated own funds for Supervisory reporting purposes, including a portion of the profit as at 31 December 2023, amounted to 4,053.189 million (Phased-in) and 3,998.239 million (Fully Phased), while risk-weighted assets amounted to 22,852.976 million.

In the interests of full disclosure, the Group decided to take advantage of EU Regulation 2017/2395, which granted supervised intermediaries the possibility to include, temporarily, in the calculation of their Tier 1 capital an additional amount aimed at "neutralising" the effects the higher accounting provisions caused by immediate adoption of IFRS 9, which came into force on 1 January 2018. With Regulation (EU) 2020/873 of 24 June 2020, changes were made to these transitional provisions, both with regard to the time frame and the computability percentages. While the additional adjustments linked to the entry into force of the IFRS 9 accounting standard have maintained the percentages previously envisaged (i.e. with total elimination in 2023), those linked to the Covid-19 emergency are applied to the value of the CET1 capital taking into account a percentage of eligibility decreasing over time, from 100% in 2020 and 2021, to 75% in 2022, to 50% in 2023, to 25% in 2024, to 0% in 2025.

The requirements referring to the Group as at 31 December 2023 are reported below:

Group's capital ratios	Phased-in	Fully phased
CET1 Ratio	15.37%	15.13%
Tier1 Capital Ratio	15.37%	15.13%
Total Capital Ratio	17.73%	17.50%

The consolidated Leverage Ratio was 5.54% applying the transitional arrangements (phased-in) and 5.46% according to the criteria to be applied at the end of the transition (fully phased).

In accordance with the provisions of the ESMA document No. 725/2012, which originated from the observation that the market value of various listed companies was lower than their book value, the Parent Company carried out an impairment test on the entire structure. The results of this test, of which more detailed information is provided in Part B "Information on the consolidated balance sheet", Section 10 "Intangible assets", of the Consolidated Notes to the Financial Statements, highlighted an economic value of the Group higher than the consolidated net equity.

The following ratios of capital (and reserves, including profit for the period) to the principal balance sheet aggregates are shown with comparative figures at 31 December 2022:

- capital/direct funding from customers 8.99% vs. 8.11%;
- capital/customer loans 11.05% vs. 10.26%;
- capital/financial assets 27.33% vs. 24.78%;
- capital/total assets 6.60% vs. 5.86%;
- net bad loans/capital 1.63% vs. 3.60%.

RECONCILIATION BETWEEN THE PARENT COMPANY'S AND THE CONSOLIDATED FINANCIAL STATEMENTS

The following table reconciles profit for the period and equity as shown in the Parent Company's financial statements and the equivalent figures in the consolidated financial statements.

RECONCILIATION OF THE EQUITY AND PROFIT FOR THE YEAR REPORTED BY THE PARENT COMPANY WITH THE CONSOLIDATED FINANCIAL STATEMENTS

(thousands of euro)	Equity	of which: Profit for the year
Equity of the Parent Company at 31.12.2023	3,178,642	392,766
Consolidation adjustments	-35,247	-35,247
Difference with respect to the carrying amounts of equity investments in:		
- companies consolidated on a line-by-line basis	501,538	65,085
- companies valued using the equity method	164,341	38,558
Balance at 31.12.2023, as reported in the consolidated financial statements	**3,809,274**	**461,162**

RATINGS

The solvency of the Banca Popolare di Sondrio Banking Group has been assessed by the rating agencies Fitch Ratings, DBRS Morningstar and Scope Ratings. For further information, see the directors’ report accompanying the 2023 financial statements of the Parent Company.

INCOME STATEMENT

Despite the weak economic cycle, our Group achieved a record profit in the year under review. The year 2023 closed with a profit of 461.162 million, an increase of 83.50% compared with 251.321 million the previous year. The result derives from the good performance of all revenue components, primarily the dynamics of the net interest income.

The comments on the various items refer to the data shown in the “Summary income statement” below. Note that they have been reclassified with respect to those shown in the tables foreseen in Bank of Italy provision No. 262/2005. A table showing quarterly changes in the reclassified consolidated income statement is also provided, highlighting changes in the income statement during the year.

Net interest income increased by 37.57%, coming in at 936.955 million compared to 681.067 million. Persistent inflationary pressures and the ECB's restrictive monetary policy kept interest rates high, thus significantly impacting variable-rate customer loans and new disbursements. The overall differential between lending and borrowing rates increased compared to the comparison period.

Interest income showed excellent performance: from 834.558 to 1,812.025 million, +117.12%. The increase is primarily attributable to the income from loans to customers, which recorded growing average volumes, followed by the income from the securities portfolio relating in particular to index-linked government securities, driven by the continuation of inflation and restrictive monetary policies of the ECB; follows the strong increase in income relating to tax credits acquired connected to the DL “*Cura Italia*” and “Relaunch” for 74.711 million compared to 39.982 million. Interest expense amounted to 875.070 million compared to 153.491 million +470.11%. The considerable amount of funding led to a substantial increase in cost. Also noteworthy is the increase in interest paid on TLTRO III refinancing transactions and on repurchase transactions with banks.

Net fee and commission income showed a decent trend, amounting to 402.560 million, +5.77%. Given the substantial stability of those linked to activity in securities and financial products, those for guarantees issued, for financing and current accounts, order collection, abroad, as well as collections and payments, increased significantly. Those related to credit cards are declining.

Dividends totalling 7.652 million were collected, compared with 6.464 million, +18.38%.

KEY FIGURES OF THE CONSOLIDATED INCOME STATEMENT

(thousands of euro)	31/12/2023	31/12/2022	Absolute changes	Changes %
Net interest income	936,955	681,067	255,888	37.57
Dividends	7,652	6,464	1,188	18.38
Net fee and commission income	402,560	380,590	21,970	5.77
Result of financial activities [a]	115,313	69,565	45,748	65.76
Result of other financial assets and liabilities measured at FVTPL [b]	5,208	-67,588	72,796	n.a.
of which LOANS	*-682*	*-10,460*	*9,778*	n.a.
of which OTHER	*5,890*	*-57,128*	*63,018*	n.a.
Total income	**1,467,688**	**1,070,098**	**397,590**	**37.15**
Net adjustments [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 operating income/expense [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
Adjustments to property, equipment and investment property and intangible assets	-72,483	-62,480	-10,003	16.01
Operating costs	**-580,693**	**-525,723**	**-54,970**	**10.46**
Operating profit (loss)	**662,453**	**374,621**	**287,832**	**76.83**
Charges for stabilising the banking system [e]	-38,874	-45,909	7,035	-15.32
Net gains (losses) on equity investments and other investments	36,705	25,178	11,527	n.a.
Profit (loss) before tax	**660,284**	**353,890**	**306,394**	**86.58**
Income taxes	-199,122	-102,569	-96,553	n.a.
Profit (loss)	**461,162**	**251,321**	**209,841**	**83.50**
(Profit) loss attributable to non-controlling interests	0	0	0	n.a.
Profit (loss) attributable to the Parent Company	**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 measured at FVTPL is comprised in item 110 of the income statement;
[c] Net adjustments consist of the sum of items 130 - 140 - 200 a) in the income statement inclusive of profits on disposals of 4.157 million euro.
[d] Personnel expenses and other operating income have been stated net of the income generated by the post-employment benefits fund of 7.226 million euro;
[e] Charges for stabilising the banking system have been separated from other administrative expenses and presented separately;
[f] Net allocations to provisions for risks and charges refer to item 200 b).

The result from financial activities, the sum of items 80-90-100 in the income statement, was a positive 115.313 million compared to 69.565 million +65.76%. The portfolio of assets held for trading (item 80) generated a positive result of 112.981 million, up 297.76% compared with 28.404 million. Compared to profits from securities trading of 2.652 million in the previous year, profits of 16.299 million were recorded, while the profit linked to foreign exchange and currency activity rose from 39.987 million to 92.963 million.

The net imbalance between capital gains and losses on securities was positive for 1.317 million, compared to a negative balance of 17.630 million in the previous year. The result of the derivatives business was positive for 2.374 million, compared to a negative figure of 0.919 million.

Exchange rate differences were slightly positive and decreased from 4.314 million to 0.028 million. Item 90 - net hedging gain (loss) - was a negative 76 thousand euro. The profit on sale/repurchase (item 100), reclassified, amounted to 2.408 million compared with 41.324 million. This amount of the year does not include 4.157 million of net profits from the sale of NPL loans, which were reclassified to adjustments to loans and financial assets. Its breakdown, as required by IFRS 9, is as follows: result from financial assets measured at amortised cost 3.488 million; financial assets measured at fair value through other comprehensive income -1.166 million; financial liabilities 0.087 million; in the comparative period, there had been substantial sales of government bonds recognised in financial assets at amortised cost for which capital gains had been realised. The net result of other assets and liabilities measured at fair value through profit or loss (item 110) was positive for 5.208 million compared to a negative one for 67.588 million, which included losses of 57.128 million largely attributable to devaluations of securities funds; for the negative amount of 0.682 million, compared to an always negative figure of 10.460 million, it refers to loans to customers.

Net banking income stood at 1,467.688 million, +37.15%, reflecting the good performance of the "core" activity, net interest income, operations in securities, but also the discreet increase in commissions. Within this aggregate, the weighting of net interest income was 63.84% compared with 63.65%.

The uncertainties of the international geopolitical context and the persistence of cyclical weakness made it advisable to maintain a solid level of coverage and a prudent provisioning policy. It all resulted in an increase in the adjustments/write-backs for credit risk on the exposures to customers, banks and securities, of 224.542 million, compared with 169.754 million, +32.27%. During the year, a massive sale of NPL loans called POP NPLS 2023 and a number of Single Name disposals were finalised, with a reclassification of net profits on disposals of 4.157 million, and provisions for guarantees and commitments of 32.982 million were recognised, compared to 19.937 million. The finalisation of the NPL loan disposal transactions is in line with the Group's policy on the reduction of NPL loans and responds to the ECB's recommendations.

In its components, the sub-item 130) "adjustments to financial assets measured at amortised cost", which come from exposures to customers and banks in the form of loans and securities, reclassified for the above profits from the sale, amounted to 202.614 million, +32.86% compared with 152.505 million; net of provisions and net write-backs on securities and banks for modest amounts refers to loans to customers. There was a slowdown in the dynamics of non-performing loans and, albeit slight, also in the default rate to be linked also to the various initiatives that the Group has implemented both to improve credit quality and to refine the processes for assessing the loans themselves, in particular those entered under bad debts, unlikely to pay, past due receivables, determined according to supervisory regulations, in addition to those relating to performing positions.

Sub-item 130b relating to financial assets valued at fair value through comprehensive income was positive by 0.347 million against a negative figure of 0.360 million. The estimate of expected losses on performing loans is determined in accordance with the requirements of IFRS 9, using modelling that adopts different macro-scenarios for calculation purposes. To supplement the outcomes of the ECL estimation models, in continuity with as was done in the 2022 financial statements, management overlays of approximately 113 million were introduced and taken to the income statement.

RECLASSIFIED CONSOLIDATED INCOME STATEMENT QUARTER BY QUARTER

(thousands of euro)	2023				2022			
	IV Quarter	III Quarter	II Quarter	I Quarter	IV Quarter	III Quarter	II Quarter	I Quarter
Net interest income	268,513	241,105	235,290	192,047	203,815	156,943	164,119	156,190
Dividends	3,073	2,271	1,645	663	365	413	5,448	238
Net fee and commission income	112,466	95,554	98,058	96,482	104,231	91,840	93,057	91,462
Result of financial activities [a]	35,643	21,553	28,306	29,811	24,183	4,029	24,260	17,093
Result of other financial assets and liabilities measured at FVTPL [b]	2,406	-1,083	-8,792	12,677	6,563	-6,566	-33,999	-33,586
of which LOANS	*-1,069*	*-695*	*-1,836*	*2,918*	*4,708*	*2,076*	*-4,279*	*-12,965*
of which OTHER	*3,475*	*-388*	*-6,956*	*9,759*	*1,855*	*-8,642*	*-29,720*	*-20,621*
Total income	**422,101**	**359,400**	**354,507**	**331,680**	**339,157**	**246,659**	**252,885**	**231,397**
Net adjustments [c]	-124,435	-21,172	-39,116	-39,819	-65,873	-60,483	-16,096	-27,302
Net financial income	**297,666**	**338,228**	**315,391**	**291,861**	**273,284**	**186,176**	**236,789**	**204,095**
Personnel expenses [d]	-77,053	-74,115	-72,920	-68,954	-69,096	-69,326	-64,247	-66,477
Other administrative expenses [e]	-78,915	-66,918	-69,210	-67,973	-71,288	-60,059	-68,154	-62,502
Other operating income/expense [d]	27,388	22,073	22,875	22,000	20,357	22,887	22,053	16,897
Net accruals to provisions for risks and charges [f]	-7,459	-6,453	-7,193	-5,383	-6,545	-1,495	-6,653	405
Adjustments to property, equipment and investment property and intangible assets	-22,829	-17,744	-16,499	-15,411	-18,180	-16,778	-15,547	-11,975
Operating costs	**-158,868**	**-143,157**	**-142,947**	**-135,721**	**-144,752**	**-124,771**	**-132,548**	**-123,652**
Operating profit (loss)	**138,798**	**195,071**	**172,444**	**156,140**	**128,532**	**61,405**	**104,241**	**80,443**
Charges for stabilising the banking system [e]	1,983	-	-5,852	-35,005	-2,865	-3,004	-10,040	-30,000
Net gains (losses) on equity investments and other investments	12,520	9,995	1,204	12,986	10,609	5,331	2,578	6,660
Profit (loss) before tax	**153,301**	**205,066**	**167,796**	**134,121**	**136,276**	**63,732**	**96,779**	**57,103**
Income taxes	-40,728	-63,563	-55,117	-39,714	-36,241	-17,507	-32,018	-16,803
Profit (loss)	**112,573**	**141,503**	**112,679**	**94,407**	**100,035**	**46,225**	**64,761**	**40,300**
(Profit) loss attributable to non-controlling interests	-	-	-	-	-	-	-	-
Profit (loss) attributable to the Parent Company	**112,573**	**141,503**	**112,679**	**94,407**	**100,035**	**46,225**	**64,761**	**40,300**

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 measured at FVTPL is comprised in item 110 of the income statement;
[c] Net adjustments consist of the sum of items 130 - 140 - 200 a) of the income statement.
[d], [e] and [f] The figures are shown in accordance with the reclassifications presented in the summary of the reclassified consolidated income statement.

Line item 140, comprising the gains/losses on contractual amendments to cash flows not resulting in derecognition, shows gains for the period of 6.550 million compared with profits of 3.565 million.

A provision for commitments and guarantees given of 32.982 million was recognised, compared to provisions for 19.937 million in the comparison period.

The ratio of net adjustments to customer loans/total customer loans, which is defined as the cost of credit, increased from 0.51% to 0.65%.

Financial income has therefore increased from 900.344 million to 1,243.146, +38.07%.

Although efforts dedicated to improving the efficiency of structures and containing expenses continued, as always, operating costs increased significantly to 580.693 million compared to 525.723 million, +10.46%.

The ratio of operating costs to income from banking activities, otherwise known as the cost/income ratio, has fallen to 39.57%, from 49.13% in the prior year, while the ratio of operating costs to total assets eased to 1.01% from 0.91%. As for the individual components, administrative expenses, normalised with the exclusion of the provision of the proceeds of the pension fund that have a balancing entry of the same amount in the other operating expenses/income, amounted to 576.058 million, +8.45%; of these, personnel expenses went from 269.146 to 293.042 million, +8.88%, mainly due to contractual adjustments and the increase in personnel due to the new hirings of the period, while other administrative expenses rose from 262.003 to 283.016 million, +8.02%. Of note are the increases in expenses for electricity, water and heating, consultancy, rental and maintenance of hardware and software, for the use of interbank networks, IT costs, maintenance of tangible assets, taxes and fees for information and inspections; decreases in legal costs, and for services rendered by third parties.

The item “net provisions for risks and charges” reflect releases of 26.488 million compared with an allocation of 14.288 million. The depreciation of property, equipment and investment property and the amortisation of software amounted to 72.483 million compared with 62.480 million. Other income, stated after the above mentioned reclassification and net of other operating expenses, amounted to 94.336 million, +14.77%.

Charges for stabilising the banking system, shown separately, amounted to 38.874 million, compared to 45.909 million, -15.32%. The aggregate profits/losses on equity and other investments shows a positive balance of 36.705 million, compared with 25.178 million, +45.78%.

Profit before income taxes therefore totalled 660.284 million, +86.58%. After deducting income taxes of 199.122 million, up 94.14% on the previous year, the profit for the year was 461.162 million, +83.50%.

The tax rate, understood as the simple ratio between income taxes and pre-tax result, stood at 30.16% compared to 28.98%.

RESULTS IN BRIEF AND ALTERNATIVE PERFORMANCE INDICATORS

The Group's main balance sheet and income statement figures and indicators at 31 December 2023 are shown below, compared with what they were the previous year.

RESULTS IN BRIEF

(in millions of euro)	31/12/2023	31/12/2022	Change %
Balance sheet figures			
Loans and receivables with 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

(in millions of euro)	31/12/2023	31/12/2022	Change %
Income statement			
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			
CET1 Capital ratio	15.37%	15.39%	
Total Capital ratio	17.73%	17.95%	
Free capital	2,225	2,095	
Other information on the Banking Group			
Number of employees	3,580	3,456	
Number of branches	377	373	

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

** The intermediation margin is represented as per the reclassification made in the table commenting on the income statement.

Notes

The ratios indicated were calculated using the figures shown in the summary reclassified income statement.

Loans and receivables with customers: this includes the portion of loans to customers held for the purpose of financing included in financial assets measured at amortised cost and financial assets mandatorily measured at fair value.

Direct funding: this brings together the items relating to funding from customers included in amounts due to customers at amortised cost and securities in issue.

Indirect funding: this represents the custody, administration and management activity - of securities, mutual funds, asset

management - carried out by the Group on behalf of third parties or in connection with the management of financial portfolios. The stocks are marked to market.
Financial assets that do not constitute loans: this includes the portion of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets at amortised cost (banks and customers) that are not held for financing purposes. They therefore consist of debt securities, bonds, mutual funds, derivatives and equity securities that do not constitute equity investments.

The Alternative Performance Indicators (APIs) reported in this section take into account the Guidelines issued by ESMA on 5 October 2015, which Consob incorporated into its supervisory practices (Communication No. 0092543 of 3 December 2015). These Guidelines became applicable as of 3 July 2016. It should be noted that, in line with the indications contained in the update of the document “ESMA32_51_370 – Question and answer – ESMA Guidelines on Alternative Performance Measures (APMS)”, published on 17 April 2020, no changes have been made to the IAPs aimed at taking into account the effects of the Covid-19 crisis. It should be noted that the definition and methods of calculation of IAPs not directly attributable to financial statement items are provided; the amounts used therein can be traced through the information contained in the tables above or in the reclassified financial statements contained in this consolidated report on operations. These economic and financial indicators are based on accounting figures and are used in internal management and performance management systems, in line with the most common metrics used in the banking sector in order to ensure that published figures are comparable.

With regard to the Group's main balance sheet figures as at 31 December 2023, there were excellent levels of capitalisation and discrete growth for loans and more moderate growth for deposits, as well as an excellent economic result, compared to the comparative year, achieved in a context characterised by uncertainties and sustained primarily by the growth in net interest income and the result of the securities business, which was heavily negative in the comparative year.

Margins grew due to the positive effect of the growth in lending, but in particular due to the substantial contribution of interest from customers, which was followed by the coupon flow driven by persistent inflationary trends; it was also followed by the strong increase in income from tax credits purchased.

In particular:

- net commissions showed a moderate increase, due to an increase in commissions on guarantees issued, loans, current accounts, and collections and payments, while commissions related to securities business remained largely stable;
- the result of financial activities, which had been negatively impacted by the volatility of the financial markets in the previous year, turned positive thanks to a more stable situation on the markets;
- the cost of credit shows an increase. This effect is also due to the additional prudential overlays. For details on the quantification of losses due to the impairment of loans, please refer to the paragraph relating to the relevant accounting policies and uncertainties related to the use of estimates in the consolidated Notes - Part A;
- loans to customers recorded a moderate increase despite the modest growth, which

consequently affected the demand for credit from both companies and households. At 31 December 2023, the incidence of bad and non-performing loans, as well as the Texas ratio, dropped significantly, in continuity with what was experienced last year. The degree of hedging has increased;

– with reference to the other balance sheet aggregates, on the other hand, there was a slight increase in Direct Deposits, in a context that at system level, recorded a negative trend and an outflow towards more remunerative forms of investment in relation to the level of interest rates, which remained high, markedly so, that of time deposits. Indirect deposits, on the other hand, showed a good increase, attributable to the positive market performance during the year due to the transfer from demand deposits. Therefore, by comparing the shareholders' equity, which also recorded an increase by virtue of the profits made, with the main balance sheet figures, the balance sheet indicators show an improvement with respect to the previous year.

ALTERNATIVE PERFORMANCE INDICATORS

	31/12/2023	31/12/2022
Key ratios		
Equity/Direct funding from customers	8.99%	8.11%
Shareholders' equity/ Loans to customers	11.05%	10.26%
Equity/Financial assets	27.33%	24.78%
Equity/Total assets	6.60%	5.86%
Profitability indicators		
Cost/Income	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%
Profit for the year/Total assets	0.80%	0.43%
Asset quality indicators		
NPL ratio	3.71%	4.29%
Texas ratio	14.91%	18.16%
Net bad loans/Equity	1.63%	3.60%
Net bad loans/Loans to customers	0.18%	0.37%
Loans to customers/Direct funding from customers	81.33%	79.05%
Cost of credit	0.65%	0.51%

Notes:

The ratios were calculated using the figures shown in the summary reclassified income statement.

Cost/Income ratio: the ratio between operating costs and total income

Texas ratio: the ratio between bad loans and the difference between equity and intangible assets, as the denominator.

Cost of credit: ratio of net adjustments/write-backs of impairment losses on loans in the income statement to total loans and advances to customers.

In summary, therefore, the credit quality indicators almost entirely showed improvements compared to last year. The profitability ratios related to net interest income showed an improvement correlated to the strong increase in interest income, particularly income from the securities portfolio related to indexed government bonds driven by both ongoing inflation and the ECB's restrictive policies.

The only index that does not show an improvement is the cost of credit, which is affected, as already reported, by the substantial overlays.

The balance sheet indicators, thanks to the greater increase in shareholders' equity compared to the other balance sheet aggregates, improved compared to the previous year.

SIGNIFICANT EVENTS AND BUSINESS PROSPECTS

The reader is referred to the report accompanying the Parent Company’s financial statements for information on events that took place after the end of the financial year.

With regard to the subsidiaries, there is nothing to report.

Forecasts for the Italian economy are for moderate growth, at last year's levels, despite a complicated geopolitical framework marked by uncertainties, especially in relation to the ongoing conflicts in Ukraine and the Middle East. As far as monetary policy is concerned, the reversal seems destined to materialise in the course of the year, with the ECB gradually reducing its key interest rates.

As far as our Group is concerned, net interest income, therefore, should still contribute significantly to core profitability, which will also continue to benefit from the favourable trend of the commission component. In terms of asset quality, credit positions will continue to be carefully managed and high coverage levels will be maintained; even in a context of a possible increase in the decay rate, the cost of credit risk is not expected to rise. Operational efficiency is set to remain high, also due to the lack of contributions to the Single Resolution Fund for the stabilisation of the banking system, whose predetermined endowment has been reached. In light of the above, it is reasonable to assume that the targets of the 2022-2025 Next Step Plan will also be exceeded in 2024, with profitability hopefully remaining on track.

Sondrio, 15 March 2024

THE BOARD OF DIRECTORS

CONSOLIDATED FINANCIAL STATEMENTS OF THE BANCA POPOLARE DI SONDRIO GROUP AS AT 31 DECEMBER 2023

CONSOLIDATED BALANCE SHEET

(thousands of euro)

	ASSET ITEMS	31/12/2023	31/12/2022
10.	**Cash and cash equivalents**	**4,546,559**	**6,990,689**
20.	**Financial assets measured at fair value through profit or loss**	**690,970**	**1,254,070**
	a) financial assets held for trading	150,073	179,665
	c) other financial assets mandatorily measured at fair value	540,897	1,074,405
30.	**Financial assets measured at fair value through other comprehensive income**	**3,212,616**	**2,555,705**
40.	**Financial assets measured 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.	**Change in value of macro-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) prepaid	259,438	324,993
130.	**Other assets**	**2,387,037**	**1,830,354**
	TOTAL ASSETS	**57,721,765**	**57,854,361**

	LIABILITIES AND EQUITY	31/12/2023	31/12/2022
10.	**Financial liabilities measured at amortised cost**	**52,310,486**	**53,152,710**
	a) Due to banks	9,917,675	11,381,703
	b) Customer deposits	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 employee severance pay**	**33,459**	**35,597**
100.	**Provisions for risks and charges**	**363,620**	**295,528**
	a) commitments and guarantees given	96,237	63,204
	b) pension and similar obligations	178,950	167,827
	c) other provisions for risks and charges	88,433	64,497
120.	**Valuation reserves**	**(16,222)**	**(68,086)**
150.	**Reserves**	**1,950,646**	**1,790,468**
160.	**Share premium accounts**	**78,949**	**78,978**
170.	**Share capital**	**1,360,157**	**1,360,157**
180.	**Treasury shares (-)**	**(25,418)**	**(25,402)**
190.	**Non-controlling interests (+/-)**	**14**	**4**
200.	**Profit (Loss) of the year (+/-)**	**461,162**	**251,321**
	TOTAL LIABILITIES AND EQUITY	**57,721,765**	**57,854,361**

CONSOLIDATED INCOME STATEMENT

(thousands of euro)

ITEMS		31/12/2023	31/12/2022
10.	INTEREST AND SIMILAR INCOME	1,812,025	834,558
	of which: interest income calculated using the effective interest method	1,795,686	*824,601*
20.	INTEREST AND SIMILAR EXPENSES	(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 GAIN (LOSS)	(76)	(181)
100.	GAINS (LOSSES) FROM SALES OR REPURCHASES OF:	6,565	40,825
	a) financial assets measured at amortised cost	7,644	*28,972*
	b) financial assets measured at fair value through other comprehensive income	*(1,166)*	*11,848*
	c) financial liabilities	*87*	*5*
110.	NET GAINS/LOSSES ON OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED 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 ADJUSTMENTS/WRITE-BACKS FOR CREDIT RISK RELATED TO:	(202,267)	(152,865)
	a) financial assets measured at amortised cost	(202,614)	*(152,505)*
	b) financial assets measured at fair value through other comprehensive income	347	*(360)*
140.	GAINS/LOSSES FROM CONTRACTUAL AMENDMENTS NOT RESULTING IN DERECOGNITION	6,550	3,565
150.	**NET FINANCIAL INCOME**	**1,276,128**	**920,281**
180.	**BALANCE OF FINANCIAL AND INSURANCE MANAGEMENT**	**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	(53,836)	(45,268)
220.	AMORTISATION AND NET IMPAIRMENT LOSSES ON INTANGIBLE ASSETS	(18,647)	(17,212)
230.	OTHER OPERATING INCOME/EXPENSE	101,562	85,379
240.	**OPERATING COSTS**	**(652,549)**	**(591,569)**
250.	GAINS (LOSSES) ON EQUITY INVESTMENTS	38,524	27,768
260.	NET RESULT OF FAIR VALUE MEASUREMENT OF PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY AND INTANGIBLE ASSETS	(2,288)	(2,762)
280.	GAINS (LOSSES) ON SALES OF INVESTMENTS	469	172
290.	**PRE-TAX PROFIT (LOSS) FROM CONTINUING OPERATIONS**	**660,284**	**353,890**
300.	INCOME TAXES FOR THE YEAR FROM CURRENT OPERATIONS	(199,122)	(102,569)
310.	**POST-TAX PROFIT (LOSS) FROM CONTINUING OPERATIONS**	**461,162**	**251,321**
330.	**PROFIT (LOSS) FOR THE YEAR**	**461,162**	**251,321**
340.	(PROFIT) LOSS FOR THE YEAR ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	-	-
350.	**PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE PARENT COMPANY**	**461,162**	**251,321**

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(thousands of euro)

ITEMS		2023	2022
10.	**Profit (loss) for the year**	**461,162**	**251,321**
	Other income items net of income taxes that will not be reclassified to profit or loss		
20.	Equity securities measured at fair value through other comprehensive income	(4,603)	(5,822)
40.	Property, equipment and investment property	-	2,033
70.	Defined-benefit plans	(7,110)	18,758
90.	Share of valuation reserves of equity investments measured at equity	116	349
	Other income items net of income taxes that may be reclassified subsequently to profit or loss		
120.	Exchange rate differences	1,209	(752)
150.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	38,466	(84,492)
170.	Share of valuation reserves of equity investments measured at equity	23,786	(30,436)
200.	**Total other income items net of income taxes**	**51,864**	**(100,362)**
210.	**Other comprehensive income (Item 10+200)**	**513,026**	**150,959**
220.	Consolidated other comprehensive income attributable to non-controlling interests	-	161
230.	**Consolidated other comprehensive income attributable to the parent company**	**513,026**	**150,798**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(thousands of euro)

				Allocation of prior year result		Changes during the year										
							Equity transactions									
	Balance at 31.12.2022	Changes in opening balances	Balance at 1.1.2023	Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Changes in interests held	Other comprehensive income at 31.12.2023	**Equity attributable to the Group at 31.12.2023**	**Equity attributable to non-controlling interests at 31.12.2023**
Share capital																
a) ordinary shares	1,360,161	-	1,360,161	-	-	-	10	-	-	-	-	-	-	-	1,360,157	14
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium accounts	**78,978**	**-**	**78,978**	**-**	**-**	**-**	**(29)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**78,949**	**-**
Reserves																
a) from earnings	1,754,574	-	1,754,574	125,093	-	35,085	-	-	-	-	-	-	-	-	1,914,752	-
b) other	35,894	-	35,894	-	-	-	-	-	-	-	-	-	-	-	35,894	-
Valuation reserves	**(68,086)**	**-**	**(68,086)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**51,864**	**(16,222)**	**-**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**(25,402)**	**-**	**(25,402)**	**-**	**-**	**-**	**63**	**(79)**	**-**	**-**	**-**	**-**	**-**	**-**	**(25,418)**	**-**
Profit for the year	**251,321**	**-**	**251,321**	**(125,093)**	**(126,228)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**461,162**	**461,162**	**-**
Equity attributable to the Group	**3,387,436**	**-**	**3,387,436**	**-**	**(126,228)**	**35,085**	**34**	**(79)**	**-**	**-**	**-**	**-**	**-**	**513,026**	**3,809,274**	**-**
Equity attributable to non-controlling interests	**4**	**-**	**4**	**-**	**-**	**-**	**10**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**14**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(thousands of euro)

				Allocation of prior year result		Changes during the year										
							Equity transactions									
	Balance at 31.12.2021	Changes in opening balances	Balance at 1.1.2022	Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Changes in interests held	Other comprehensive income at 31.12.2022	**Equity attributable to the Group at 31.12.2022**	**Equity attributable to non-controlling interests at 31.12.2022**
Share capital																
a) ordinary shares	1,393,736	-	1,393,736	-	-	-	-	-	-	-	-	-	(33,575)	-	1,360,157	4
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium accounts	**83,363**	**-**	**83,363**	**-**	**-**	**-**	**(27)**	**-**	**-**	**-**	**-**	**-**	**(4,358)**	**-**	**78,978**	**-**
Reserves																
a) from earnings	1,578,288	-	1,578,288	184,773	-	56,363	-	-	-	-	-	-	(64,850)	-	1,754,574	-
b) other	37,851	-	37,851	-	-	-	-	-	-	-	-	-	(1,957)	-	35,894	-
Valuation reserves	**32,276**	**-**	**32,276**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(100,362)**	**(68,086)**	**-**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**(25,457)**	**-**	**(25,457)**	**-**	**-**	**-**	**69**	**(14)**	**-**	**-**	**-**	**-**	**-**	**-**	**(25,402)**	**-**
Profit for the year	**275,020**	**-**	**275,020**	**(184,773)**	**(90,247)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**251,321**	**251,321**	**-**
Equity attributable to the Group	**3,270,494**	**-**	**3,270,494**	**-**	**(90,247)**	**56,363**	**42**	**(14)**	**-**	**-**	**-**	**-**	**-**	**150,798**	**3,387,436**	**-**
Equity attributable to non-controlling interests	**104,583**	**-**	**104,583**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(104,740)**	**161**	**-**	**4**

CASH FLOW STATEMENT (indirect method)

	31/12/2023	31/12/2022
A. OPERATING ACTIVITIES		
1. Operations	**899,765**	**769,584**
- result for the period (+/-)	461,162	251,321
- gains/losses on financial assets held for trading and financial assets/liabilities measured at fair value through profit or loss (-/+)	(59,634)	60,518
- gains (losses) on hedging (-/+)	76	181
- net adjustments/write-backs for credit risk (+/-)	212,321	169,728
- net adjustments/write-backs for property, equipment and investment property and intangible assets (+/-)	74,771	65,241
- provisions for risks and charges and other costs/revenues (+/-)	89,973	62,517
- unpaid taxes, duties and tax credits (+)	199,122	102,569
- other adjustments (+/-)	(78,026)	57,509
2. Cash generated/absorbed by financial assets	**(2,078,825)**	**(1,676,266)**
- financial assets held for trading	96,421	39,886
- financial assets designated at fair value	-	-
- financial assets mandatorily measured at fair value	546,098	92,890
- financial assets measured at fair value through other comprehensive income	(608,587)	464,583
- financial assets measured at amortised cost	(1,441,591)	(1,051,404)
- other assets	(671,166)	(1,222,221)
3. Cash generated/absorbed by financial liabilities	**(1,127,077)**	**2,485,995**
- financial liabilities measured at amortised cost	(1,304,275)	2,681,848
- financial liabilities held for trading	(60,834)	(1,932)
- financial liabilities measured at fair value	-	-
- other liabilities	238,032	(193,921)
Net cash generated/absorbed by operating activities	**(2,306,137)**	**1,579,313**
B. INVESTING ACTIVITIES		
1. Cash generated by	**48,971**	**16,209**
- sales of equity investments	3	2,500
- dividends collected from equity investments	16,303	12,765
- sales of property, equipment and investment property	32,665	944
- sales of intangible assets	-	-
- sales of subsidiaries and business units	-	-
2. Cash absorbed by	**(120,155)**	**(214,655)**
- purchases of equity investments	-	(84,491)
- purchases of property, equipment and investment property	(100,521)	(111,901)
- purchases of intangible assets	(19,634)	(18,263)
- purchase of subsidiaries and business units	-	-
Net cash generated/absorbed by investing activities	**(71,184)**	**(198,446)**
C. FUNDING ACTIVITIES		
- issues/purchases of treasury shares	26	523
- issues/purchases of equity instruments	-	-
- distribution of dividends and other uses	(126,948)	(90,463)
- sale/purchase of third party control	-	-
Net cash generated/absorbed by financing activities	**(126,922)**	**(89,940)**
NET CASH GENERATED/ABSORBED IN THE YEAR	**(2,504,243)**	**1,290,927**

Key:
(+) generated (-) absorbed

RECONCILIATION

Items	31/12/2023	31/12/2022
Cash and cash equivalents at the beginning of the year	6,990,689	5,652,733
Total net liquidity generated/absorbed during the year	(2,504,243)	1,290,927
Cash and cash equivalents: effect of exchange rate fluctuations	60,113	47,029
Cash and cash equivalents - closing balance	**4,546,559**	**6,990,689**

CONSOLIDATED NOTES

PART A - Accounting policies

A.1 General information

Section 1 – Declaration of compliance with international accounting standards

Banca Popolare di Sondrio, a joint-stock company, declares that these consolidated financial statements have been prepared in accordance with the International Accounting Standards (IAS/IFRS) adopted by the International Accounting Standards Board (IASB), and the related interpretations of the International Financial Reporting Interpretations Committee, in force at 31 December 2023 and endorsed by the European Commission according to the procedure established by EU Regulation 1606/2002.

The adoption of these international accounting standards has taken advantage of the provisions of art. 4, paragraphs 1 and 2, of Legislative Decree No. 38 dated 28 February 2005 "Making the elections envisaged by art. 5 of the EC Regulation No. 1606/2002 concerning international accounting standards".

The format of the consolidated financial statements complies with the Bank of Italy's Instructions 262 dated 22 December 2005, issued within the powers defined by Legislative Decree 38/2005 and subsequent updates and additions.

The consolidated financial statements at 31 December 2023 were approved by the Board of Directors on 15 March 2024.

Section 2 - General preparation principles

The consolidated financial statements have been prepared in accordance with the following general criteria described in IAS 1:

1) Going concern. The financial statements have been prepared on a going concern basis: assets, liabilities and off-balance sheet transactions have therefore been valued according to their operating values. In this regard, it should be noted that the board of directors and the board of statutory auditors have carefully assessed the prospect of the company's continuation as a going concern and have not detected any symptoms in the balance sheet and financial structure or in the operating performance that could lead to uncertainties on the point of business continuity, even taking into account the difficulties highlighted in the past by the so-called "sovereign debt securities" as well as the macroeconomic context created by the pandemic, the Russian-Ukrainian conflict and the more recent Israeli/Palestinian conflict. In this regard, it is believed that the Group, despite possible negative repercussions regarding the trend of some types of revenues and the cost of credit, and the presence of the risk and risk elements referred to in the paragraph "Risk management" can continue to operate as a going concern in the foreseeable future in accordance with the provisions of the 2022-2025 Business Plan.
2) Accruals basis. Costs and revenues are matched in the accounting periods to which they relate, regardless of when the transactions are settled.
3) Consistency of presentation. Items are presented and classified in the same way from one year to the next, in order to ensure the comparability of information, unless changes are required by an international accounting standard or related interpretation, or a different presentation or classification would be more appropriate for the meaningful and reliable disclosure of information.
   If the presentation or classification of items is changed, the comparative amounts are also reclassified, if feasible, and the nature of the reclassification is explained together with the reasons for it.
4) Significance and grouping. Each significant group of similar items is shown separately in the financial statements. Items with a dissimilar nature or use are reported separately, unless they are insignificant.

5) No offsetting of balances. Assets, liabilities, costs and revenues are not offset against each other unless required or allowed by an international accounting standard or related interpretation, or unless this is specifically envisaged in the reporting formats established for banks.
6) Comparative information. Prior period comparative information is provided for all the data reported in the financial statements, except if a different approach is allowed by an international accounting standard or its interpretation. Explanatory and descriptive information is included when this helps to provide a better understanding of the consolidated financial statements.

The financial statements are prepared in accordance with Italian regulations to the extent that they are compatible with IAS. Accordingly, the financial statements incorporate the requirements of Legislative Decree 136/2015, the articles of the Italian Civil Code and the corresponding provisions of the Consolidated Finance Act ("TUF"). All the data contained in the tables and in the notes are expressed in thousands of euro unless otherwise specified.

Section 3 Scope of consolidation and methodology

1. Investments in wholly-controlled companies

Investments in wholly-controlled companies are listed in the following table.
The following companies have been consolidated on a line-by-line basis:

Company Name	Operative Office	Registered Office	Type of relationship(1)	Share capital (in thousands)	Investment relationship		% of votes (2)
					Investing company	% share	
Banca Popolare di Sondrio (SUISSE) SA	Lugano	Lugano	1	(CHF) 180,000	Banca Popolare di Sondrio S.p.a.	100	
Factorit S.p.a.	Milan	Milan	1	85,000	Banca Popolare di Sondrio S.p.a.	100	
Sinergia Seconda S.r.l.	Milan	Milan	1	60,000	Banca Popolare di Sondrio S.p.a.	100	
Banca della Nuova Terra S.p.a.	Sondrio	Sondrio	1	31,315	Banca Popolare di Sondrio S.p.a.	100	
Pirovano Stelvio S.p.a. (3)	Sondrio	Sondrio	1	2,064	Banca Popolare di Sondrio S.p.a.	100	
Servizi Internazionali e Strutture Integrate 2000 S.r.l. (3)	Milan	Milan	1	75	Banca Popolare di Sondrio S.p.a.	100	
PrestiNuova S.r.l. - Agenzia in Attività Finanziaria	Rome	Rome	1	100	Banca della Nuova Terra S.p.a.	100	
Immobiliare Borgo Palazzo S.r.l. (3)	Tirano	Tirano	1	10	Sinergia Seconda S.r.l.	100	
Immobiliare San Paolo S.r.l. (3)	Tirano	Tirano	1	10	Sinergia Seconda S.r.l.	100	
Rent2Go S.r.l. (3)	Bolzano	Bolzano	1	12,050	Banca Popolare di Sondrio S.p.a.	100	
Popso Covered Bond S.r.l.	Conegliano V.	Conegliano V.	1	10	Banca Popolare di Sondrio S.p.a.	60	
Centro delle Alpi SME S.r.l. (4)	Conegliano V.	Conegliano V.	4	10	-	0	
Centro delle Alpi RE (3)	Milan	Milan	4	69,072	Banca Popolare di Sondrio S.p.a.	100	

(1) 1 = majority of voting rights at ordinary shareholders' meeting. 4 = other forms of control
(2) Availability of votes in the ordinary shareholders' meeting, only if different from the shareholding, distinguishing between actual and potential votes.
(3) Equity investments not included in the Banking Group for supervisory purposes.

In December 2023, the merger of Prima S.r.l., a real estate company, into Immobiliare San Paolo S.r.l. became effective. For details, refer to as set forth in the specific section of these consolidated notes PART G - Business Combination transactions involving companies or business units.

The perimeter of the fully consolidated companies expanded compared to 31 December 2022 following the entry of the special purpose vehicle Centro delle Alpi SME S.r.l. established in June 2023 for the purpose of a self-securitisation transaction. For further details, please refer to as indicated in these notes PART E - Information on risks and related hedging policies, subsection 1.4 "Liquidity risk".

2. Valuation and significant assumptions to determine the scope of consolidation

The Consolidated Financial Statements of the Banca Popolare di Sondrio Group include the balance sheet and income statement of the Parent Company and the directly and indirectly controlled entities; they also include subsidiaries operating in business sectors dissimilar to that of the Parent Company and special purpose entities (SPE/SPV), when the requirements of effective control are met, even regardless of the existence of an equity interest.

Control, as defined by IFRS 10, is the power over the investee entity (i.e. holding valid rights that give the current capacity to direct the activities of the investee entity) and exists when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Control can therefore be obtained in various ways, including via exposure to risks and rewards, and not just as a consequence of the power to influence financial and operating policies.

The assets, liabilities, revenues and costs of the subsidiary acquired or sold during the year are included in the consolidated financial statements from the date on which the Group obtains control until the date on which the Group no longer exercises control over the company.

With line-by-line consolidation, the carrying amount of the investments is eliminated against the related equity and all of the assets and liabilities, guarantees, commitments and other memorandum accounts are included, as are the revenues and costs of the subsidiaries.

All of the assets and liabilities, equity, revenues, costs and intercompany financial flows relating to transactions between group entities are completely eliminated on consolidation, except for any income and charges of insignificant amount. The financial statements of these group companies are reclassified appropriately and, where necessary, restated in accordance with the accounting policies adopted by the Group.

Companies in which the bank does not have an investment, but for which it has received pledged voting shares are not consolidated, because the pledge is designed to protect the loans granted and not to influence the company's operating policies to obtain economic benefits.

Changes in interests held in a subsidiary that do not result in a loss of control are recognised in equity.

If the Group loses control of a subsidiary, it must derecognise the related assets (including goodwill), liabilities, minority interests and other components of equity, while any profit or loss is recognised in the income statement. If an interest is maintained, it has to be shown at fair value.

The reference standard for the accounting treatment of joint control arrangements in the Group's consolidated financial statements is IFRS 11 "Joint arrangements". The arrangement entered into constitutes a joint venture, whereby the parties that have joint control thereof have rights to the net assets of the arrangement. Joint control exists when control over the investment is shared equally with others, is agreed contractually and only exists if the decisions about relevant activities require the unanimous consent of the parties sharing control. In accordance with this standard, the correct accounting treatment for such an arrangement requires the interest in the joint venture to be recognised as an investment and to be accounted for using the equity method in accordance with IAS 28 "Investments in associates and joint ventures".

The joint ventures indicated below are valued at equity:

Company Name	Head office	Type of relationship [1]	Share capital (in thousands)	% holding	% of votes
Rajna Immobiliare S.r.l.	Sondrio	7	20	50	50

[1] 7 = joint control.

The scope of consolidation also includes the equity investments where the Parent Company exercises a significant influence in that the shareholding is between 20% and 50%; or, if it has an interest of less than 20%, if one or more of the following circumstances apply:

1) representation on the board of directors, or equivalent body, of the investee company;
2) the Bank takes part in the decision-making process, including decisions regarding dividends;

3) there are significant transactions between the parent company and the subsidiary;
4) there is an exchange of managers;
5) essential technical information is being provided.

These holdings are valued using the equity method, except for insignificant interests.

The equity method involves initial recognition of the investment at cost and its subsequent remeasurement based on the portion of equity held. The portion of the subsidiary's net result for the year attributable to the bank is shown in a specific item in the income statement.

Any change in the other components of comprehensive income relating to these subsidiaries is presented as part of the Group's comprehensive income.

In the event that an associate or joint venture recognises a change with direct allocation to equity, the Group recognises its share, where applicable, in the statement of changes in equity. Unrealised profits and losses deriving from transactions between the Group and associates or joint ventures are eliminated in proportion to the shareholding in the associates or joint ventures.

Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not subject to a separate impairment test. At each reporting date, the Group assesses whether there is objective evidence that the investments in associates or joint ventures have suffered impairment. In this case, the Group calculates the amount of the impairment as the difference between the recoverable value of the investment in the associate or joint venture and its carrying amount in its financial statements, recognising this difference in the profit or loss for the year under the heading "portion pertaining to the result of associates and joint ventures". Any subsequent write-backs cannot exceed the impairment losses recorded previously.

Upon loss of significant influence over an associated company or joint control over a joint venture, the Group assesses and recognises the residual shareholding at fair value. The difference between the carrying amount of the investment at the date of the loss of significant influence or of the joint control and the fair value of the residual investment and the amount received is recognised in the income statement.

The percentages of ownership in associated companies are specified in the following table:

Company Name	Head office	Share capital (in thousands)	% holding
Alba Leasing S.p.a.	Milan	357,953	19.264
Arca Vita S.p.a.	Verona	208,279	14.837
Arca Holding S.p.a.	Milan	50,000	34.715
Unione Fiduciaria S.p.a.	Milan	5,940	24.000
Polis Fondi S.g.r.p.a.	Milan	5,200	19.600
Bormio Golf S.p.a.	Bormio	317	25.237
Lago di Como GAL S.c.r.l.	Canzo	22	14.606
Acquedotto dello Stelvio S.r.l. (1)	Bormio	21	27.000
Sifas S.p.a. (1)	Bolzano	1,209	21.614

(1) held by Pirovano Stelvio S.p.a.

On 26 October, SOFIPO SA in liquidation, a subsidiary of Banca Popolare di Sondrio (SUISSE) SA and already fully written down with no accounting effects, was removed from the commercial register of the Canton of Ticino.

Special purpose vehicle for the securitisation of non-performing loans

Based on the provisions of IFRS 10, the Vehicle Companies Diana S.P.V. S.r.l., Pop Npls 2020 S.r.l., Pop Npls 2021 S.r.l., Pop Npls 2022 S.r.l. and Pop Npls 2023 S.r.l., specifically established pursuant to Law 130/1999, do not fall within the scope of consolidation of Banca Popolare di Sondrio, as:

- Banca Popolare di Sondrio and the other Group companies have no shareholding relationship with the SPVs nor do they have the de facto or de iure to appoint the directors of the company.
- the SPVs are not a related party of Banca Popolare di Sondrio or of the other Group companies pursuant to IAS 24;
- Banca Popolare di Sondrio and the other Group companies have no power, whether de facto or de iure, to manage the key activities of the SPVs (credit recovery);
- the servicing contracts provide that investors (and therefore also Banca Popolare di Sondrio as the Transferring Bank) are not entitled to revoke the Master Servicer and/or the Special Servicers; with reference to the Master Servicer, the SPVs are the entity that will have the right or the obligation to revoke the assignment of the Master Servicer and to appoint another one;
- the structures of the securitisation allowed the derecognition from the financial statements of Banca Popolare di Sondrio of the loans sold as the rights to receive the financial flows were transferred to the SPVs (para. 3.2.4 (a) of IFRS 9) and "substantially all of the risks and benefits" associated with them (para. 3.2.6 (a) of IFRS 9).

Please refer to Part E, Section 2, C. Securitisations of these notes for more details regarding the securitisation completed during the period.

3. Equity investments in wholly-owned subsidiaries with significant non-controlling interests

As at 31 December 2023, there were no wholly-owned subsidiaries with significant non-controlling interests considered significant for the Group.

4. Significant restrictions

Within the scope of the Banks and Companies forming the Banca Popolare di Sondrio Group's consolidation area, there are no significant restrictions as set forth in paragraph 13 of IFRS 12.

5. Other information

For the consolidation of companies using the full line-by-line method, data referring to the 2023 financial statements approved by the respective shareholders' meetings are used, or in the absence thereof, to the draft financial statements approved by the respective boards of directors. For investments that are jointly controlled or subject to significant influence, where such information is not available, reference has been made to the latest available balance sheet and income statement in accordance with IAS 28.

Translation of financial statements in currencies other than the euro

The financial statements of Banca Popolare di Sondrio (SUISSE) SA are translated into euro at the official year-end exchange rate for balance sheet assets and liabilities, while costs and revenues are translated into euro at average exchange rate. Differences arising on translation are booked in the statement of comprehensive income.

Section 4 – Significant events subsequent to consolidated financial statement date

No events have taken place between the reference date for these financial statements and the date of their approval by the Board of Directors on 15 March 2024 that would require the adjustment of such approved information, and nothing of significance has occurred that would require changes in the figures of the financial statements.

On 15 January 2024, in line with the 2022-2025 'Next Step' Business Plan, the fourth placement of a 500 million euro covered bond reserved for institutional investors was successfully concluded.

As part of the liability management transaction announced on 4 March 2024, involving a repurchase offer of its euro-denominated fixed-rate subordinated bond *"Euro 200,000,000 Fixed Rate Reset Subordinated Notes due 30 July 2029"*, Banca Popolare di Sondrio successfully placed with institutional investors a new Tier 2 subordinated bond issue maturing on 13 March 2034, repayable in advance 5 years before maturity, for an amount of 300 million euro.

Section 5 - Other aspects

1. New international accounting standards endorsed and applied in the preparation of the financial statements at 31 December 2023

New documents issued by the IASB and endorsed by the EU to be mandatorily adopted for the preparation of the 2023 financial statements

– *Regulation (EU) No. 2021/2036 of 19 November 2021*, amending Regulation (EU) No. 1126/2008 adopting certain international accounting standards in accordance with Regulation (EU) No. 1606/2002 of the European Parliament and of the Council with regard to International Financial Reporting Standard 17. IFRS 17 – Insurance contracts published on 18 May 2017 and the amendments to IFRS 17 published on 25 June 2020. It is noted that this standard had no impact on the Bank.
– *Regulation (EU) No. 357 of 2 March 2022*, amending Regulation (EU) No. 1126/2008 adopting certain international accounting standards in accordance with Regulation (EU) No. 1606/2002 of the European Parliament and of the Council, with regard to the international accounting standards IAS 1 (Presentation of financial statements) and IAS 8 (Accounting standards, changes in accounting estimates and errors).
  These amendments clarify the differences between accounting principles and accounting estimates in order to ensure the consistent application of accounting principles and the comparability of financial statements. With reference to IAS 1, the IASB introduced amendments with the aim of developing guidelines and examples in the application of materiality and relevance judgments to accounting policy disclosures. In particular, information about accounting policies is material if, taken together with other information included in the entity's financial statements, it is reasonable to expect that it will influence the decisions of users of the financial statements. With regard to the amendments to IAS 8, the IASB introduced the definition of an accounting estimate. Accounting estimates are to be understood as the "monetary amounts in the financial statements subject to valuation uncertainty".
– *Regulation (EU) 2022/1392 of 11 August 2022* amending Regulation (EU) No. 1126/2008 as regards International Accounting Standard IAS 12. These amendments clarify how companies should account for deferred taxes on transactions such as leases and decommissioning obligations and aim to reduce diversity in the recognition of deferred tax assets and liabilities on leases and decommissioning obligations. The implementation of the amendments under review had no impact on the Group.
– *Regulation (EU) 2022/1491 of 8 September 2022* amending Regulation (EU) No. 1126/2008 as regards International Financial Reporting Standard 17. This amendment relates to financial assets for which comparative information is required to be disclosed at the date of transition of IFRS 17 and IFRS 9, which, however, is not restated under IFRS 9, with the aim of avoiding temporary accounting mismatches between the valuation of financial assets and those of insurance contracts, thereby

contributing to improving the relevance of comparative information for users of financial statements.

– *Regulation (EU) 2023/2468 of 8 November 2023,* amending Regulation (EU) No. 1803/2023 as regards IFRS 12. The amendments introduced a temporary exception to the accounting for deferred taxes determined by the implementation of the OECD second-pillar rules, as well as targeted disclosures for affected entities.

With effect from 1/1/2024, the Banca Popolare di Sondrio Group, as a Multinational Group exceeding the revenue threshold of 750 million euro, for two out of the four preceding financial years falls within the scope of second-pillar income taxes (so-called Pillar II) provided for in Directive 2022/2523, adopted in Italy by Legislative Decree No. 209/2023, aimed at ensuring a global minimum level of taxation for multinational groups of companies and large-scale domestic groups in the Union. According to paragraph 4.A. of IAS 12, notwithstanding the provisions therein on disclosure of deferred tax assets and liabilities relating to second-pillar income taxes, no information is disclosed and no deferred tax assets or liabilities relating to second-pillar income taxes are recognised. The exposure to second-pillar income taxes arises, with respect to all Group companies (and jointly controlled entities, if any) that are located in each individual jurisdiction, from the level of effective taxation, which, for each such jurisdiction, depends on various and interrelated factors, such as primarily the income generated there, the level of the nominal tax rate, the tax rules for determining the tax base, and the provision, form and enjoyment of incentives or other tax benefits. Moreover, given the novelty and complexity underlying the determination of the level of effective taxation, the second-pillar legislation provides, for the first periods of effectiveness (so-called transitional regime valid for periods beginning before 31/12/2026 and ending no later than 30/6/2028), the possibility of applying a simplified regime (so-called transitional safe harbour from country-by-country reporting) based mainly on accounting information available for each relevant jurisdiction which, if specific tests are passed, leads to a reduction in compliance burdens and the elimination of second-pillar taxes.

Based on the information known or reasonably estimable, the Banca Popolare di Sondrio Group's exposure to second-pillar income taxes in the three jurisdictions in which it is present (Italy, Switzerland and the Principality of Monaco) at the reporting date is estimated to be nil because, based on an initial estimate, in the jurisdictions in which it is present, the CbCR Safe harbour Test (applied taking into account the OECD clarifications available to date) is passed. The Group is organising and preparing for compliance with Pillar II legislation, also in order to manage its exposure for subsequent periods, by setting up appropriate systems and procedures to:

- identify, locate and characterise, including on an ongoing basis, all Group companies (or jointly controlled entities) for the purposes of Pillar II legislation;
- compute the simplified tests (so-called transitional safe harbour from country-by-country reporting) for each relevant jurisdiction in order to enjoy the related benefits in terms of reduced compliance burden and zero second-pillar taxes;
- perform full and detailed calculations of relevant quantities as required by Pillar II legislation for any jurisdictions that fail any of the above tests.

New accounting standards, amendments and interpretations, whose application will become mandatory after 31 December 2023.

- Regulation (EU) 2023/2579 of 20 November 2023, amending Regulation (EU) 2023/1803 as regards IFRS 16. The amendments to IFRS 16 specify how the selling lessee subsequently evaluates sale and leaseback transactions. The amendments are applicable from 1 January 2024.

- *Regulation (EU) No. 2822 of 19 December 2023* - Amendments to IAS 1 "Classification of liabilities as current or non-current and Non-current liabilities with clauses". On 23 January 2020, the IASB published an amendment to IAS 1, which seeks to clarify one of the IAS 1 criteria for the classification of a liability as non-current, namely the requirement that the entity must have the right to defer settlement of the liability for at least 12 months after the end of the reporting period.
  The amendment includes:

- clarification that the right to defer settlement must exist at the end of the reporting period;
- clarification that classification is unaffected by management intentions or expectations about possible exercise of the deferral right;
- clarification about how loan conditions influence classification;
- clarification of the requirements for classifying a liability that the entity intends to settle or might settle by the transfer of its own equity instruments.

The amendments are applicable from 1 January 2024.

IAS/IFRS and SIC/IFRIC interpretations issued by the IASB/IFRIC, pending endorsement

- IFRS 14 Regulatory deferral accounts. IFRS 14 allows only those adopting IFRS for the first time to continue to book amounts relating to rate regulation according to the previous accounting standards adopted. Approval process suspended pending new accounting standard on "rate-regulated activities".
- Amendments to IAS 7 and IFRS 9 for supplier financing arrangements. These amendments are intended to improve the transparency of supplier financing arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk.
- Amendments to IAS 21 The effects of changes in exchange rates. The purpose of these amendments is to specify how to assess whether a currency is exchangeable and how to determine a spot exchange rate if it is not.
- Amendments to IAS 28 and IFRS 10. These amendments are intended to address the inconsistency between the requirements of IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011), in dealing with the loss of control of a subsidiary that is contributed to an associate or joint venture. The endorsement process is suspended pending conclusion of IASB project on the equity method

2. TLTRO III

The TLTRO III refinancing operation consists of a programme of ten refinancing operations, each with a three-year maturity, starting in September 2019 with a quarterly frequency, at an interest rate set at a level equal to the average interbank refinancing cost. In 2020, with the aim of further supporting lending to households and businesses, some of the parameters of existing operations were revised, with particular reference to the maximum amount that can be financed and the related remuneration. TLTRO III operations are indexed to the average interest rate on the main refinancing operations (MRO – Main Refinancing Operation rate), or alternatively, depending on the achievement of certain benchmarks, at the average interest rate on deposits at the central bank's Deposit Facility (DF). As of 27 July 2022, the ECB ended the negative rate season in order to counter rising inflation and started a series of rate increases at a steady pace to reach levels sufficiently restrictive to ensure a timely return of inflation to the 2% target in the medium term. The ECB also intervened by changing the way the final rate applicable to transactions is calculated, in order to normalise the cost of funding for the banking sector. In detail, the previous rate calculation methodology was applied for the period until 22 November 2022, and from 23 November 2022 the applicable interest rate was indexed to the average interbank rates applicable from that date onwards (essentially raising the applicable rate over the entire life).

With regard to the way in which these transactions are recognised in the accounts, they present such unique characteristics that they cannot be immediately attributed to a specific accounting principle. Ordinary interest is recorded taking into account the refinancing conditions defined by the ECB as floating market rates defined within the framework of monetary policy measures, which the Governing Council may change prospectively at any time. As of 23 November 2022, interest is then recognised time-by-time on the basis of the interest rate of the instrument defined as the average of the rate on outstanding deposits in each of the reference periods. This interest expense component in 2023 amounted to 220 million euro.

3. Contributions to Resolution and Guarantee funds

The European legislator with Directives 2014/49/EU of 16 April 2014 and 2014/59/EU of 15 May 2014, respectively known as the Deposit Guarantee Schemes Directive (DGS) and the Bank Recovery and Resolution Directive (BRDD), and with the establishment of the Single Resolution Mechanism (EU Regulation No. 806/2014 of 15 July 2014) introduced significant changes to the regulation of banking crises with the aim of strengthening the single market and systemic stability. Directive 2014/49/EU (DGS) harmonises the levels of protection offered by the National Deposit Protection Funds and introduced a mixed contribution system that provides for an upfront contribution until a minimum target of 0.8% of guaranteed deposits is reached in ten years. It is foreseen that the contribution can be made through the instrument of payment commitments, up to a maximum of 30%. For 2023, the group was asked for an ordinary contribution of 21.421 million, which was fully expensed in the income statement. For this contribution, the group did not make use of the option of irrevocable payment commitments.

Directive 2014/59/EU(BRRD) defined the resolution rules to be applied to all banks in the Union in the presence of a state of failure. These rules provide that, under certain conditions, the financing of the resolution is to be provided by the National Resolution Fund, which each Member State is required to have. The directive envisages a mandatory contribution mechanism to collect the target level of resources of at least 1% of the amount of protected deposits of all authorised institutions in all EU states by 31 December 2023. It is foreseen that the contribution can be made through the instrument of payment commitments (IPC), up to a maximum of 30%. For 2023, the group was asked for an ordinary contribution of 22.514 million, 17.452 million of which was expensed in the income statement, while 5.062 million was recorded as an irrevocable commitment. As at 31 December 2023, the group therefore had irrevocable payment commitments totalling 20.174 million outstanding, against which it had set up escrow deposits for the same amount, which it recorded among its balance sheet assets. The off-balance sheet commitment is evaluated at each reporting date and/or whenever there is evidence that it is likely to be enforced. In this regard, the risk of a recall of IPC on 31 December 2023 is considered remote.

4. Interbank Deposit Protection Fund - Voluntary Scheme

In December 2015, the Parent Company joined the Voluntary Scheme established as part of the Interbank Deposit Protection Fund to support measures in favour of member banks in receivership or distress or in danger of collapse. This is an additional tool to resolve banking crises intended for interventions when there is a reasonable chance of turning round the Bank or when the intervention is likely to cost less than liquidating it. The Fund intervened in support of Banca Carige in 2018, resulting in a payment by the Bank of 5.257 million matched by the recognition of a financial asset represented by securities measured at fair value through profit and loss. The financial asset was fully impaired in the 2018 financial statements. No charges for other operations were recorded in subsequent years or in the year under review.

5. Self-securitisation - Centro delle Alpi SME s.r.l.

Credit self-securitisations are transactions carried out with the objective of achieving an improvement in liquidity risk management by optimising the amount of assets immediately available to meet liquidity needs. The Bank's direct and full underwriting of the securities issued by the vehicles, while not allowing it to obtain direct liquidity from the market, nevertheless provides securities that can be used for refinancing operations with the ECB and for repurchase agreements on the market, improving the safety margin against the liquidity risk of the parent company. These disposals did not have any economic impact on the balance sheet: receivables continue to be shown under assets, while subscribed securities are not represented.

On 16 June 2023, a securitisation transaction was finalised by the parent company as part of the management of medium- and long-term interbank funding. The transaction consisted in the non-recourse assignment of a granular portfolio of performing loans granted to SMEs, guaranteed or unsecured, amounting to 1,554 million euro, pursuant to Law 130/1999, to the vehicle company, named Centro delle Alpi SME S.r.l., which was set up for this purpose.

As at 31 December 2023, the value of outstanding securities subscribed by the Group was unchanged at 949 million for senior securities, 307 million for mezzanine securities and 142 million for junior securities.

For further details, please refer to as indicated in these consolidated notes PART E - Information on risks and related hedging policies, subsection 1.4 "Liquidity risk".

6. Luzzatti Pop Npls 2023 securitisation

As part of a broader programme of interventions on non-performing loans and in line with the derisking and asset quality improvement strategy, on 28 December 2023, Banca Popolare di Sondrio S.p.A. concluded - together with 11 other participating entities - the multi-originator securitisation of bad loans called "LUZZATTI POP NPLS 2023", for a total gross book value of 313 million.

For further details, please refer to as indicated in these consolidated notes PART E - Information on risks and related hedging policies, subsection C. "Securitisation Transactions".

7. European Central Bank – ECB

Inspections (2022-2023)

The Parent Company was involved from October 2022 to the beginning of March 2023 by an On Site Inspection on the Corporate portfolio in the area of credit and counterparty risk, which was aimed at verifying the compliance of the IFRS 9 framework with respect to the regulations in force and the relative level of implementation, analysing the credit quality on the Non-Financial Corporation portfolio and verifying the processes put in place to manage credit and the related risk.

On 23 January 2024, the "Final Report" has been issued with the concluding remarks of the inspection team on the outcome of the OSI Corporate; as of the date of this report, the parent company is waiting to receive the "Draft Follow-up letter" and, finally, the "Final Follow-up letter" from the Supervisor.

In response to the recommendations made by the inspection team and also in the context of the annual SREP assessments by the ECB, several project sites were planned and launched to strengthen governance, management and control systems. The work plans mainly focus on the following aspects: credit management processes, risk management, second- and third-level controls, and implementation methods for IFRS 9. This schedule will be reviewed and possibly modified upon receipt of the final documentation by the Authority. In particular, on the basis of the observations received from the supervisory authority, the Bank has already increased the credit risk related to the positions under review and continues to carefully monitor the exposures in preparation for the possible classification to non-performing, as required by paragraphs 5.5.9 and 5.5.17 of IFRS 9.

In any case, the set of ongoing and planned actions will not result in any significant economic effects in addition to those already recorded during the year under review and the previous year.

For more details on the actions taken in 2023 as part of the quantification of expected losses on performing loans, please refer to as set forth in these Notes to the Financial Statements "Section 16 Other

Information".

8. Risks and uncertainties related to estimates

The preparation of the consolidated financial statements requires the use of estimates and valuations that may have a significant impact on the values recorded in the balance sheet and income statement concerning in particular:

- quantification of impairment losses on loans and financial assets in general;
- use of valuation models for recording the fair value of financial instruments not listed in active markets;
- assessment of the fairness of the value of goodwill and other intangible assets;
- quantification of the fair value of investment properties;
- quantification of personnel provisions and provisions for risks and charges;
- estimates of the recoverability of deferred tax assets.

The Parent Company and other Group companies defined the estimation processes to support of the carrying amount of the more significant items requiring valuation in the consolidated financial statements at 31 December 2023, as required by prevailing accounting standards and relevant regulation.

These processes are largely based on estimating the future recoverability of amounts reported in the financial statements in accordance with rules dictated by current regulation and have been performed on a going concern basis, i.e. valuations are not based on the assumption of a forced sale. Specifically, with reference to the estimates that could potentially be most impacted by the current post-pandemic, geopolitical and macroeconomic context, please refer to paragraph 16 of Section A.2 of these consolidated notes.

The outcome of this work supports the carrying amount of these items at 31 December 2023. It should be stated, however, that this valuation process was particularly complex in view of the current macroeconomic and market context, characterised by high levels of uncertainty about the prospects, and the consequent difficulty in making even short-term forecasts for these financial parameters which have a significant impact on estimates.

The parameters and information used to verify the above figures have been heavily affected by the macroeconomic and market environment which could experience rapid changes that are currently unforeseeable, with effects - even significant effects - on the amounts reported in the financial statements at 31 December 2023.

9. Terms for the approval and publication of financial statements

Article 154-*ter* of Legislative Decree 58/98 (Consolidated Finance Act) provides that, within one hundred and twenty days from the end of the financial year, the annual financial statements must be approved and the annual financial report including the draft financial statements, the consolidated financial statements, the report on operations, and the certification of the Manager responsible for preparing the Company's accounting documents referred to in Article 154-*bis*, paragraph 5, must be published. The draft financial statements of Banca Popolare di Sondrio were approved by the Board of Directors at its meeting of 15 March 2024 and will be submitted for approval to the Shareholders' Meeting called for 27 April 2024.

10. The single electronic reporting format for annual financial reports

Directive 2013/50/EU, which amended Directive 2004/109/EC (Transparency Directive), established that all annual financial reports of issuers whose securities are admitted to trading on a regulated market must be prepared in a single electronic reporting format. The European Securities and Markets Authority (ESMA) has been tasked by the Transparency Directive with developing technical standards to specify such an electronic reporting format. The European Commission adopted the aforementioned technical standards with Delegated Regulation 2019/815 of 17 December 2018 (ESEF- European Single Electronic Format Regulation, hereinafter the Regulation), which established the following main obligations for issuers: - issuers prepare and publish their annual financial report in the XHTML (eXtensible HyperText Markup Language) format; - issuers that prepare consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) use the iXBRL (Inline eXtensible Business Reporting Language) language for marking such consolidated financial statements. The combination of the XHTML format with iXBRL markings aims to make annual financial reports readable by both human users and automated devices, thereby improving the accessibility, analysis and comparability of the information included in annual financial reports. InlineXBRL technology enables XBRL mark-ups to be embedded in XHTML. XBRL (eXtensible Business Reporting Language) is machine-readable and allows for the automated use of large amounts of information. The XBRL language is well-established and used in several jurisdictions and is currently the only appropriate markup language for marking information contained in financial statements. Using the XBRL markup language involves applying a taxonomy to convert human-readable text into machine-readable information. The IFRS taxonomy, made available by the IFRS Foundation, is a consolidated taxonomy developed to mark information presented under IFRS. The use of the IFRS taxonomy facilitates worldwide comparability of markups in financial statements prepared in accordance with IFRS. From 1 January 2021, following the extension in the *Milleproroghe* Decree (Decree-Law No. 183 of 31 December 2020 converted into Law No. 21 of 26 February 2021), and therefore starting with the consolidated financial statements for the year ended 31 December 2021, the obligation to mark the following information was introduced: – Basic Master Data – Consolidated Financial Statements (Consolidated Balance Sheet, Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement) Starting with the consolidated financial statements for the year ending 31 December 2022, the obligation to prepare in accordance with the new ESEF format has also been extended to the information contained in the notes to the financial statements.

This Annual Financial Report has been prepared in accordance with the ESEF Regulations and approved by the Bank's Board of Directors on 15 March 2024, and will be made public in accordance with the law.

11. Information pursuant to art. 1, paras. 125-129 of Law 124/17 dated 4 August 2017 “Annual law for the market and competition - Measures on the transparency of public payments” as amended by Decree Law 30/4/2019 No. 34 (so-called “Growth Decree”) art. 35

With regard to the above legislation, the contributions or aid received by the Bank in cash or kind, that were not generally available and did not represent consideration, remuneration or reimbursements, have been published on the National Register of State Aid, to which reference is made pursuant to art. 125-*quinquies* of that law.

12. External audit

The consolidated financial statements as at 31 December 2023 are audited by EY S.p.A., which was assigned the task of auditing for the nine-year period 2017/2025 with a resolution of the shareholders' meeting of 29 April 2017, pursuant to Legislative Decree No. 39 of 27 January 2010.

A.2 Main financial statement items

Below are the accounting policies, broken down by item, that have been adopted for the preparation of the consolidated financial statements as at 31 December 2023, with reference to the classification, recognition, measurement and derecognition of the various asset and liability items, as well as the methods for recognising revenues and costs introduced by certain general elements inherent to the classification of financial assets.

Classification of financial assets

The classification of financial assets is guided, on the one hand, by the contractual characteristics of the cash flows of the instrument itself linked to the generation of cash flows represented solely by payments of principal and interest on the principal to be repaid (i.e. which involve passing the so-called "SPPI test" – "Solely Payment of Principal and Interest test").

The other factor guiding the classification of financial assets is the business model adopted, which determines whether cash flows will arise from the collection of contractual cash flows, the sale of financial assets, or both.

Business models

Held to Collect (HTC)

The objective of this business model is to hold financial assets to collect the contractual cash flows during the instrument's life. Sales are only deemed to be eligible if they are frequent but not significant, or significant but not frequent, or if due to an increase in credit risk, and if close to the maturity date of the financial asset. Frequency is measured based on the number of sales made in the period, while significance is measured on the total amount of sales compared to the portfolio at the beginning of the period. The criteria used to determine these requisites have been included by the Group in specific internal regulations.

Banca Popolare di Sondrio Group holds the following within an HTC business model:

- Almost the entire portfolio of loans to customers and Banks, given that the Group mainly undertakes traditional banking activities and holds a loan portfolio that originates from finance granted to households, individuals and businesses;
- Debt securities that may be subjected to this business model's management logic.

Held to Collect & Sell (HTC&S)

The objective of this business model is to collect contractual cash flows and to sell the financial assets. The Group decided not to use the HTC&S business model for receivables, but decided to use it for securities.

Others (FVTPL)

This business model is adopted when the Group takes decisions based on the fair value of financial assets and it manages them in order to dispose of the latter or when the objective of the business model does not fall within that of the previous two (HTC and HTC&S). Banca Popolare di Sondrio Group holds the following within an "Others" business model:

Financial instruments held within a trading business model

Financial instruments held with management on a fair value basis.

The Group does not require *ex post* monitoring for credit and loans to verify the consistency of the loan portfolio with the HTC business model within which they are held, while it is required for securities to verify the consistency of securities portfolio management with the HTC and HTC&S business models.

SPPI Test - Solely Payment Principal Interest Test

By means of an SPPI test, it is possible to check whether a financial asset may be considered to be a “basic lending arrangement”, whereby the contractual cash flows consist solely of payments of principal and interest accrued on the principal amount outstanding. If the test of the characteristics of the contractual cash flows shows compliance with the requirements of IFRS 9 (SPPI test has been passed), the asset may be measured at amortised cost, provided that it is held within a business model the objective of which is to collect the contractual cash flows during the instrument's life (HTC business model), or at fair value through other comprehensive income (FVOCI), provided that the asset is held within a business model the objective of which is to collect contractual cash flows over the entire life of the asset and to sell the asset (HTC&S business model).

If the test of the characteristics of the contractual cash flows from a financial asset does not show compliance with the requirements of IFRS 9 (SPPI test has not been passed), the asset is measured at fair value through profit or loss (FVTPL). In accordance with Group-wide guidelines, the Test is performed before a loan is disbursed or a security purchased (origination). Test procedures make use of the so-called SPPI tool.

For credit and loans, the approach for the execution of the SPPI test differs based on whether they consist of:

- Standard products (e.g. current accounts or loans), for which the test is performed at product level. Upon granting a loan, account is taken of the outcome of the SPPI test at product level, updated following verification of the remuneration of credit risk and a benchmark test, where required.
- Non-standard contracts, for which the test is performed individually for each amount.

For the securities portfolio, the results of the SPPI test and benchmark test are acquired for each ISIN from an external info provider. For amounts for which the results of the SPPI test and/or benchmark test obtained from an external info provider are not available and/or complete, the tests are performed within the Group, using the aforementioned tool.

1. Financial assets measured at fair value through profit or loss

Classification

Financial assets held for trading (debt securities, equity securities, loans, mutual funds) have been allocated to this item. It also includes the derivative contracts with a positive fair value, except those offset pursuant to IAS 32. A derivative contract is a financial instrument whose value is linked to movements in an interest rate, the prices struck for a financial instrument, the price of a commodity, a currency exchange rate, a price index, a rate index or other type of index, is settled on maturity and requires a limited initial net investment. If the derivative qualifies as a hedging derivative, it is recognised in the item “hedging derivatives”. If a financial asset contains an embedded derivative, it is measured by measuring the entire asset at fair value. A derivative that is attached to a financial instrument but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

This item also includes financial assets designated at fair value (debt securities and loans) as the result of the exercise of the fair value option. For the time being, the Group does not apply the fair value option, but does not exclude the exercise thereof in the future.

Lastly, it includes other financial assets mandatorily measured at fair value (debt securities, equity securities, mutual funds and loans) or financial assets that do not meet the requirements for classification at amortised cost or at fair value through other comprehensive income, since they do not pass the contractual cash flow characteristics test (SPPI test), as well as equity securities and mutual funds (that are not held for trading) and debt instruments held within a business model managed based on fair value.

Recognition

Assets measured at fair value through profit or loss are recognised at the settlement date at fair value, which normally corresponds to the consideration paid, with the exception of transaction costs and revenues that are recognised directly in profit or loss. Trading derivatives are recognised at the "contract" date and are stated at their current value at the time of acquisition.

Accounting policies

Subsequent to initial recognition, financial assets measured at fair value through profit or loss are measured at fair value at the reporting date. With regard to instruments listed on official markets, fair value is calculated with reference to their official bid price at the close of trading, while the fair value of instruments not listed on official markets is determined by reference to prices supplied by information providers such as Bloomberg and Reuters. If this is not possible, estimates and valuation models that take account of market data are used, where available; these methods are based on the valuation of listed instruments with similar characteristics, calculations of discounted cash flows or models for the determination of option prices, taking into account the credit risk profile of the issuer.

If data is not available for measurement under the above models, fair value measurement is performed using unobservable inputs (e.g. adjusted equity).

As regards loans and receivables (due from banks and customers), the models used differ based on the nature and the characteristics of the instruments being measured. Currently, three main base models are applied:

– Discounted Cash Flow Model (DCF)
– Reverse Mortgage Model (RMM);
– ABS model

The above models are used to measure performing exposures.

In the case of loans on demand or maturing in the short term, the book value is considered a good approximation of fair value.

Recognition of components affecting the income statement

Income statement components generated by changes in fair value are recognised in the income statement in the period they arise under "Net trading income" and "Net gains/losses on other financial assets and liabilities measured at fair value through profit or loss" split between the sub-items: "financial assets and liabilities designated at fair value" and "other financial assets mandatorily measured at fair value".

Interest income and dividends are reported in the income statement under "interest and similar income" and "dividends and similar income" respectively.

Derecognition criteria

Financial assets measured at fair value through profit or loss are derecognised when the contractual rights over the cash flows deriving from them expire or are closed out, or when they are sold with the transfer of substantially all the related risks and benefits, or when no control is retained over them even though substantially all the related risks and benefits are neither transferred nor retained.

2. Financial assets measured at fair value through other comprehensive income

Classification

This item includes all financial assets (debt securities, equity securities and loans) classified in the portfolio measured at fair value through other comprehensive income, distinguishing between those that will subsequently be reclassified to the income statement (debt securities and loans) and that will not (equity securities). The following are classified in the portfolio measured at fair value through other comprehensive income:

- debt securities and loans held within an HTC&S business model and that pass the SPPI test;
- equity securities for which the FVOCI option has been irrevocably exercised upon initial recognition.

Recognition

Assets included in this item are recognised at the settlement date at fair value, which normally corresponds to the consideration paid to acquire them.

With regard to debt securities and loans, the Group requires any changes in the business model due to inconsistency between the way that the portfolio is managed and the business model that was chosen, or to significant changes in the strategic decisions made, to be decided by the Boards of Directors of each Group member, which will determine if, in rare circumstances, reclassification is needed.

No possibility exists for the reclassification of equity securities. The exercise of the FVOCI option, being the option envisaged by the standard that permits equity instruments to be designated at fair value through other comprehensive income upon initial recognition, is in fact irrevocable.

Accounting policies

Subsequent to initial recognition, financial assets measured at fair value through other comprehensive income are measured at fair value, determined in the same manner as financial assets measured at fair value through profit or loss.

The item "Financial assets measured at fair value through other comprehensive income" comprises equities held by way of support for the core business and to encourage the development of initiatives in the territories where the Group operates. These instruments represent the majority in this portfolio. For these investments and in consideration of the fact that the application of valuation techniques would use significant discretionary factors, valuation at cost is considered the best expression of their fair value.

At each year-end or interim reporting date, debt securities classified in this item are subject to impairment testing based on a calculation framework similar to the one used for financial instruments measured at "amortised cost". Any subsequent write-backs cannot exceed the impairment losses recorded previously.

As regards equity securities classified in the item "Financial assets measured at fair value through other comprehensive income", they are not subject to impairment and changes in value, also due to deterioration in creditworthiness, are recognised in an equity reserve.

Recognition of components affecting the income statement

The interest calculated using the effective interest method, which takes account of the difference between cost, including transaction costs, and redemption value, is recorded in the income statement.

Changes in fair value of assets, net of the related deferred tax effect, are recorded in specific equity reserve, the "Valuation reserve", consisting of "Valuation reserves: Equity securities measured at fair value through other comprehensive income" and "Valuation reserves: Financial assets (other than equity securities) measured at fair value through other comprehensive income". An exception is made for debt securities, value adjustments and write-backs related to changes in credit risk, which are recognised in the income statement under item 130(b) "Net adjustments/write-backs for credit risk".

If the reasons for impairment cease to apply following events subsequent to the reduction in the value of the financial asset, the write-backs relating to debt securities are reflected in the income statement, while those relating to equity securities are recorded in a specific "Valuation reserve" within equity.

Upon derecognition, the cumulative gain or loss on debt securities are recorded in the income statement while on equity securities, they are recorded in the equity reserve (item 150).

Dividends are shown under "dividends and similar income".

Derecognition criteria

Financial assets measured at fair value through other comprehensive income are derecognised when the contractual rights over the cash flows deriving from them expire or are closed out, or when they are sold with the transfer of substantially all the related risks and benefits, or when no control is retained over them even though substantially all the related risks and benefits are neither transferred nor retained.

3. Financial assets measured at amortised cost

Classification

This item includes financial assets, debt securities and loans, managed through an HTC business model that have passed the SPPI Test. The following are recognised in this item:

a) amounts due from banks (current accounts, guarantee deposits, debt securities, etc.), other than those "on demand" included under "Cash and cash equivalents". These include operating loans linked to the provision of financial services and activities as defined by the Consolidated Banking Act (TUB) and the Consolidated Finance Act (TUF) (e.g., distribution of financial products) and receivables due from Central Banks (e.g. compulsory reserve), other than current accounts and "on demand" deposits included under "Cash and cash equivalents", are also included;

b) loans and receivables with customers (mortgage loans, finance leases, factoring, debt securities, etc.). These also include deposits with post offices and Cassa Depositi e Prestiti, variation margins with clearing houses arising from derivative transactions and operating loans linked to the provision of financial services and activities as defined by the Consolidated Banking Act and the Consolidated Finance Act (for example, servicing activities).

Also included are:

- advances in respect of the assignment of receivables with recourse or without recourse without the substantial transfer of risks and rewards, and receivables acquired by the company recognised against the assigned debtor for which the substantial transfer of risks and rewards to the assignee has been recognised;
- finance leases relating to assets under construction and assets about to be leased under "transfer of risks" contracts, whereby the risks are transferred to the lessee prior to delivery of the asset and the start of lease instalments;
- loans granted through government or other public entity funding in connection with particular lending transactions provided for and governed by specific laws ("loans through third-party funds under administration"), provided that the loans and funds bear interest due and payable to the lender;
- trade notes and documents that the banks receive subject to collection or subsequent to collection and for which the banks handle the collection service on behalf of assignors (recognised only upon settlement of the related amounts).

Recognition

Financial assets measured at amortised cost are recognised on the settlement date at fair value, which normally coincides with the amount paid, including transaction costs.

Repurchase agreements are recorded in the financial statements as funding or lending transactions. In particular, spot sales with forward repurchases are recorded as a payable for the spot amount collected, while spot purchases with forward resales are recorded as a receivable for the spot amount paid.

The Group requires any changes in the business model due to inconsistency between the way that the portfolio is managed and the business model that was chosen, or to significant changes in the strategic decisions made, to be decided by the Boards of Directors of each Group member, which will determine if, in rare circumstances, reclassification is needed.

Accounting policies

Subsequent to initial recognition, valuations are carried out on an amortised cost basis, using the effective interest method. Amortised cost is represented by the initial value, including transaction costs, net of any repayments of principal, as increased or decreased by adjustments or write-backs and the amortisation of the difference between the amount paid and that recoverable on maturity. The effective interest rate is the rate using which the present value of future cash flows equals the amount of the loan granted, as adjusted by directly-related costs and revenues. Short-term loans (less than 12 months) without a specific repayment date and loans repayable on demand are recognised at cost, as the calculation of the amortised cost does not produce significant differences. The effective interest rate identified initially, or when the indexing parameter for the loan is modified, is used subsequently to discount expected cash flows, even if there has been a credit change associated with the loan followed by loan forbearance measures that have led to a change in the contractual rate.

At each reporting date, financial assets measured at amortised cost are subject to impairment according to the rules set forth in IFRS 9; the value adjustments made are recognised in the income statement under item "130. Net adjustments/write-backs for credit risk: a) financial assets measured at amortised cost". For the definition of value adjustments, financial assets measured at amortised cost are classified into different Stages:

- Stage 1: includes performing positions for which there has been no significant increase in credit risk since the date of initial recognition;
- Stage 2: includes performing positions for which there has been a significant increase in credit risk since the date of initial recognition;
- Stage 3: non-performing positions (non-performing past-due positions, unlikely to pay, bad loans) are included.

Classification in one of the stage 3 credit-impaired categories complies with the definition of "Non-performing exposures" provided by the Implementing Technical Standards (ITS) of the EBA and adopted by the European Commission, where impaired financial assets are to be split between bad loans, unlikely to pay and non-performing past due and/or overdrawn exposures.

Specifically:

- Bad loans reflect the exposure to parties that are insolvent or in essentially equivalent situations, regardless of any loss forecasts made by the Group. Accordingly, no account is taken of any guarantees received in support of such exposures.
- Exposures classified as unlikely-to-pay loans are exposures, other than bad loans, for which the group deems it improbable that the obligor will pay its credit obligations (principal and/or interest) in full without recourse to measures such as the enforcement of guarantees.
- Non-performing past due exposures are exposures other than bad or unlikely to pay loans, which, at the reference date, are past due and/or overdrawn continuously for more than 90 days and which exceed set absolute materiality thresholds (100 euro for retail exposures or 500 euro for non-retail exposures) and relative materiality (set at one percent (1%) for both retail and non-retail exposures). Non-performing past due exposures are determined by reference to the individual debtor.

At each reporting date, an entity must assess whether there has been a significant increase in credit risk since the date of initial recognition. The determination of a significant increase in credit risk (SICR) and the subsequent estimation of impairment, which may either be annual (for positions classified in stage 1) or multi-annual based on the residual life of the exposure (for positions classified in stage 2), is performed via the use of specific methodologies, which combine the use of absolute criteria – specifically, information relating to the number of continuous days past due/overdrawn, any forbearance measures, loans purchased or originated credit-impaired and use of the low credit risk exemption for limited and particular types of counterparties and technical forms – and relative criteria. More precisely, the latter enable the measurement, via the analysis of an appropriate PD-based metric ("Probability of Default"), of the change in the riskiness of the position over a timescale equating to the residual life thereof that has elapsed since the origination date up to the analysis/reporting date. For the construction thereof, use is made of probability of default term structures (lifetime PD curves, which differ according to appropriate granularity), which are constructed starting with an internal rating system, where available, or that assigned by an external rating agency, and by also taking into consideration elements of a predictive-evolutionary nature and specific to the macroeconomic scenario deemed to be most plausible at the analysis/reporting date in compliance with the underlying rationale of the new accounting standard.

If there has been a significant change in credit risk, there will be a transfer between stages: this model is symmetrical, and assets can move between stages. In the case of positions subject to forbearance measures, it should be noted that in accordance with prudential principles, an observation period of at least two years is envisaged before the position is returned to a better stage.

The measurement of financial assets carried at amortised cost is based on a computation of expected credit loss, which is defined as an estimate of the weighted probability of credit losses over the expected life of the financial instrument weighted for the probability of occurrence and is calculated based on the classification in stages as indicated above.

In particular:

– 12-month expected credit losses, for assets classified in stage 1. 12-month expected credit losses are those that result from default events that are possible within 12 months (or within a shorter period if the expected life is less than 12 months), weighted for the probability of occurrence of the default event.
– Lifetime expected credit losses, for assets classified in stage 2 and 3. Lifetime expected credit losses are those that result from all possible default events over the expected life of the financial instrument, weighted for the probability of occurrence of the default event.

For stage 2 positions, the provisions relating to each counterparty may be increased to a level considered appropriate by the competent business functions, based on the results of applying the statistical methodology defined by the Group and specific operational information, if the theoretical expected loss does not accurately reflect the level of risk identified.

As regards performing positions, the measurement is performed on a collective basis, taking account of the risk parameters consisting of probability of default (PD) and loss given default (LGD), as well as exposure at default (EAD). Value adjustments for expected losses are quantified as the product of the parameters previously reported, for the estimation of which similar parameters used for regulatory purposes are used, suitably modified and adapted in relation to the different requirements between accounting regulations and prudential regulations with particular reference to (I) the logic of calibration of the aforementioned risk parameters according to the point in time approach, (II) the prospective nature of the estimates (namely, modelling of the so-called FLI-forward-looking information) and (III) their explicit conditioning on the realisation of a plurality of appropriately weighted macroeconomic scenarios (so-called scenario-dependency aspects).

As regards credit-impaired positions, measurement may be performed on a collective or detailed basis.

Impairment of individual assets measured at amortised cost is the extent to which their recoverable value is lower than their amortised cost. In the case of detailed analysis, recoverable value is defined as the present value of expected cash flows, determined with reference to the following elements:

– value of contractual cash flows net of any expected losses, estimated with reference to both the ability of the borrower to meet its obligations and the value of any collaterals or personal guarantees assisting the loan;
– expected timing of recoveries, considering the progress made by recovery procedures;
– internal rate of return.

The specific analysis of non-performing financial assets takes the following parameters into account:

– recoveries forecast by the account managers;
– expected timing of recoveries based on historical-statistical data;

– original discounting rates or the actual contractual rates applying at the time of classifying the loans as non-performing.

Collective assessments are made of positions with limited total exposures that do not exceed given "threshold values". These thresholds are determined from time to time, using simple processes that mainly involve the automatic application of specific coefficients defined internally with reference to detailed quantitative analyses.

Unlikely-to-pay loans, which include loans subject to restructuring agreements, are also assessed on either a detailed or an overall basis. The detailed analysis takes the following parameters into account:

– recoveries forecast by the offices involved;
– expected timing of recoveries based on historical-statistical data;
– original discounting rates represented by the actual contractual rates applying at the time the loans were classified as unlikely-to-pay or, with specific reference to loans subject to restructuring agreements, in force before signing the agreement with the debtor.

Collective write-downs are made using similar methodology to that applied in relation to the overall write-down of bad loans for which no specific estimate of the loss attributable to each individual relationship has been made.

These financial assets are adjusted on an overall basis with reference to specific historical/statistical analyses of the related losses incurred in the past.

Non-performing past due exposures are identified using automated procedures that extrapolate anomalous positions with reference to specific parameters established by regulations in force from time to time.

For the positions in question, it is not possible to quantify expected losses on a detailed basis at the level of individual position. The measurement of the level of impairment thereof – and, thus, of the adjustments to be applied on a collective basis – is performed by taking account of the possibility of return to performing of the positions or of a further deterioration of default and, accordingly, of the amount of the estimated expected losses arising from the established work-out process. Measurement is also performed based on the availability of appropriate information of a macroeconomic and prospective nature that is deemed significant for the estimation of the adjustments.

It should be noted that the impairment model relating to non-performing loans (Stage 3) envisaged by IFRS 9 is based on an estimate of the difference between the original contractual flows and expected cash flows. So, in determining the expected flows, it is necessary to include estimates at the reporting date of the various expected scenarios, including any loan disposal programmes and/or settlement agreements. If the entity expects to recover a portion of the cash flow of the exposures through sales procedures or settlement agreements, these can be included in the calculation of the Expected Credit Losses verified under certain conditions.

The Group incorporates the various recovery strategies considering the different probabilities that they will take place.

In the context of calculating the ECL, internal regulations require the expected loss and the recoverable value of non-performing loans to be estimated in disposal scenarios in accordance with a specific procedure, comprising several phases, that starts with identification of the scenarios.

In general, the accounting rules require the estimate of the loss on non-performing loans to reflect a range of possible outcomes for different scenarios, each associated with a specific probability of occurrence.

Currently, the following possible scenarios have been identified, each with different models and estimated outcomes:

- internal management of credit recovery activities;
- adoption of settlement agreements for a selected number of impaired positions;
- disposal to third parties of impaired exposures.

The next phase consists in identifying the portfolio to be sold, based on knowledge of its characteristics, the existence of any internal and/or external constraints, the monitoring of market conditions and any more complex strategic and operational objectives. The aggregate is defined with reference to the specific factors attributed to each position, such as their contractual characteristics (e.g. type of guarantee, ageing, size of the exposure etc.) and relevant operational information, including the type of recovery procedures already in progress, the geographical location of the counterparty, any impediments or obstacles to disposal, the strategic orientation of the group, the conditions existing from time to time in the market for the disposal of loans, the strategies adopted by competitors, and any other internal and/or external factors that can be explained appropriately.

Each operational scenario identified is assigned a specific probability of occurrence. This probability is determined on both qualitative and quantitative bases, the latter taking into account the correlation between the target and extended portfolios selected for each scenario.

The next phase involves estimating the expected loss for each scenario. The estimate of losses on non-performing loans must reflect reasonable and well-founded information, available without excessive cost or effort, including details of past events, current conditions and the economic situation expected in future. In line with the internal regulations for quantifying the loss expected on non-performing exposures, an estimate is made of the cash flows expected from each operational scenario identified. Without prejudice to specific regulatory instructions, the estimate of cash flows from internal credit management scenarios takes account of macroeconomic and sector information, the situation faced by the debtor, the cash flows expected from the debt restructuring to “unlikely-to-pay exposures”, any collaterals or personal guarantees, the period for which the position has been impaired and the expected time to obtain recovery.

The estimate of cash flow from loan disposal scenarios takes account of similar transactions carried out in the past by the group, as well as specific information available about the “underlying” (situation faced by the borrower and any loan guarantees obtained) and the market for the disposal of non-performing loans (e.g. prices of similar transactions carried out by other intermediaries and historical and forecast market curves).

The expected loss on each impaired position is therefore determined using the following formula:

Expected loss Single Position	=	Expected Loss - Disposal Scenario* Probability of occurrence of Disposal	+	Expected Loss - Internal Management Internal* Internal Management Probability of Occurrence

Recognition of components affecting the income statement

Interest income on financial assets measured at amortised cost is classified in the item "interest and similar income". As regards financial assets classified in stage 3 and loans purchased or originated credit-impaired (POCI), interest is calculated using the net interest method and is recognised in the item "interest and similar income".

Adjustments and write-backs for changes in credit risk, calculated as specified above, are recognised in the income statement. Any write-backs do not exceed the (specific and general or "portfolio") impairment adjustments recorded previously.

Derecognition criteria

Financial assets measured at amortised cost are derecognised when the contractual rights over the cash flows deriving from them expire or are closed out, or when they are sold with the transfer of substantially all the related risks and benefits, or when no control is retained over them even though substantially all the related risks and benefits are neither transferred nor retained.

IFRS 9 also includes the following provisions on:

- Write-off of financial assets: when an entity does not reasonably expect to fully or partly recover contractual cash flows from a financial asset, it must directly reduce the gross carrying amount of the financial asset. This write-down constitutes partial or total derecognition of the asset.
- Change in contractual cash flows: when a change in contractual cash flows occurs, the entity must assess whether the original asset should continue to be recognised in the financial statements or whether the original instrument should be derecognised and a new financial instrument recognised. When the modification of contractual cash flows of a financial asset is substantial, the Entity should derecognise the existing financial asset and subsequently recognise the modified financial asset: the modified financial asset is deemed to be a "new" financial asset for the purpose of this standard (IFRS 9 B5.5.25). When the modification of contractual cash flows from a financial asset is not substantial, an entity should redetermine whether there has been a significant increase in credit risk and/or whether the financial asset should be reclassified to stage 3. At the time of a modification that does not lead to derecognition, the Group adjusts the carrying amount to the present value of the modified cash flows determined using the original effective interest rate, with a matching entry to the income statement.

3.1 Commitments and guarantees given

Classification

These comprise all the collaterals and personal guarantees given for third-party obligations and commitments to grant loans.

Recognition and measurement

Endorsement loans are valued on the basis of the riskiness of this particular form of loan, taking into account the creditworthiness of the borrower. The impairment model envisaged for this category of financial assets is the same as that for financial assets measured at amortised cost (see paragraph 3 above).

Recognition of components affecting the income statement

The commissions accrued are shown in the income statement under "fee and commission income". Impairment losses, and subsequent write-backs, are booked to the income statement under "net provisions for risks and charges" with a contra-entry to "Provisions for risks and charges - a) Commitments and guarantees given".

4. Hedging transactions

Classification and recognition

Financial and credit derivatives held for hedging purposes with a positive or negative fair value are recognised in the corresponding balance sheet item. The IASB is still developing new macro hedging requirements to complete the hedge accounting requirements already included in IFRS 9, which will replace the rules set out in IAS 39 and, accordingly, until the completion and publication of the new standard, the Group has decided to continue to apply the hedge accounting requirements set out in IAS 39, as this option is allowed under IFRS 9.

The portfolio of hedging derivatives comprises the derivative instruments used by the Group to neutralise or minimise the losses arising in relation to hedged assets and liabilities.

The hedging of market risks can take two different forms:

– fair value hedges, to hedge the exposure to changes in the fair value of a balance sheet item attributable to a particular risk; this also includes generic fair value hedges ("macro hedges") whose objective is to reduce fair value fluctuations, attributable to interest rate risk, of a monetary amount, arising from a portfolio of financial assets and liabilities;
– cash flow hedges of the exposure to changes in future cash flows attributable to specific risks associated with balance sheet items.

If the test reveals that the hedge is not sufficiently effective, the instrument is reclassified to the trading portfolio. Hedging instruments are recorded using the "contract date" method.

For a transaction to be accounted for as a "hedging transaction", the following conditions must be met: a) the hedging must be formally documented, b) the hedge must be effective at the time it starts and prospectively throughout its life. Effectiveness is tested using specific techniques and exists when the changes in the fair value (or cash flows) of the hedging instrument almost entirely offset the related changes in the hedged instrument (the results of the test fall into the 80% - 125% interval). The effectiveness of the hedge is assessed at each interim reporting date and at year end.

Derivative hedging instruments are initially recorded at fair value on the date the contract is entered into and are classified, depending on their positive or negative value, respectively, in assets under item "50. Hedging derivatives" or on the liabilities side of the balance sheet under item "40. Hedging derivatives".

Measurement and recognition of components affecting the income statement

Fair value hedges are measured and recorded on the following basis:

– hedging instruments are stated at their fair value; the fair value of instruments listed on active (efficient) markets is represented by their closing market price, while the fair value of instruments not listed on active markets corresponds to the present value of expected cash flows, which are determined having regard for the different risk profiles of the instruments subject to measurement. The measurement techniques used are those normally adopted by the market. The resulting gains and losses are recorded in the income statement item "90. Net hedging gain (loss)";
– hedged positions are measured by including changes in fair value attributable to the hedged risk. These changes in value are also recognised in the income statement under item "90. Net hedging result" as balancing entry against the change in book value of the hedged item.

With regard to interest-earning financial instruments, if the hedge transaction ceases to satisfy the recognition criteria of the standard, the difference between the carrying value of the hedged item at the time the hedge ceases and its carrying value had the hedge never existed is amortised to the income statement; if the financial instruments concerned do not earn interest, this difference is recorded in the income statement immediately.

In the case of generic fair value hedges ("macro hedges"), changes in fair value with reference to the hedged risk of the hedged assets and liabilities are recognised in the balance sheet respectively, under item "60. Change in value of macro-hedged financial assets" or "50. Change in value of macro-hedged financial liabilities". The offsetting entry for changes in value referring to both the hedged item and the hedging instrument, like specific fair value hedges, is item "90. Net hedging gain (loss)" in the income statement. In the event of the discontinuation of a generic fair value hedging relationship, the cumulative revaluations/write-downs recognised in the balance sheet items above are recognised in the income statement under interest income or expense over the remaining term of the original hedging relationships, subject to verification that the underlying conditions are met.

Cash flow hedges are measured and recorded on the following basis:

– derivative instruments are stated at their fair value. The gains and losses deriving from the effective part of the hedge, net of the related deferred tax effect, are recorded among the "Valuation reserves" within equity and only released to income when the hedged change in cash flows takes place or if the hedge is ineffective;
– the hedged item continues to be valued on the basis applicable to the category concerned;
– the amounts recognised among the components of other comprehensive income are reclassified to the income statement for the year in which the hedged transaction affects the income statement, for example when charges or income are recognised in relation to the hedged instrument.

If the hedging instrument expires or is sold, cancelled or exercised without replacement (as part of the hedging strategy), or if it ceases to be designated as a hedging instrument, or if the hedge no longer satisfies hedge accounting criteria, any gains or losses previously recognised as components of other comprehensive income remain classified separately within equity until the expected transaction takes place or the commitment made in relation to foreign currency is called upon.

Derecognition criteria

Risk hedges cease to generate accounting effects when they expire, when they are closed out or terminated early, or when they cease to satisfy the recognition criteria provided.

5. Equity investments

Classification

The portfolio of equity investments comprises holdings in associated companies and companies under joint control, other than those included in the item "financial assets measured at fair value through profit or loss" in accordance with IAS 28 and IFRS 11.

Recognition

Reference should be made to Section "Scope and methods of consolidation".

Accounting policies

Reference should be made to Section "Scope and methods of consolidation".

Measurement and recognition of components affecting the income statement

Reference should be made to Section "Scope and methods of consolidation".

Derecognition criteria

Reference should be made to Section "Scope and methods of consolidation".

6. Property, equipment and investment property

Classification

This item includes buildings, land, installations, furniture, equipment, furnishings and machinery. The rights of use acquired with the lease relating to the use of a tangible asset (for lessees) are also included.

This item includes buildings held for investment purposes in order to earn rentals or enjoy capital appreciation and follow the rules laid down by IAS 40.

This item also includes property, equipment and investment property classified according to IAS 2 Inventories, mainly relating to assets acquired with a view to enhancing the value of the investment, including through renovation or redevelopment, with the explicit intention of selling them, including assets deriving from the enforcement of guarantees received.

Recognition

Property, equipment and investment property are initially recorded at cost, including all expenses directly related to the asset's installation prior to being brought into service. Expenditure on improvements that will generate future economic benefits is added to the value of the assets concerned, while routine maintenance costs are charged to the income statement.

Investment properties, at the time of purchase, are recorded under assets in the balance sheet at cost. In the presence of a change of use of the property from property for business use to investment property, the initial book value is equal to the fair value, deduced from a specific appraisal. The difference between the fair value and the book value of the property at the date of change in use is treated on the basis of IAS 16, i.e. if there is a negative difference between fair value and book value, the decrease is recognised in the income statement, whereas if there is a positive difference between fair value and book value, the increase in value is recognised in the income statement as income for the amount that adjusts any previously recognised decrease in value; any excess must be credited to a revaluation reserve included in equity.

According to IFRS 16, leases are accounted for on the basis of the right of use model, so that, at the initial date, the lessee has a financial obligation to make payments due to the lessor to compensate for his right to use the underlying asset for the duration of the lease.

The start of the lease term is the date from which the lessee is authorised to exercise his right to use the leased asset, it corresponds to the date of initial recognition of the lease and also includes the so-called rent-free period, or those contractual periods in which the lessee makes use of the asset free of charge. When the asset is made available to the lessee for its use (initial date), the lessee recognises:

– an asset consisting of the right to use the asset underlying the lease contract. The asset is recognised at cost, determined by the sum of:
  - the financial liability for the lease;
  - payments for the lease paid before or on the date on which the lease takes effect (net of the lease incentives already received);
  - initial direct costs;
  - any (estimated) costs for the dismantling or restoration of the underlying leased asset.
– a financial liability deriving from the lease agreement corresponding to the present value of the payments due for the lease. The discount rate used is the implicit interest rate, if determinable; otherwise the lessee's incremental borrowing rate is used. If a lease contract contains “non-lease components” (for example services, such as routine maintenance, to be recorded according to the provisions of IFRS 15) the lessee has to account for “lease components” and “non-lease components” separately and split the contract consideration between the various components based on the relative prices.

The lease term is determined by taking into account:

– periods covered by a lease extension option, if it is reasonably certain to be exercised;
– periods covered by a lease termination option, if it is reasonably certain to be exercised.

Accounting policies

Subsequent to initial recognition, property, equipment and investment property used for business purposes are stated at cost, net of depreciation and any impairment in value.

Depreciation is provided on a systematic basis over the useful lives of the various categories of asset. The total book value of property has been split, based on specific appraisals, between the value of buildings and that of the related land, which is not depreciated since it has an indefinite life. Property, equipment and investment property are subjected to impairment testing at year end, or at interim reporting dates if there is evidence of a possible loss of value, and any impairment of their carrying amount with respect to their recoverable amount is charged to the income statement. Recoverable amount is defined as the asset's fair value, less any selling costs, or, if greater, its value in use as represented by the present value of future cash flows generated by the asset; subsequent write-backs do not exceed the impairment losses recorded previously.

Property, equipment and investment property (inventories) to which IAS 2 applies are valued at the lower of cost and net realisable value. This case is not subject to periodic depreciation.

For investment properties, falling within the scope of IAS 40, the Group adopts the fair value measurement method, whereby, following initial recognition, all investment properties are measured at fair value. Consequently, these properties are not subject to depreciation, nor are they subject to impairment testing.

With regard to lease contracts, the lessee must:

- assess the right of use at cost, net of accumulated depreciation and accumulated value adjustments determined and accounted for on the basis of the provisions of IAS 36 “Impairment of assets”, adjusted to take into account any restatements of the lease liability;
- increase the liability deriving from the lease transaction following the accrual of interest expense calculated at the implicit interest rate of the lease, or, alternatively, at the incremental borrowing rate and reduce it for payments of principal and interest. In the event of changes in payments due for leases, the liability must be restated; the impact of the recalculation of the liability is recognised as a contra-entry to the asset consisting of the right of use.

Recognition of components affecting the income statement

Periodic depreciation, impairment losses and write-backs are recorded in the “depreciation and net impairment losses on property, equipment and investment property” item of the income statement.

The fair value model for investment properties requires changes in value deriving from the periodic recalculation of fair value to be recognised in the income statement as income or expenses under “Net result of fair value measurement of property, equipment and investment property and intangible assets”. For the methods used to determine the fair value and the periodicity of restatement, reference should be made to the criteria illustrated in “Part A.4 - Information on fair value” below.

With regard to leasing contracts, the amortisation of the Right of Use of the asset is recognised under the item “Depreciation and net impairment losses on property, equipment and investment property”, while the interest expense recognised on the financial liability related to the contract is included under the item “Interest and similar expense”.

Derecognition criteria

Property, equipment and investment property are derecognised on disposal or when their economic lives are over and they are not expected to generate any further economic benefits.

On disposal of an investment property, the difference between the sale consideration and the carrying amount must be recognised in the income statement, as “Gains (losses) on sale of investments”.

The right of use deriving from lease contracts is eliminated from the financial statements at the end of the lease term.

7. Intangible assets

Classification

This item comprises identifiable, intangible, non-monetary assets that will benefit future years. Existing intangible assets consist of software, goodwill and other intangible assets recognised in the case of business combinations as part of the acquisition cost allocation process (e.g. customer lists).

Recognition

Intangible assets are recorded at purchase cost plus any related charges, only if it is probable that the future economic benefits attributable to such assets will be realised and their cost can be measured reliably. In the absence of these conditions, the cost of the intangible asset is expensed in the period incurred; any costs incurred subsequently are only capitalised if they increase the value of or the economic benefits expected from the assets concerned. Goodwill is booked to assets when it derives from a business combination according to the criteria laid down in IFRS 3 as the residual surplus between the overall cost incurred for the operation and the net fair value of the acquired assets and liabilities that constitute businesses or business units.

Accounting policies

Subsequent to initial recognition, intangible assets except for goodwill are stated at cost, net of accumulated amortisation and any impairment. Amortisation is provided on a systematic, straight-line basis over the expected useful lives of the intangible assets concerned. At the end of each annual or interim reporting period, if there is evidence of impairment, the recoverable value of the asset is estimated: the amount of the loss is equal to the difference between the book value and the recoverable value and is posted to the income statement.

Once booked, goodwill is not amortised but tested periodically to ensure that the book value is holding up. This test is carried out once a year or more frequently if there are signs of impairment. For this reason, cash generating units (CGUs) to which the individual amounts of goodwill can be allocated are identified. The amount of any reduction in value is determined on the basis of the difference between the carrying value of the goodwill and its recoverable value, if this is less. This recoverable amount is equal to the higher of the fair value of the CGU, net of any costs to sell, and the related value in use, represented by the present value of the estimated cash flows for the years that the CGU is expected to operate, including those deriving from its disposal at the end of its useful life.

Recognition of components affecting the income statement

Periodic amortisation, impairment losses and write-backs are recorded in the “Amortisation and net impairment losses on intangible assets” or “Goodwill adjustments” item of the income statement. For goodwill, it is not permitted to book any subsequent write-backs.

Derecognition criteria

Intangible assets are derecognised when they are not expected to generate any further economic benefits.

8. Non-current assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amount will be recovered principally from sale rather than from continuous use. Non-current assets are only classified in this item when disposal is considered highly probable, and the asset or disposal group is available for immediate sale in its current condition, given that Management is committed to making the sale, which should be scheduled for completion within one year of the classification date. They are measured at the lower of book value and fair value, net of selling costs.

The results of the valuation are posted in the relevant items of the income statement or in the item "Profit (Loss) from discontinued operations after tax" if these are discontinued operations.

9. Current and deferred taxation

Tax receivables and payables are reported in the balance sheet as "Tax assets" and "Tax liabilities". Current taxes include advance payments (current assets) and amounts due (current liabilities) in relation to income taxes for the year, if these amounts are likely to be recovered from or paid to the tax authorities. Tax liabilities are determined by applying the current tax rates and regulations.

The estimate of tax assets and liabilities takes into account any charges deriving from disputes notified by the Tax Authorities and not yet settled or whose outcome is uncertain, as well as any doubts about the tax treatment adopted by the Company and other Group companies, given the complexity of tax legislation.

If there are deductible or taxable temporary differences between the value of assets and liabilities for tax purposes and the related book values, the corresponding deferred tax assets and liabilities are recognised using the liability method. Deferred tax liabilities are recognised on all related temporary differences, with the following exceptions:

- deferred tax liabilities deriving from the initial recognition of goodwill, or an asset or liability, in a transaction that does not represent a business combination and that, at the time, does not influence the results reported for statutory and tax purposes;
- the reversal of taxable temporary differences associated with equity investments in subsidiary companies, associated companies and joint ventures can be controlled, and it is probable that such reversal will not occur in the foreseeable future.

Deferred tax assets are recognised in relation to all deductible temporary differences, tax credits and unused tax losses available to be carried forward, to the extent it is probable that sufficient taxable income will be available in future to absorb them, with the following exceptions:

- the deferred tax assets associated with deductible temporary differences derive from the initial recognition of an asset or liability in a transaction that did not represent a business combination and that, at the time, did not influence the results reported for statutory and tax purposes;
- in the case of deductible temporary differences associated with equity investments in subsidiary companies, associated companies and joint ventures, deferred tax assets are only recognised if it is probable that they will reverse in the foreseeable future and that sufficient taxable income will be available to absorb them.

Law No. 214/2011 allows, under certain situations, certain types of deferred tax assets recognised in the financial statements to be transformed into tax credits, such as those related to adjustments/reversals of impairment losses on receivables.

No deferred taxes are provided in relation to higher asset values or reserves subject to the deferral of taxation as the conditions for payment of such taxation in the future do not currently apply. Deferred tax assets are only recognised when their recovery in future years is reasonably certain.

Deferred tax assets determined on the basis of deductible temporary differences are recognised in the financial statements to the extent that there is a probability of their recovery; this probability is assessed, through the performance of the so-called "Probability test', based on the ability to continuously generate positive taxable income for the Group or, as a result of the Tax Consolidation option, for the group of participating companies. Unrecognised deferred tax assets are reviewed at each reporting date and recognised to the extent that it has become probable that future taxable income will be sufficient to absorb them upon reversal.

Deferred tax assets/liabilities are calculated using the tax rates expected to be in force when they reverse or expire, being the rates currently in force or those already communicated or substantially in force at the reporting date.

Tax assets and liabilities are usually recorded with matching entries to the income statement, except when they derive from transactions whose effects are attributed directly to equity; in those cases, they are recognised respectively in the statement of comprehensive income or in equity, consistent with the element to which they relate.

10. Provisions for risks and charges

This item comprises the following provisions:

- The sub-item "commitments and guarantees given" includes provisions for credit risk in connection with commitments to grant loans and financial guarantees given that are subject to IFRS 9 impairment rules and provisions for other commitments and other guarantees that are not subject to IFRS 9 impairment rules.
- Sub-item "Pensions and similar obligations" only includes the supplementary defined benefit and defined contributions pension plans classified as internal funds pursuant to current pension legislation, as well as the other "external" supplementary pension funds, if the return of the principal and/or the yield to the beneficiaries has been guaranteed. These include:
  - The Parent Company's pension plan. This is classified as an "internal" pension fund and represents a defined-benefit obligation. The Bank is responsible for any unfunded liabilities.
  - Actuarial liabilities pertaining to BPS (Suisse) SA arising from supplementary pension costs for the employees thereof.
- The sub-item "Other provisions for risks and charges" includes the provision for the long-service bonuses paid to employees with 30 years of service, as well as provisions for liabilities whose timing and amount are uncertain, including legal disputes, which are recognised in the financial statements when the following conditions are met:
  - the company has a present obligation (legal or constructive) as a result of a past event at the reporting date;
  - it is likely that settlement of the obligation will involve the use of economic resources;
  - a reliable estimate can be made of the amount necessary to settle the obligation.

These provisions are stated at their present value if recognition of the time value of money has a significant effect (settlements to be made more than 12 months after the date of recognition).

11. Financial liabilities measured at amortised cost

Classification

This item includes amounts due to banks and due to customers, regardless of their technical form (deposits, current accounts, loans, securities), other than those recognised in items 20. "Financial liabilities held for trading" and 30 "Financial liabilities designated at fair value". It also includes operating payables linked to the financial services and activities defined in the Consolidated Banking Act and the Consolidated Finance Act, variation margins with clearing houses arising from derivative transactions and other operating payables associated with the provision of financial services. Amounts due to customers and banks and securities issued comprise the financial instruments (other than trading instruments) that represent the normal funding of the Group's activities by customers and other banks, or by the issue of securities. They also include payables recorded by the company as a lessee in the context of lease transactions.

Recognition

These financial liabilities are recorded using the settlement date method. They are initially recognised at their fair value, which is usually represented by the amount collected. The initial recognition value includes transaction costs, while all charges that are recovered from the creditor counterparty or that are attributable to internal administrative costs are not included. The elements of structured funding, comprising a host instrument and one or more embedded derivatives, are split and recorded separately from the related implicit derivatives, on condition that the economic characteristics and risks of the embedded derivatives are substantially different to those of the host instrument and that the derivatives can be configured as autonomous derivative contracts.

Accounting policies

Subsequent to initial recognition, financial liabilities are measured at amortised cost, using the effective interest method. Amortised cost is calculated after identifying the acquisition discount or premium and the fees or costs that are an integral part of the effective interest rate. Short-term liabilities are stated at the amount collected.

Liabilities covered by effective hedges are measured in accordance with the regulations applying to such transactions.

Lease payables are revalued when there is a lease modification (e.g. a change in the scope of the contract), which is not accounted for/considered as a separate contract.

Recognition of components affecting the income statement

Interest expense linked to funding instruments, calculated with the internal rate of return method, are booked to the income statement under "interest and similar expense".

Gains and losses on the repurchase of liabilities are recorded in the income statement under "gains (losses) from sale or repurchase of financial liabilities".

Interest expense on the financial liability under the lease contract is recorded in "Interest and similar expense".

Derecognition criteria

Financial liabilities are derecognised when the underlying obligations expire or are settled, cancelled or satisfied. Funding liabilities that are subsequently repurchased are derecognised from the financial statements.

12. Financial liabilities held for trading

This item comprises derivative instruments with a negative fair value, except for hedging derivatives. The total also includes the negative value of derivatives separated from their underlying structured financial instruments, when the conditions for such separation apply. The criteria for classification, derecognition, measurement and recognition of components affecting the income statement are the same as those described in relation to assets held for trading.

13. Financial liabilities measured at fair value

Currently, the Group does not classify liabilities in the financial statements as financial liabilities measured at fair value.

14. Currency transactions

They include all assets and liabilities denominated in currencies other than the euro.

Recognition

Assets and liabilities denominated in currencies other than the euro are recognised initially using the spot exchange rates applying on the transaction dates.

Accounting policies

On the reporting date, monetary assets and liabilities denominated in foreign currencies are translated using the spot exchange rates at that time. Non-current financial assets denominated in foreign currencies are translated using the exchange rates ruling at the time of purchase.

Recognition of components affecting the income statement

Exchange differences deriving from the settlement of monetary items or from the translation of monetary items using rates other than the initial translation rate, or the closing rate at the end of prior periods, are recorded in the income statement for the period in which they arise. Exchange differences on assets, excluding monetary items, that are classified as financial assets measured at fair value through other comprehensive income, are recognised among the valuation reserves.

Derecognition criteria

The policies applied are those indicated for the corresponding items. The exchange rate used is the one ruling on the date of payment.

15. Termination indemnities

Termination indemnities are considered a defined benefit plan, i.e. a defined benefit obligation, and therefore, as required by IAS 19, the value of the obligation is determined using the projected unit credit method.

Under this method, each year of service originates an additional unit of indemnity that is used to calculate the final obligation. This calculation is performed by forecasting future payments with reference to historical-statistical analyses of the demographic curve, and discounting them using a market interest rate. The actuarial analysis is carried out every six months by an independent actuary.

As a result of the reform of supplementary pensions by Legislative Decree No. 252 of 5 December 2005, the termination indemnities accrued up to 31/12/2006 remain in the company, whereas those accruing after that either have to be assigned to some form of supplementary pension fund or kept in the company and subsequently transferred to INPS, depending on the preference of the individual employee. This has entailed changes in the underlying assumptions used for the actuarial calculation: in particular, account no longer has to be taken of the average annual rate of increase in salaries.

The termination indemnities earned after 31 December 2006 are part of defined contributions plans. The Group recognises the contributions payable to these plans as a liability on an accruals basis, after deducting any contributions already paid to supplementary pension funds and to the INPS treasury fund in relation to the work performed by employees, with a matching entry to the income statement.

It is also noted that, in compliance with Law 335/95, employees hired since 28 April 1993 may allocate part of their termination indemnities to a supplementary pension fund established pursuant to current in-house agreements.

Gains and losses arising from changes in actuarial assumptions are booked to equity as shown in the statement of comprehensive income.

16. Other information

16.1 Share-based payments – Transactions settled using equity instruments

The Group has a share-based compensation plan for key personnel, in the context of which any variable remuneration exceeding the threshold of significance determined by the Board of Directors is subject to rules regarding its deferral and payment with financial instruments that are considered suitable for ensuring compliance with the Bank's long-term business objectives.

In accordance with IFRS 2, share-based remuneration plans are recognised as an expense in the income statement (item "190. a) personnel expenses") with a corresponding increase in equity (item "150. Reserves").

The cost of transactions settled with capital instruments is determined by the fair value on the grant date based on the work performance received. In view of the difficulty of reliably measuring the fair value of the benefits received, the standard allows benefits to be valued, indirectly, with reference to the fair value of the equity instruments at the date of their grant (so-called 'grant date'; this date corresponds to the time when the parties agreed on the terms and conditions of the agreement, however, if the agreement is subject to approval by the Board of Directors, the date of agreement coincides with the date of approval). This cost is to be spread over the period in which the conditions relating to the achievement of objectives and/or the provision of the service are fulfilled (so-called "vesting period').

The transaction costs already accumulated at each reporting date prior to the vesting date are projected forward to the vesting date, together with the best estimate of the number of equity instruments that will actually vest. The cost or income recognised in the income statement represents the change in accumulated cost between the start and the end of the year. The service or performance conditions are ignored when the fair value of the plan is determined at the grant date. However, the probability that these conditions will be satisfied is considered when estimating the number of equity instruments that will actually vest.

16.2 Revenue Recognition

In compliance with the provisions of IFRS 15, revenue arises from the transfer of goods or services to the customer and is recognised at an amount that reflects the consideration that the Group deems it is entitled to in exchange for the above goods or services using a five-step model (identify the contract(s) with a customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations; recognise revenue when the entity satisfies a performance obligation).

Revenue from contracts with customers is recognised in profit or loss when it is probable that an entity will receive the consideration to which it expects to be entitled in exchange for transferring goods or services to a customer. The consideration is allocated to individual performance obligations in the contract and is recognised in profit or loss based on the timing of the satisfaction of performance obligations. More specifically, revenue is recognised in profit or loss either at a point in time or over time as and when the entity satisfies its performance obligations. The consideration promised in the contract with the customer may include fixed amounts, variable amounts, or both. The contractual consideration may vary as a result of price concessions, discounts, rebates, incentives or other similar items and may be contingent on the occurrence or non-occurrence of a future event. In the presence of variable consideration, revenue is recognised in profit or loss if it is possible to reliably estimate the revenue and only if it is highly probable that the entire consideration, or a significant part thereof, will not be subsequently reversed from profit or loss. If an entity receives from the customer consideration that envisages the reimbursement to the customer of all or part of the revenue obtained, a liability should be recognised for expected future reimbursements. The estimate of this liability is updated at each year end or interim reporting date based on the portion of the consideration that an entity does not expect to be entitled to. The amount of commission recognised on the placement of products is adjusted to take account of any variable revenues that might have to be returned in future. The revenues earned on current accounts are recognised after allocation to the individual products or services comprising the stand-alone package.

16.3 Cost Recognition

Costs are recognised in the income statement in the period in which they are incurred on an accrual basis. Costs related to obtaining and fulfilling contracts with customers are recognised in the Income Statement in the periods in which the relevant revenues are recognised. If costs cannot be associated with revenues, they are immediately recognised in the income statement.

16.4 Revenues and costs relating to financial instruments

With reference to income and expenses related to financial assets/liabilities, it should be noted that:

- interest is recognised *pro rata temporis* based on the contractual interest rate or the effective interest rate if amortised cost is applied. Interest income and interest expense also include differentials or margins, positive or negative, accrued up to the reporting date, relating to:
  - financial derivative contracts to hedge interest-bearing assets and liabilities;
  - derivative contracts classified in the balance sheet as trading instruments, but managerially linked to financial assets and/or liabilities designated at fair value, in accordance with IFRS 9;
  - derivative contracts operationally related to financial assets and liabilities classified in the balance sheet as trading instruments or operationally related to "other financial assets mandatorily measured at fair value" and which provide for the settlement of differentials or margins at multiple maturities;
- default interest on bad loans is recognised in the profit and loss account at the time of actual collection;
- fees for revenues from services are recognised, based on the existence of contractual agreements, in the period in which the services were rendered, with the exception of fees considered in amortised cost for the purpose of determining the effective interest rate;
- dividends are recognised in the Income Statement when paid;
- gains and losses arising from the trading of financial instruments are recognised in the Income Statement, or in equity in the case of equity instruments for which designation at fair value through comprehensive income has been made, when the sale is completed, based on the difference between the consideration paid or received and the carrying value of the instruments.

16.5 Accounting treatment of tax credits connected with the "*Cura Italia*" and "Relaunch" Decrees.

Laws Decrees No. 18/2020 ("*Cura Italia* Decree") and No. 34/2020 (so-called "Relaunch Decree") have provided for a series of measures aimed at supporting Italian individuals and businesses in their relaunch following the Covid-19 emergency, including tax incentives related to expenses incurred for specific interventions that can be used in the form of tax deductions or tax credits. These tax incentives are applied to households or businesses, they are commensurate with a percentage of the expenditure incurred (which in some cases even reaches 110%) and are disbursed in the form of tax credits or tax deductions (with an option to convert them into tax credits). With a view to helping to support families and businesses, the Group launched a specific project aimed at acquiring these tax credits in the second half of 2020.

The main features of these tax credits are:

- the possibility of offsetting taxes and contributions according to the same rules as for use by the original Beneficiary;
- transferability to third-party purchasers;
- non-refundability by the Treasury in the event of non-use within the prescribed time-frame.

The accounting was done in accordance with international accounting standards and in line with the provisions of Bank of Italy/ Consob/ Ivass Document No. 9 ("Accounting treatment of tax credits related to the "*Cura Italia*" and "Relaunch" Law Decrees acquired following disposal by direct beneficiaries or previous purchasers") issued on 5 January 2021.

Based on the document issued, the purchased tax credits do not represent tax assets, government grants, intangible assets or financial assets, so the most appropriate classification in the balance sheet is "other assets".

At the time of initial recognition, the tax credit is recognised at the price of the transaction (value corresponding to its fair value). For subsequent valuations, the provisions of IFRS 9 are expected to be applied.

In view of the trend in the volume of loans acquired, the future prospects and also the recent note from the Bank of Italy regarding the prudential treatment of these loans, the Group decided to combine the HTC business model with the HTCS business model.

The HTC business model envisages that the measurement subsequent to initial recognition of the credit takes place at amortised cost using the effective interest rate determined at the time of initial recognition, while the HTCS business model envisages that the measurement subsequent to initial recognition of the credit takes place at fair value with a balancing entry in comprehensive income. It is specified that such trading does not generate day one profit/loss.

No expected loss is calculated on these credits because there is no counterparty credit risk considering that the realisation of the credit takes place by offsetting or in cash in the case of assignment.

16.6 Accounting treatment of financial instruments with ESG clauses

With reference to 31 December 2023, we note the presence in the group's portfolio of:

- subscription of debt securities issued by leading national companies operating mainly in the energy sector, within which step-up clauses were included linked to the achievement of certain ESG objectives;
- signing of loan agreements (both bilateral and pooled) to companies of national importance within which step-up or step-down clauses linked to the achievement of certain ESG objectives were included;
- other NEXT campaign loans from the parent company, instruments that are characterised by the fact that they are linked to the support of sustainability projects but do not contain specific clauses that generate issues for the purposes of IFRS 9 accounting classification.

The step-up and step-down clauses associated with these subscriptions do not present a high degree of complexity; specifically, the most common clauses concern the improvement of direct GHG (Greenhouse gases) emissions and the installed capacity of renewable energy sources by a certain date.

From an accounting point of view, during the reporting year, when subscribing to debt securities and/or granting loans, the group checked whether or not these instruments could be in accordance with a so-called basic lending arrangement and not result in the failure of the SPPI Test. Specifically, it was considered that these instruments could pass the test because:

- all cash flows that could occur throughout the contractual life of the instrument were considered, regardless of the probability of the underlying event occurring;
- the contingent event underlying the step-up/step-down clause is specific to the issuer/lender;
- the contractual changes that may occur as a result of the contingency event are already defined in advance by the issuer/provider;
- the contractual cash flows associated with the occurrence of the contingency event do not represent an investment in the issuer/lender or the underlying assets.

A further element considered for passing the SPPI test is the relevance that ESG risk has in measuring the remuneration of the financial instrument. These activities, at present, concern only a part of the loan portfolio; in fact, the processes for measuring, controlling and mitigating sustainability risk trends are being structured with the aim of extending them to the overall exposure perimeter. When, as in the case of the group, it is at an early stage of inclusion in the processes of disbursement, risk monitoring and pricing, it cannot be argued that the ESG characteristic is assessed to compensate the lender for a specific loan risk, such as credit risk, but more to incentivise a common 'good corporate citizen' behaviour. In this case, therefore, it can be said that no remuneration/risk is introduced that is not typical of an ordinary credit granting instrument. Furthermore, as proof that the clauses of the assets in question do not introduce compensation for ESG risks, it should be noted that, at present, the group has not implemented a constant and granular monitoring system regarding the attainment of these objectives by the counterparties, nor is the relevance of these clauses a primary element in contractual negotiations.

Finally, it should be noted that for the subscriptions in question, the group does not carry out quantitative assessments of the magnitude of the clauses within the remuneration for the purposes of the SPPI test, again in view of the fact that no systems have yet been developed to measure the ESG risks associated with such clauses. In this sense, the quantification of the remuneration adjustment is determined in an essentially standard manner: the remuneration is not representative of an actual quantification of a risk.

16.7 Treasury shares

Any treasury shares held are deducted from equity. Any gains or losses from transactions in treasury shares are also reflected in equity.

16.8 Cash and cash equivalents

The item Cash and cash equivalents includes cash and all receivables "on demand", in the technical forms of current accounts and deposits, from banks and Central Banks (with the exception of the reserve requirement). In the income statement, net credit risk adjustments/write-backs related to the above-mentioned loans to banks and central banks "on demand" are recognised under item 130. "Net adjustments/write-backs for credit risk".

16.9 Repurchase agreements, securities lending and contangos

Repurchase agreements or contangos, whereby the Group sells securities to third parties with the obligation to repurchase them at the maturity date of the transactions at a predetermined price, are recorded under liabilities to banks or to customers depending on the counterparty. Similarly, repurchase agreements or contangos, whereby the Group purchases securities from third parties with the obligation to resell them at the maturity date of the transactions at a predetermined price, are accounted for as loans to banks or customers (accounting category of "Financial assets measured at amortised cost"), depending on the counterparty. The difference between the spot and forward prices of these transactions is accounted for as interest and recorded on an accrual basis over the life of the transaction. Securities lending transactions in which the collateral is cash that is fully available to the lender are recognised in the financial statements in the same way as the aforementioned repurchase agreements. In the case of securities lending transactions with collateral in the form of other securities, or without collateral, the lender and borrower continue to recognise in the assets side of the balance sheet, respectively, the security lent and the security given as collateral. The remuneration for such operations is recognised by the lender under item "40. Fee and commission income" and by the borrower under item "50. Fee and commission expense".

16.10 Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is determined as the sum of the amount transferred, measured at fair value at the acquisition date and the amount of the minority shareholding in the acquiree. For each business combination, the Group decides whether to measure any minority interest in the acquiree at fair value or in proportion to the minority share of the acquiree's net identifiable assets. Acquisition costs are expensed in the period and classified as administrative expenses.

When the Group acquires a business, it classifies or designates the financial assets received and the liabilities assumed in accordance with the terms of the contract and the economic and other conditions in effect on the acquisition date.

Any contingent amount is recognised at the fair value at the acquisition date. The contingent amount classified as equity is not remeasured and its subsequent payment is accounted for with a balancing entry in the income statement. The change in the fair value of the contingent amount classified as an asset or liability, as a financial instrument covered by IFRS 9 Financial instruments must be recognised in the income statement in accordance with IFRS 9. The contingent amount that does not fall within the scope of IFRS 9 is measured at fair value at the reporting date and changes in fair value are recognised in the income statement.

Goodwill is initially stated at cost represented by the excess of the total amount paid and the amount recognised for minority interests in respect of the net identifiable assets acquired and the liabilities assumed by the Group. If the fair value of the net assets acquired exceeds the total amount paid, the Group again verifies whether it correctly identified all the assets acquired and all the liabilities assumed and revises the procedures used to determine the amounts to be recognised at the acquisition date. If the new valuation still shows a fair value of the net assets acquired higher than the amount, the difference (profit) is recognised in the income statement.

After its initial recognition, goodwill is valued at cost net of accumulated impairment. For the purpose of impairment testing, goodwill acquired in a business combination is allocated, from the acquisition date, to each of the Group's cash generating units expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities of the acquiree are assigned to those units.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss of the disposal. The goodwill associated with the operation disposed of is determined on the basis of the relative values of the disposed operation and the portion of the cash-generating unit retained.

Impairment testing is carried out annually by determining the value in use or the fair value of the assets and verifying that the value at which the intangible asset or investment is recorded in the financial statements is lower than the value in use or the fair value, whichever is the higher, less costs to sell.

At 31 December 2023, the goodwill recorded relating to Factorit S.p.A., whose acquisition took place in 2010, Prestinuova S.p.a. acquired on 23 July 2018 and Rent2Go whose acquisition was completed on 1 April 2022, amount to a total of 17 million. The impairment test of these assets did not highlight the need to carry out any write-down of the carrying amounts. Part B of these Notes to the Consolidated Financial Statements, "Section 10 – "Intangible assets" – item 100", provides the main assumptions underlying the verification of the recoverability of goodwill and the related results.

16.11 Financial instruments (measurement of financial assets, equity investments and models for determining the fair value of instruments not listed in active markets)

Financial instruments not listed in active markets and illiquid and complex instruments are measured using specific complex models and/or parameters not observable in the market. These measurements are therefore highly complex, as highlighted by their classification in the fair value hierarchy. See Part A.4 – "Information on fair value" in these notes to the financial statements for qualitative and quantitative information on the methods adopted to determine the carrying amounts of instruments measured at fair value and those measured at amortised cost.

With regard to equity investments consolidated using the equity method, the Group did not identify any signs of impairment. The draft financial statements and updated business plans of the companies concerned might not be available, which would increase the uncertainties involved in measuring their value. In such cases, the carrying amounts assigned to the equity investments concerned, based on the available information, might differ from subsequent measurements made on the basis of different information that becomes available.

16.12 Deferred tax assets and valuation of liabilities associated with employee benefits

The assets shown in the Group's balance sheet include deferred tax assets, which principally derive from temporary differences between the date of recognition of costs in the income statement and the date on which they become tax deductible and, to a lesser extent, from tax losses carried forward. Section 11 – "Tax assets and tax liabilities", contained in Part B – Assets of these notes to the financial statements, provides information about the nature of DTA and the checks carried out on their recoverability, as well as about the results of the sensitivity analysis carried out on the time horizon for their recoverability, considering reasonable changes in the expected cash flows. The measurement of the liability for employee benefits involves a certain degree of complexity, especially with regard to defined benefit plans and other long-term benefits, given that this involves making actuarial assumptions of a demographic (e.g. mortality rate, employee turnover) and financial (e.g. discount rates and inflation rates) nature. In Part B of these Notes, a sensitivity analysis was carried out for defined-benefit company pension funds on changes in the main actuarial assumptions included in the calculation model.

16.13 Significant accounting standards and uncertainties in the use of estimates in the preparation of consolidated financial statements (pursuant to IAS 1 and the recommendations in Bank of Italy/Consob/Isvap Document No. 2 of 6 February 2009 and No. 4 of 3 March 2010)

As stated previously, the adoption of certain accounting policies necessarily requires recourse to estimates and assumptions that influence the value of the assets and liabilities recognised in the financial statements and the disclosures made about any contingent assets and liabilities. When accounting estimates are made, the Group considers all available information at the reporting date, as well as any reasonable assumptions based on external evidence and its own historical experience. However reasonable, it cannot be excluded that these estimates might not be confirmed in the future operating scenarios that unfold for the Group. The results reported in future might, in fact, also differ from the estimates made when preparing the interim financial statements and, consequently, adjustments to the carrying amounts of reported assets and liabilities might become necessary that are currently unforeseeable and cannot be estimated.

The principal uncertainties at this time, with a potential impact on the future operating scenarios that unfold for the Group, include the direct or indirect adverse consequences for the Italian and global economies linked to the evolution of the geopolitical and macroeconomic context.

Starting from the Russian invasion of Ukraine, which took place at the end of February 2022, it should be noted, however, that it led to a drastic worsening of the macroeconomic context and recovery forecasts. In particular, the conflict had a negative impact on the global economy through rising commodity and energy prices. This added inflationary pressures, imposing a difficult balancing act on central banks in their attempt to keep inflation under control without triggering a recession. In addition, further geopolitical tensions in 2023, in particular the conflict in the Middle East, further contributed to uncertainty.

In this context, characterised by growing uncertainty over the macroeconomic outlook, the Group maintained the controls already in place in previous quarters, reinforcing them with additional specific credit risk monitoring activities. In this respect, in fact, in addition to the safeguards already in place, the lists of customers deemed “high risk positions” have been updated due to their particular exposure to the geopolitical context and the current energy and inflationary crisis, for which a prudential reclassification to Stage 2 has been considered, on a temporary basis.

There were no regulatory changes in 2023. Therefore, classifications and valuations were made in continuity with the 2022 Financial Statements, to which reference should be made for detailed information on regulatory amendments and how they were applied by the Group.

Economic results

The dynamics of the main economic aggregates of the Group recorded as at 31 December 2023 are summarised below, highlighting those most influenced by the effects linked to military conflicts, the evolution of the energy market and financial markets. In particular, net interest income benefited from the positive effects deriving from the rise in rates and inflationary pressures compared to 2022. The results of the financial activity were affected by the positive evolution of the financial markets, recording gains compared to 2022, which had instead been negatively impacted by significant losses. The cost of credit was influenced by the effects of the changed macroeconomic scenario; there was an increase in the overall cost of credit compared to the previous year, which was also due to provisions related to the geopolitical context, the economic situation characterised by rising energy commodity prices and supply risks, as well as environmental and climate risks. On the non-performing receivables portfolio, coverage levels increased further also in relation to the massive sale carried out at year-end and the adoption of calendar provisioning in compliance with the regulatory framework. In the following paragraph, more detail is provided on the impacts on the quantification of expected losses, also highlighting the quantitative ones. Overall, this positively impacted the partial and total economic results, with a consequent effect also on profitability indicators. Please refer to the chapter "Results of brief and alternative performance indicators" contained in the consolidated report on operations for more details and quantitative data.

ECL – Expected credit losses

With reference to the methodological framework used by the Group for the quantification of expected losses on performing loans ("ECL") during 2023, the usual activities were carried out to update the parametrisations of the macroeconomic scenarios and the weighting factors associated with them based on the latest available forecasts, including the changed macroeconomic context.

With specific reference to the explicit modelling of the prospective and scenario-dependency components, it is specified that a plurality of macroeconomic scenarios were adopted for the calculation of the write-downs of June 2023:

- a baseline scenario, corresponding to the equivalent scenario released by the official supplier at the time of the last available forecast report at the time of the impairment calculation (i.e. Q3 2023);
- a (slightly) adverse scenario, corresponding to the same scenario released by the official supplier on the occasion of the last forecast report available at the time of calculation of the write-downs (i.e. Q3 2023);
- a scenario of an extreme nature, corresponding to the equivalent scenario issued by the official supplier at the time of the last forecast report available at the time of calculation of the write-downs (i.e. Q3 2023);

When weighting the scenario-dependent ECL, the baseline scenario is assigned, by reason of its nature, the prevailing weight factor (equal to 65%), while the alternative scenarios are assigned weight factors respectively equal to 25% and 10%.

During the year, the methodological approach used by the Group to quantify expected losses on performing loans underwent a series of evolutions that affected both the stage allocation framework with the introduction of an additional absolute criterion and the reformulation of the threshold level of the so-called absolute PD-backstop criterion and the ECL override criterion.

During 2023, the specific modelling of forward-looking information (FLI) was also updated and fine-tuned. In particular, we highlight the definition of so-called in-model adjustments for the suite of statistical-econometric models, developed according to a data-driven methodology, aimed at modelling the evolutionary dynamics of risk parameters for all macroeconomic scenarios in an explicitly prospective manner.

The lists of counterparties considered to be 'high risk' positions for which a classification to Stage 2 was assessed, were updated, with particular reference both to the updating of the positions pertaining to the cases already present therein and to the addition of the positions affected by the events in Emilia-Romagna. Particular attention was paid to defining the positions of the management states included in Stage 2, including some positions subject to special monitoring following a report by the Supervisory Authority or second-level control functions.

With reference to the management overlays applied in the calculation of value adjustments on performing loans, steps have been taken to include methodological developments aimed at incorporating the impact, in terms of both write-downs and staging, of the so-called novel risk factors (i.e. energy risk, inflation risk, supply chain risk and geopolitical risk), to the updating of the so-called geo-sector multipliers in light of the new macroeconomic forecasts published, the definition and quantification of a specific "ESG add-on" to incorporate new risk factors such as climate and environment risk and the recalibration and refinement of the so-called prudential add-on and its contextual remapping into a plurality of specific add-ons (so-called model-related overlay), aimed at promptly addressing all specific areas.

In addition, in order to address the recommendations that have been identified by the Supervisory Authority in the credit management and monitoring processes, a new method of calculating the ECL on a portfolio of monitored exposures detected through the application of a specific overlay (process deficiencies-related add-on) was introduced.

The above changes had an impact on both staging, with an increase in the incidence of stage 2 positions, and an increase in the level of stage 2 coverage. This brings the total level of overlays applied to 200 million euro.

Lastly, mention should be made of the fine-tuning activities conducted with reference to the quantification of impairment losses for past-due positions, in the calculation of which the effects arising from the updating of scenarios related to the disposal of non-performing exposures and the so-called model-related add-ons were incorporated in analogy with the homologous components applied to performing exposures.

In any case, however, it cannot be excluded that the introduction of different methodologies, parameters, assumptions in determining the recoverable value of the Group's performing credit exposures - influenced moreover by the evolution of the reference economic-financial and regulatory context - may determine valuations different from those conducted for the purpose of preparing the financial statements as at 31 December 2023.

For further details on the effects of said interventions on the calculation of value adjustments on loans and on the sensitivity analysis, please refer to paragraphs “2.3 Methods for measuring expected losses” and “5 Impacts deriving from emerging risks” contained in the section on credit risk of “Part E – Information on risks and related hedging policies” of the notes to the separate financial statements.

A.3 Report on transfers between portfolios of financial assets

For the Group, as in the previous year, there were no reclassifications of financial assets due to a change in business model.

In the 2023 financial year, as in previous years, there was no change to the Banca Popolare di Sondrio Group's business model, i.e. the way in which the Group manages financial instruments.

A.4 Information on fair value

Qualitative information

Information on fair value as required by IFRS 13 is provided below. This standard defines fair value as the price that would be received from the sale of an assets or that would be paid for the transfer of a liability in an orderly transaction between market operators on the measurement date. Fair value is a criterion based on market value; however, while transactional or observable market information may be available for certain assets and liabilities, such information may not be available for other assets and liabilities. When the price of an identical asset or liability cannot be found, it is necessary to use measurement techniques that maximise the use of significant observable inputs and minimise the use of unobservable inputs.

IFRS 13 requires the measurement of default risk in determining the fair value of OTC derivatives. This risk relates to changes in the credit rating of both the counterparty and the issuer. Accordingly, a model for the measurement of this component of risk has been devised and is used to adjust the simple market value of the instrument.

With regard to derivatives with positive mark-to-market adjustments, the risk component is known as the Credit Value Adjustment (CVA) and represents the potential loss associated with the counterparty credit risk, while the Debit Value Adjustment (DVA) quantifies the issuer risk in relation to instruments with negative mark-to-market adjustments.

These price adjustments are obtained according to a model-based approach derived from the possibility of default by both the counterparties and the bank itself, as well as additional representative cost/convenience components associated with the transaction. The Credit Valuation Adjustment represents the fair value adjustment due to the risk that the counterparty will default at a time when the Bank has positive exposure to it. It therefore takes on a negative sign and represents a valuation component that therefore decreases the positive fair value of the instrument. The Debt Valuation Adjustment represents the fair value adjustment that considers the consequences on counterparties of possible bankruptcy of the Bank. In contrast to the CVA, it represents a positive adjustment that therefore decreases the negative fair value of the instrument. If a specific CSA (Credit Support Annex) agreement has been concluded with the counterparty and a cash deposit has therefore been given or taken as security, the value of the instrument is not adjusted for the CVA/DVA component. The CVA/DVA book value for derivative instruments is then calculated as the product of the fair value of the position, the cumulative probability of default and the complement at 1 of the recovery rate (RR). These adjustments are calculated daily directly in the applications that manage the derivative positions held by the Bank.

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

Input values for the determination of level 2 fair value include: prices for similar assets or liabilities listed in active markets, prices for identical or similar assets or liabilities listed in inactive markets, and information other than observable listed prices, such as routinely listed interest rates and yield curves observable at intervals, implicit volatility, credit spreads and inputs corroborated by the market. This information is usually supplied by providers or determined with reference to prices calculated with reference to the market parameters of similar financial assets.

Input values for the determination of level 3 fair value are unobservable market values for the asset or liability and must be used to measure fair value to the extent that relevant observable inputs are not available. They must reflect the assumptions that market operators would use to determine the price of the asset or liability, including those regarding the related risk. The inputs not observable on the market derive from internal estimates and valuations based on pricing models that privilege the examination of expected cash flows and pricing and spread information, as well as of historical data and series of data concerning the risk factors, and relevant specialist reports.

Derivatives

OTC derivative instruments, for which there are no publicly formulated quotations by independent third parties and which are typically contracts signed bilaterally between the Bank and another financial counterparty, are valued by means of appropriate pricing models and classified in Level 2 or Level 3 (if significant assumptions and/or unobservable market parameters are to be used) of the fair value hierarchy. In particular, all derivative instruments can be reduced to two categories:

- Derivative instruments with a symmetric profile, which have as their underlying a transaction that is certain to occur on a specified maturity date (or dates) and which provide for simultaneous actions and identical positions (in terms of value and risk) for both counterparties. This category includes plain vanilla futures, forwards and swaps on all types of traded underlyings. Such instruments are typically valued using a Discounted Cash Flow model, which discounts, at a risk-free rate, the cash flows implicit in the contract.
- Derivative instruments with an asymmetric profile, which have as their underlying a transaction that may occur (or not occur) at the discretion of one of the counterparties. Specifically, there is one counterparty, which buys the right and which will have the discretion to activate the underlying transaction on the specified maturity date(s), while the other counterparty, which sells the right, will be subject to the buyer's decision.

This category of derivative instruments, to which all types of options belong, requires calculation models based on the volatility of the underlying, with the possible use of models based on numerical methods in the case of the presence of path-dependent elements with respect to the expected evolution of the value of the underlying or exotic elements in the determination of the payoff.

Loans and receivables

The method of measuring loans and receivables at fair value, where parameters relating to credit risk that can be inferred from market prices cannot be used, results in the instrument being classified in Level 3 of the fair value hierarchy. In general, the calculation of the fair value for these loans is carried out by means of a DCF model, whereby the individual cash flows associated with the individual maturities, deducted of the unrecoverable component related to the counterparty's credit risk, are discounted at a risk-free rate plus a premium for the illiquidity of the instrument itself. The cash flows at the individual payment date are determined from the contractual flows and take into account, where relevant, both anticipatory early redemption dynamics and the modelling of any optional components linked to the indexation of the flows. For on sight loans or without contractual maturity, the net book value is considered the best approximation of fair value. Due to their particular contractual structure and risk profile, Mortgage Life Loans (PIV) have a specific valuation model that is more focused on the value of the property being financed.

With regard to tax receivables classified under Other Assets in the balance sheet, pending the establishment of a market practice in terms of valuation, the fair value estimate is calculated using a "basic" method, which replicates the DCF model previously set out. Possible refinements of the valuation model may depend on the observation of comparable transactions in the market, e.g. size, activity levels, time proximity to the assets being valued.

Mutual funds

Undertakings for Collective Investment in Savings (UCI) are financial intermediaries that collect private savings and invest them on the basis of specific management rules, structured with reference to specific limits in terms of risk, asset allocation, concentration and exposure.

UCI generally have segregated assets that are usually dynamically managed and their composition is usually only partially known to investors. The Management Entity shall publish an estimate of the overall net value of the assets of the UCI (denominated Net Asset Value or NAV) with a frequency established by the internal regulations of the UCI, from which the theoretical value of each unit is calculated.

The risk and return profile of an investment in UCI is highly variable, depending on the characteristics and form of the UCI itself, the type of legislation to which it is subject, the type of investments it makes, and the possibilities for disposing of the units held. Most of the factors related to the risk and return profile of the units of a UCI are reflected in the valuation of the assets and, consequently, in the NAV value produced and disclosed by the Management Entity, which is the basis for determining the fair value of the units themselves. However, there may be elements of risk that are not perfectly or fully reflected in the NAV and therefore, require appropriate adjustments to be made to the NAV to identify fair value. This is particularly the case for UCI with the following characteristics:

- Closed-ended UCI - unlike open-ended UCI, do not allow investors to obtain (at any time) the immediate disposal of their units. Therefore, such disinvestment is only possible by reselling own units to a third party, which normally entails long lead times and high transaction costs.
- UCI whose NAV does not represent the fair value of the underlying assets - certain types of UCI, based on the relevant legislation, may adopt NAV valuation criteria that do not correspond to the valuation criteria that would be used to determine the fair value of the underlying investments. This category includes, for example, funds investing in private equity (whose investments are often valued at the lower of cost or market), those investing in private debt (normally valued at cost subject to impairment), and funds of NPEs, which sometimes value the underlying loans by discounting expected recoveries against rates that are far from market rates. In all these situations, it may be appropriate to make an adjustment to the NAV to realign it to the potential fair value.
- UCIs with infrequent NAV publication - some types of UCIs, especially closed-end UCIs and UCIs with illiquid underlying assets provide NAV calculation with limited frequency. Consequently, the value expressed by the latest available NAV could also be significantly different (as it is not up-to-date) from the actual value at current prices of the assets of the UCI itself. Again, it may be appropriate to make adjustments to the NAV to determine fair value.

Investments and other equity securities

If Level 1 and Level 2 price sources are not available, fair value is determined using an ad-hoc valuation model, specifically defined with respect to the characteristics of the instrument in question and the financial information available at the time of valuation. In said case, the instrument will be classified as Level 3 in the fair value hierarchy. In such circumstances, specific valuation approaches and methodologies are used, developed ad-hoc by the Pricing and Valuation Models Office in accordance with best practices and industry literature in the field of valuation and financial modelling, which can be categorised into the following two macro-typologies of analytical and empirical valuation methods. The so-called analytical methods are usually used as the main valuation approach, if no direct transactions on the company being valued can be detected, referring to the transfer of a significant portion of the share capital between independent market counterparties in a reasonably close time span. These methodologies estimate the value of a company by analysing its fundamentals to determine the inputs (such as cash flows, income, assets, etc.) on which the valuation is based. Analytical methods differ from empirical methods (described below), which estimate the value of a company by relying on the prices of comparable companies on the market.

For unlisted equities with observable inputs, but for which the most recent information available to measure their fair value is insufficient, the best estimate was made considering their adjusted equity value.

Non-financial assets measured at fair value on a recurring basis:

For the Banca Popolare di Sondrio Group, non-financial assets measured at fair value on a recurring basis are represented by real estate assets held for investment purposes measured at fair value on the basis of the provisions of IAS 40.

The fair value of properties held for investment purposes is determined through the use of special appraisals prepared by independent companies, professionally qualified and operating in the specific sector, capable of providing property valuations based on RICS Valuation standards.

These standards ensure that:

– the fair value is determined in accordance with the indications of the international accounting standard IFRS 13, i.e. it represents the estimated amount for which an asset would be sold and purchased, at the date of valuation, by a seller and a buyer with no special ties, both interested in the purchase and sale, at competitive conditions, after adequate marketing in which the parties have both acted in an informed, conscious and non-coerced manner;
– experts have professional, ethical and independence requirements in line with international and European standards.

For properties of a significant amount, i.e. properties with a value of more than 5 million, a “full” appraisal is envisaged, i.e. conducted by means of an inspection of the property, as well as a detailed analysis of the available documentation. For the remaining properties, however, it is possible to have recourse to a “drive-by” type appraisal, that is, based on the examination of the documentation as well as through an external inspection of the unit being appraised.

Taking into account that for real estate held for investment purposes the measurement criterion is fair value, the value is determined on the basis of new appraisals each year.

A.4.2 Processes and sensitivity of the measurements

The Group determines the fair value of assets and liabilities using various methodologies defined in the corporate policies. Based on the inputs that can be used, financial instruments are classified as Level 1, Level 2, Level 3. Financial instruments that are quoted in active markets for which the fair value is assumed based on official market quotations are classified in Level 1. If there is more than one active market, reference is made to the principal market; failing this, the most advantageous market is used. Level 1 inputs cannot be adjusted in normal circumstances. The concept of active market does not coincide with that of official market; rather, it refers strictly to the financial instrument concerned. It follows that a listing in an official market is not sufficient to be considered as listed in an active market. Listed prices are obtained from price boards, dealers, brokers etc. and reflect transactions carried out on an orderly basis. Level 2 financial instruments are those whose inputs are different from the listed prices included in Level 1 that are directly or indirectly observable for the asset or liability concerned. In this case, the measurement techniques used include the market value method, the income method which, in turn, is based on present value techniques and models for measuring the price of options. The use of present value techniques involves determining:

a) an estimate of future cash flows deriving from the asset or liability to be measured;
b) the uncertainty inherent in the cash flows, given possible changes in their amount and timing;
c) the rate applicable to risk-free monetary assets of similar duration;
d) the risk premium;
e) for liabilities, the related non-performance risk, including the credit risk associated with the debtor.

Level 3 financial instruments are those whose inputs are not observable. In this case, the best information available in the specific circumstances is used, including all reasonably available information about the assumptions adopted by market operators.

If a financial instrument is measured by recourse to inputs from various levels, it is allocated to the level of the input considered least meaningful. With regard to Level 3 financial assets, IFRS 13 requires the disclosure of information about the sensitivity of the reported results to changes in one or more of the unobservable parameters used to measure their fair value.

Given the limited weighting of such instruments within the Group's portfolio of financial assets and considering that the Level 3 instruments contained in the portfolio of financial assets largely comprise securities carried according to models whose inputs are specific to the entity being valued (for example, the assets of the company) or through prices of previous transactions, without further adjustments (for which no quantitative information is required about the sensitivity of their valuation), any changes in unobservable inputs would not have a significant economic impact.

As regards the Asset Backed Securities (ABS) present in portfolio, deriving from securitisations of non-performing loan portfolios, the analyses and assessments were carried out on the basis of the most recent information available and following the so-called waterfall structure for modelling the cash flows of the securitisations. From our analyses, no elements emerged that would justify a change in the fair value of the tranches with respect to the values currently recorded in the financial statements.

There are also in portfolio units of funds deriving from corporate loan restructuring, whose measurement at fair value is carried out on the basis of the NAV, corrected if necessary to take into account the investment's poor liquidity.

The instruments classified at level 3, for which non-observable quantitative inputs are used in the determination of the fair value, are largely attributable to financial instruments that did not pass the SPPI test envisaged for the classification of financial assets by IFRS 9. The fair value of most of these financial instruments is determined through a Discounted Cash Flow model or, for revocable products, set equal to the gross exposure adjusted for the credit risk loss component. The economic results do not fluctuate significantly on changes in the unobservable risk parameters. In particular, the following analyses were carried out:

a) analysis of the sensitivity to changes in the PD (Probability of default) parameter under various scenarios: adverse and extreme. In both cases, the changes in fair value were very limited (total fair value lower by 0.14% under the adverse scenario and lower by 0.33% under the extreme scenario). The changes were very limited because the credit risk associated with most of these instruments is low.
b) analysis of the sensitivity to changes in the LGD (Loss Given default) parameter under various scenarios: adverse and extreme. In both cases, the changes in fair value were very limited (fair value lower by 0.16% under the adverse scenario and higher by 0.15% under the extreme scenario). Here too, the changes were very limited because the credit risk associated with most of these instruments is low.
c) analysis of the sensitivity to changes in the rate used to discount cash flows, applying a parallel shock to the rate curves of +/-200 basis points. In these cases, fair value decreased by -2.02% following an increase in the rate curves and, conversely, increased by +3.06% following a decrease in them. In particular, for fixed-rate instruments, the capitalisation rate was not affected by the shock which, however, did affect the discounting of cash flows; conversely, with regard to variable-rate instruments, the spread component of the capitalisation rate was not affected by the shock which, however, did affect determination of the variable component of coupons and the discounting cash flows. The fair value, with and without the application of the shock, may be affected by discounting using a negative rate; this is consistent with recent calculations for other purposes and with market practice. The capitalisation phase has a natural limit of zero and no rates are generated with a negative interest rate. The changes in fair value are greater than found with the other two sensitivity analyses, but nevertheless remain low.
d) sensitivity analysis to quantify the effect of modelling explicitly the illiquidity and funding spread component. If this component is not modelled explicitly, the change in fair value is +0.86%; conversely, if a parallel shock to the rate curves of +/-50 basis points is applied, the change in fair

value is -2.44% if the rate curves are shifted up, and +2.55% if they are shifted down.

A.4.3 Fair value hierarchy

For the measurement of fair value, IFRS 13 makes use of the hierarchy of criteria concept introduced in an amendment to IFRS 7, adopted by Regulation 1165 of 27/11/2009, which required the classification of measurements using a hierarchy of levels that reflect the meaningfulness of the inputs used. These levels are:

a) prices (without adjustments) on active markets for the assets and liabilities being measured (level 1);
b) inputs other than the listed prices mentioned above; these can be seen directly (prices) or indirectly (derived from prices) on the market (level 2);
c) inputs not based on market observable data (level 3). In this case, the fair value is determined using measurement techniques based on estimates and assumptions by the relevant offices of the Group.

Allocation to the levels is not optional and is carried out in hierarchical order, giving priority to the official prices in active markets; in the absence of such inputs, reference is made to other methods that rely on observable parameters, and then to measurement techniques that use unobservable inputs.

An asset or liability is transferred between different levels of the fair value hierarchy when, following changes, its previous classification is no longer consistent with the inputs used.

Fair value hierarchy of real estate assets

The fair value of real estate held for investment purposes is classified at level 3 in the fair value hierarchy under IFRS 13, as it is determined using valuation techniques for which one of the significant inputs is not based on observable market data.

A.4.4 Other information

The information provided above together with that contained in the following tables represents appropriate disclosure pursuant to paras. 91 and 92 of IFRS 13. The disclosures envisaged in paras. 51, 93 (i) and 96 of that standard are not required.

QUANTITATIVE INFORMATION

A.4.5 Fair value hierarchy

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

Financial assets/liabilities measured at fair value	31/12/2023			31/12/2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss	115,305	128,809	446,857	151,249	600,327	502,492
a) financial assets held for trading	57,735	91,758	580	102,157	77,507	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	57,570	37,051	446,277	49,092	522,820	502,492
2. Financial assets measured at fair value through other comprehensive income	3,106,079	-	106,537	2,462,529	-	93,175
3. Hedging derivatives	-	1	-	-	248	-
4. Property, equipment and investment property	-	-	82,188	-	-	84,476
5. Intangible assets	-	-	-	-	-	-
Total	**3,221,384**	**128,810**	**635,582**	**2,613,778**	**600,575**	**680,143**
1. Financial liabilities held for trading	68	69,509	-	9	115,862	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	1,924	-	-	227	-
Total	**68**	**71,433**	**-**	**9**	**116,089**	**-**

There were no transfers of financial instruments between the three fair value levels during the year. The impact of the CVA (Credit value adjustment) and DVA (Debit value adjustment) on the determination of the fair value of derivative products is not significant, not least because most of the exposures are covered by credit support annexes (CSA).

A.4.5.2 Annual changes in assets measured at fair value on a recurring basis (level 3)

	Financial assets measured at fair value through profit or loss							
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily measured at fair value	Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, equipment and investment property	Intangible assets
1. Opening balance	**502,492**	**-**	**-**	**502,492**	**93,175**	**-**	**84,476**	**-**
2. Increases	**71,659**	**5,700**	**-**	**65,959**	**24,352**	**-**	**145**	**-**
2.1. Purchases	43,886	5,097	-	38,789	4,556	-	-	-
2.2. Profits recognised in:	14,172	31	-	14,141	1,860	-	145	-
2.2.1. Income Statement	14,172	31	-	14,141	-	-	145	-
- of which gains	11,779	-	-	11,779	-	-	145	-
2.2.2. Equity	-	-	-	-	1,860	-	-	-
2.3. Transfers from other levels	572	572	-	-	17,352	-	-	-
2.4. Other increases	13,029	-	-	13,029	584	-	-	-
3. Decreases	**127,294**	**5,120**	**-**	**122,174**	**10,990**	**-**	**2,433**	**-**
3.1. Sales	5,103	5,103	-	-	91	-	-	-
3.2. Reimbursements	44,829	-	-	44,829	102	-	-	-
3.3. Losses recognised in:	19,861	17	-	19,844	10,207	-	2,433	-
3.3.1. Income Statement	19,861	17	-	19,844	-	-	2,433	-
- of which losses	19,847	17	-	19,830	-	-	2,433	-
3.3.2. Equity	-	-	-	-	10,207	-	-	-
3.4. Transfers from other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	57,501	-	-	57,501	590	-	-	-
4. Closing balance	**446,857**	**580**	**-**	**446,277**	**106,537**	**-**	**82,188**	**-**

The decrease during the year in financial assets mandatorily measured at fair value was largely attributable to the financial instruments (loans in particular) that did not pass the SPPI test and that, accordingly, were classified in this line item. This item also includes the units in mutual funds not held for trading that were previously classified as “financial assets measured at fair value” and “financial assets available for sale”.

A.4.5.3 Annual changes in financial liabilities measured at fair value (level 3)

There are no financial liabilities measured at fair value on a recurring basis of level 3.

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

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis	31/12/2023				31/12/2022			
	Book value	Level 1	Level 2	Level 3	Book value	Level 1	Level 2	Level 3
1. Financial assets measured at amortised cost	45,530,807	9,937,520	-	36,424,182	43,870,637	9,529,803	-	33,414,057
2. Investment property	-	-	-	-	-	-	-	-
3. Non-current assets and groups of assets held for sale	-	-	-	-	-	-	-	-
Total	**45,530,807**	**9,937,520**	**-**	**36,424,182**	**43,870,637**	**9,529,803**	**-**	**33,414,057**
1. Financial liabilities measured at amortised cost	52,310,486	4,097,785	381,795	47,833,989	53,152,710	3,262,887	222,630	49,503,947
2. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Total	**52,310,486**	**4,097,785**	**381,795**	**47,833,989**	**53,152,710**	**3,262,887**	**222,630**	**49,503,947**

A.5 Information on the “day one profit/loss”

The “day one profit/loss” provided for in IFRS 7 and IFRS 9 para. B5.1.2A derives from the difference at the time of initial recognition between the transaction price of the financial instrument and its fair value. This difference can generally be found for those financial instruments that do not have an active market. This difference is charged to the income statement over the useful life of the financial instrument concerned. The Group does not have any transactions outstanding which could generate significant income that could be defined as “day one profit/loss”.

PART B - Information on the consolidated balance sheet

Assets

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

	31/12/2023	31/12/2022
a) Cash	176,068	178,649
b) Current accounts and sight deposits with central banks	4,191,373	6,660,416
c) Current accounts and sight deposits with banks	179,118	151,624
Total	**4,546,559**	**6,990,689**

Section 2 - Financial assets measured at fair value through profit or loss - Item 20

2.1 Financial assets held for trading: breakdown by category

	31/12/2023			31/12/2022		
Items/Values	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity securities	28,251	-	580	50,856	-	-
3. Mutual funds	28,823	69,702	-	50,678	14,770	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total (A)	**57,074**	**69,702**	**580**	**101,534**	**14,770**	**-**
B. Derivative instruments	-	-	-	-	-	-
1. Financial derivatives	661	22,056	-	623	62,738	-
1.1 for trading	661	22,056	-	623	62,738	-
1.2 associated with the fair value option	-	-	-	-	-	-
1.3 others	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 associated with the fair value option	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-
Total (B)	**661**	**22,056**	**-**	**623**	**62,738**	**-**
Total (A+B)	**57,735**	**91,758**	**580**	**102,157**	**77,508**	**-**

2.2 Financial assets held for trading: breakdown by debtor/issuer/counterparty

Items/Values	31/12/2023	31/12/2022
A. Cash assets		
1. Debt securities	-	-
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equity securities	28,831	50,856
a) Banks	3,313	14,394
b) Other financial companies	2,306	5,426
of which: insurance companies	96	2,575
c) Non-financial companies	23,212	31,036
d) Other issuers	-	-
3. Mutual funds	98,525	65,447
4. Loans	-	-
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total (A)	**127,356**	**116,303**
B. Derivative instruments		
a) Central Counterparties	-	-
b) Others	22,717	63,362
Total (B)	**22,717**	**63,362**
Total (A+B)	**150,073**	**179,665**

2.5 Other financial assets mandatorily measured at fair value: breakdown by category

	31/12/2023			31/12/2022		
Items/Values	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**57,570**	**-**	**17,139**	**49,093**	**-**	**26,517**
1.1 Structured securities	6,479	-	17,139	6,246	-	26,517
1.2 Other debt securities	51,091	-	-	42,847	-	-
2. Equity securities	**-**	**-**	**-**	**-**	**-**	**-**
3. Mutual funds	**-**	**37,051**	**125,431**	**-**	**522,820**	**113,599**
4. Loans	**-**	**-**	**303,706**	**-**	**-**	**362,376**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Others	-	-	303,706	-	-	362,376
Total	**57,570**	**37,051**	**446,276**	**49,093**	**522,820**	**502,492**

Loans classified under this item are financial instruments that have not passed the SPPI test. The debt securities classified under this item are instruments that are part of a business model of financial instruments managed at fair value and not held for trading.

Mutual funds are made up of: equity funds and SICAV for 43.701 million euro, bond funds for 98.356 million euro, balanced and flexible funds for 18.617 million euro and real estate funds for 1.806 million euro.

With regard to mutual funds acquired as part of transactions for the sale of receivables included among bond funds, please refer to the specific paragraph reported in Part E of these Notes (Subsection D “Disposals” point C “Prudential consolidation - Financial assets sold and fully derecognised”).

2.6 Other financial assets obligatorily measured at fair value breakdown by debtors/issuers

	31/12/2023	31/12/2022
1. Equity securities	**-**	**-**
of which: banks	-	-
of which: other financial companies	-	-
of which: non-financial companies	-	-
2. Debt securities	**74,709**	**75,609**
a) Central banks	-	-
b) Public administrations	37,252	31,842
c) Banks	20,318	17,250
d) Other financial companies	17,139	25,258
of which: insurance companies	-	-
e) Non-financial companies	-	1,259
3. Mutual funds	**162,482**	**636,419**
4. Loans	**303,706**	**362,377**
a) Central banks	-	-
b) Public administrations	35	46
c) Banks	-	-
d) Other financial companies	6,676	5,047
of which: insurance companies	-	-
e) Non-financial companies	189,293	239,312
f) Households	107,702	117,972
Total	**540,897**	**1,074,405**

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

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

	31/12/2023			31/12/2022		
Items/Values	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**3,102,919**	**-**	**17,857**	**2,459,705**	**-**	**341**
1.1 Structured securities	334,190	-	2,906	234,855	-	-
1.2 Other debt securities	2,768,729	-	14,951	2,224,850	-	341
2. Equity securities	**3,159**	**-**	**88,681**	**2,825**	**-**	**92,834**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**3,106,078**	**-**	**106,538**	**2,462,530**	**-**	**93,175**

The portfolio of debt securities consists mostly of Italian government bonds.

Equity securities also include equity investments held with a view to supporting the typical business and supporting the development of the areas in which the Group operates.

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

Items/Values	31/12/2023	31/12/2022
1. Debt securities	**3,120,776**	**2,460,046**
a) Central banks	-	-
b) Public administrations	2,567,770	2,040,457
c) Banks	419,910	295,117
d) Other financial companies	71,809	69,328
of which: insurance companies	-	-
e) Non-financial companies	61,287	55,144
2. Equity securities	**91,840**	**95,659**
a) Banks	6,956	2,505
b) Other issuers:	84,884	93,154
- other financial companies	74,081	82,747
of which: insurance companies	-	-
- non-financial companies	10,321	10,407
- others	482	-
3. Loans	**-**	**-**
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**3,212,616**	**2,555,705**

3.3 Financial assets measured at fair value through other comprehensive income: gross value and total value adjustments

		Gross value					Total write-downs					
		First stage	of which: Instruments with low credit risk	Second stage	Third stage	Impaired purchased or originated	First stage	Second stage	Third stage	Impaired purchased or originated	Partial total write-off
Debt securities		3,103,788	-	17,959	-	-	931	40	-	-	-
Loans		-	-	-	-	-	-	-	-	-	-
Total	**31/12/2023**	**3,103,788**	**-**	**17,959**	**-**	**-**	**931**	**40**	**-**	**-**	**-**
Total	**31/12/2022**	**2,453,090**	**360,020**	**8,274**	**-**	**-**	**1,308**	**10**	**-**	**-**	**-**

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

4.1 Financial assets measured at amortised cost: breakdown of loans to banks

	31/12/2023						**31/12/2022**					
	Book value			Fair value			Book value			Fair value		
Type of transaction/Amounts	First and second stage	Third stage	Impaired purchased or originated	Level 1	Level 2	Level 3	First and second stage	Third stage	Impaired purchased or originated	Level 1	Level 2	Level 3
A. Loans with Central Banks	**322,403**	**-**	**-**	**-**	**-**	**322,403**	**352,511**	**-**	**-**	**-**	**-**	**352,512**
1. Fixed-term deposits	-	-	-	-	-	-	5,011	-	-	-	-	-
2. Compulsory reserve	322,403	-	-	-	-	-	347,500	-	-	-	-	-
3. Repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
B. Loans and receivables with banks	**1,799,648**	**-**	**-**	**1,052,148**	**-**	**726,905**	**1,512,738**	**-**	**-**	**741,697**	**-**	**690,583**
1. Loans	693,116	-	-	-	-	698,622	640,337	-	-	-	-	640,627
1.1 Current accounts	-	-	-	-	-	-	-	-	-	-	-	-
1.2. Fixed-term deposits	620,286	-	-	-	-	-	568,627	-	-	-	-	-
1.3. Other loans:	72,830	-	-	-	-	-	71,710	-	-	-	-	-
- Reverse repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
- Financing for leases	-	-	-	-	-	-	-	-	-	-	-	-
- Others	72,830	-	-	-	-	-	71,710	-	-	-	-	-
2. Debt securities	1,106,532	-	-	1,052,148	-	28,283	872,401	-	-	741,697	-	49,956
2.1 Structured securities	683,752	-	-	675,721	-	8,406	494,300	-	-	424,809	-	32,538
2.2 Other debt securities	422,780	-	-	376,427	-	19,877	378,101	-	-	316,888	-	17,418
Total	**2,122,051**	**-**	**-**	**1,052,148**	**-**	**1,049,308**	**1,865,249**	**-**	**-**	**741,697**	**-**	**1,043,095**

These loans are not specifically hedged.

The fair value of short-term loans or loans that are repayable on demand is assumed to be the same as their book value.

4.2 Financial assets measured at amortised cost: breakdown of loans to customers

	31/12/2023					
	Book value			Fair value		
Type of transaction/Amounts	First and second stage	Third stage	Impaired purchased or originated	Level 1	Level 2	Level 3
1. Loans	**32,819,543**	**509,528**	**94,165**	**-**	**-**	**34,588,601**
1. Current accounts	3,416,247	132,715	19,137	-	-	-
2. Reverse repurchase agreements	-	-	-	-	-	-
3. Mortgages	20,172,284	323,263	70,952	-	-	-
4. Credit cards, personal loans and salary-backed loans	533,310	6,515	490	-	-	-
5. Financing for leases	-	-	-	-	-	-
6. Factoring	3,788,495	1,208	-	-	-	-
7. Other loans	4,909,207	45,827	3,586	-	-	-
2. Debt securities	**9,985,520**	**-**	**-**	**8,885,372**	**-**	**786,273**
1. Structured securities	1,586,329	-	-	799,215	-	765,875
2. Other debt securities	8,399,191	-	-	8,086,157	-	20,398
Total	**42,805,063**	**509,528**	**94,165**	**8,885,372**	**-**	**35,374,874**

	31/12/2022					
	Book value			Fair value		
Type of transaction/Amounts	First and second stage	Third stage	Impaired purchased or originated	Level 1	Level 2	Level 3
1. Loans	**31,211,348**	**550,253**	**107,368**	**-**	**-**	**31,595,135**
1. Current accounts	3,358,799	172,838	22,942	-	-	-
2. Reverse repurchase agreements	8,293	-	-	-	-	-
3. Mortgages	19,298,777	324,035	78,097	-	-	-
4. Credit cards, personal loans and salary-backed loans	493,676	6,503	572	-	-	-
5. Financing for leases	-	-	-	-	-	-
6. Factoring	3,272,354	998	-	-	-	-
7. Other loans	4,779,449	45,879	5,757	-	-	-
2. Debt securities	**10,136,419**	**-**	**-**	**8,788,106**	**-**	**775,827**
1. Structured securities	1,573,173	-	-	739,237	-	775,827
2. Other debt securities	8,563,246	-	-	8,048,869	-	-
Total	**41,347,767**	**550,253**	**107,368**	**8,788,106**	**-**	**32,370,962**

Loans for an insignificant portion are specifically and generically hedged.

Mortgages include 1,869 million euro of residential mortgages, which were the subject of covered bond transactions by the Parent Company. The securities issued under the covered bond programme were placed with institutional customers.

In addition, mortgages include 1,266 million euro of loans granted to SMEs, secured or unsecured, which were the subject of the self-securitisation transaction put in place by the Parent Company. The Parent Company retained all risks and rewards of the securitised loans, so they were not derecognised.

The fair value of loans with a contractual duration that extends beyond the short term is determined using measurement models that discount the flow of future repayments, net of any expected losses. The discounting rate is determined with reference to expected market interest rates, as well as to other specific components that take account of direct operating costs and the actual financing costs incurred by the group.

As a result of the derisking operations that took place during the year, bad loans (third stage) are down on the previous year.

Item 2. Debt securities, include for 282.386 million euro senior securities issued by the vehicle Diana S.p.V., POP NPLs 2020 S.p.V., Luzzatti POP NPLs 2021 S.p.V., Luzzatti POP NPLs 2022 S.p.V. and Luzzatti POP NPLs 2023 S.p.V.; the latter was issued as part of the sale transaction defined in the last quarter of 2023. See Part E, Section 1, "C. Securitisation transactions" for further information.

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

	31/12/2023			31/12/2022		
Type of transaction/Amounts	First and second stage	Third stage	Assets impaired purchased or originated	First and second stage	Third stage	Assets impaired purchased or originated
1. Debt securities	**9,985,516**	**-**	**-**	**10,136,418**	**-**	**-**
a) Public administrations	8,505,806	-	-	8,748,176	-	-
b) Other financial companies	1,136,091	-	-	1,099,167	-	-
of which: insurance companies	3,039	-	-	2,026	-	-
c) Non-financial companies	343,619	-	-	289,075	-	-
2. Loans to:	**32,819,547**	**509,528**	**94,165**	**31,211,349**	**550,253**	**107,368**
a) Public administrations	317,654	23	-	477,608	27	-
b) Other financial companies	3,009,534	8,241	2	2,546,577	12,889	2
of which: insurance companies	4,939	-	-	6,037	-	-
c) Non-financial companies	17,616,325	352,849	54,051	16,658,736	376,922	64,949
d) Households	11,876,034	148,415	40,112	11,528,428	160,415	42,417
Total	**42,805,063**	**509,528**	**94,165**	**41,347,767**	**550,253**	**107,368**

4.4 Financial assets measured at amortised cost: gross value and total value adjustments

		Gross value					Total write-downs				
		First stage	of which: Instruments with low credit risk	Second stage	Third stage	Impaired purchased or originated	First stage	Second stage	Third stage	Impaired purchased or originated	Partial total write-off
Debt securities		10,968,699	70,024	131,900	-	-	3,399	5,150	-	-	-
Loans		29,891,879	-	4,187,920	1,186,707	158,585	62,169	182,570	677,177	64,419	83,467
Total	**31/12/2023**	**40,860,578**	**70,024**	**4,319,820**	**1,186,707**	**158,585**	**65,568**	**187,720**	**677,177**	**64,419**	**83,467**
Total	**31/12/2022**	**40,305,052**	**2,558,502**	**3,061,467**	**1,322,041**	**172,821**	**50,720**	**102,782**	**771,789**	**65,453**	**114,265**

Section 5 - Hedging derivatives - Item 50

5.1 Hedging derivatives: breakdown by hedge type and levels

	Fair Value 31/12/2023			Nominal value	Fair Value 31/12/2022			Nominal value
	Level 1	Level 2	Level 3	31/12/2023	Level 1	Level 2	Level 3	31/12/2022
A. Financial derivatives								
1) Fair value	-	1	-	208	-	248	-	11,359
2) Financial flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives								
1) Fair value	-	-	-	-	-	-	-	-
2) Financial flows	-	-	-	-	-	-	-	-
Total	**-**	**1**	**-**	**208**	**-**	**248**	**-**	**11,359**

5.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge (book value)

	Fair Value							**Financial flows**		
	Micro									
Transactions/Type of hedge	debt securities and interest rates	equity securities and stock indices	currency and gold	receivable	commodities	others	Macro	Micro	Macro	Foreign Investments
1. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-
2. Financial assets measured at amortised cost	-	-	-	-	-	-	-	-	-	-
3. Portfolio	-	-	-	-	-	-	1	-	-	-
4. Other transactions	-	-	-	-	-	-	-	-	-	-
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**-**
1. Financial liabilities	-	-	-	-	-	-	-	-	-	-
2. Portfolio	-	-	-	-	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
1. Expected transactions	-	-	-	-	-	-	-	-	-	-
2. Portfolio of financial assets and liabilities	-	-	-	-	-	-	-	-	-	-

The table shows the positive fair value of hedging derivatives, broken down in relation to the asset or liability hedged and the type of hedge realised. As at 31 December 2023, the Group had five macro-hedging transactions in place against interest rate risk on an amount of loans classified in the amortised cost portfolio.

Section 6 - Value adjustment of financial assets with macro hedge - Item 60

6.1 Value adjustment of hedged assets: breakdown by hedged portfolio

Value Adjustment of Hedged Assets/Group Components	31/12/2023	31/12/2022
1. Positive adjustment	**1,776**	**47**
1.1 of specific portfolios:	1,776	47
a) financial assets measured at amortised cost	1,776	47
b) financial assets measured at fair value through other comprehensive income	-	-
1.2 overall	-	-
2. Negative adjustment	**(1)**	**(245)**
2.1 of specific portfolios:	(1)	(245)
a) financial assets measured at amortised cost	(1)	(245)
b) financial assets measured at fair value through other comprehensive income	-	-
2.2 overall	-	-
Total	**1,775**	**(198)**

The balance of changes in the value of assets subject to macro-hedging against interest rate risk is recognised in this item, for which the Group avails itself of the option, provided for by IFRS 9, to continue to apply the provisions permitted by IAS 39 in the "Carve-out" version.

Section 7 - Equity investments - Item 70

7.1 Investments: disclosures on holdings

Company Name	Registered office	Operative office	Type of relationship	Investing company	% holding	% of votes
A. Joint Ventures						
RAJNA IMMOBILIARE S.r.l.	Sondrio	Sondrio	7	Banca Popolare di Sondrio S.p.a.	50.000	50.000
B. Companies subject to significant influence						
ALBA LEASING S.p.A.	Milan	Milan	8	Banca Popolare di Sondrio S.p.a.	19.264	19.264
ARCA VITA S.p.A.	Verona	Verona	8	Banca Popolare di Sondrio S.p.a.	14.837	14.837
ARCA HOLDING S.p.A.	Milan	Milan	8	Banca Popolare di Sondrio S.p.a.	34.715	34.715
UNIONE FIDUCIARIA S.p.A.	Milan	Milan	8	Banca Popolare di Sondrio S.p.a.	24.000	24.000
POLIS FONDI SGR PA	Milan	Milan	8	Banca Popolare di Sondrio S.p.a.	19.600	19.600
BORMIO GOLF S.p.A.	Bormio	Bormio	8	Banca Popolare di Sondrio S.p.a.	25.237	25.237
LAGO DI COMO GAL S.c.r.l.	Canzo	Canzo	8	Banca Popolare di Sondrio S.p.a.	14.606	14.606
ACQUEDOTTO DELLO STELVIO S.r.l.	Bormio	Bormio	8	Pirovano Stelvio S.p.a.	27.000	27.000
SIFAS S.p.A.	Bormio	Bormio	8	Pirovano Stelvio S.p.a.	21.614	21.614

7.2 Significant equity investments: book value, fair value and dividends received

Company Name	Book value	Fair value	Dividends received
A. Joint Ventures			
1. RAJNA IMMOBILIARE S.r.l.	311	-	-
B. Companies subject to significant influence			
1. ALBA LEASING S.p.A.	83,402	-	-
2. ARCA VITA S.p.A.	88,106	-	6,541
3. ARCA HOLDING S.p.A.	190,523	-	8,679
4. UNIONE FIDUCIARIA S.p.A.	12,007	-	-
5. POLIS FONDI SGR PA	1,225	-	-
Total	**375,574**	**-**	**15,220**

The fair value is not indicated for companies not listed on active markets.

7.3 Significant equity investments: key financial information

Company Name	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenues	Net interest income
A. Joint Ventures							
1. RAJNA IMMOBILIARE S.r.l.	172	-	464	-	15	128	-
B. Companies subject to significant influence							
1. ALBA LEASING S.p.A.	187,774	5,017,398	117,398	4,699,989	189,634	208,822	75,390
2. ARCA VITA S.p.A.	223,965	13,077,706	37,918	2,411,813	10,464,815	357,945	202,785
3. ARCA HOLDING S.p.A.	150,627	326,168	154,083	64,474	36,099	380,982	2,798
4. UNIONE FIDUCIARIA S.p.A.	5,289	601	63,831	-	20,019	21,912	1,037
5. POLIS FONDI SGR PA	3,418	3,004	2,766	735	2,203	3,481	72

Company Name	Adjustments/write-backs for property, equipment and investment property and intangible assets	Pre-tax profit (loss) from continuing operations	Post-tax profit (loss) from continuing operations	Profit (loss) of groups of assets held for sale after tax	Profit (loss) for the year (1)	Other income components after tax (2)	Comprehensive income (3) = (1) + (2)
A. Joint Ventures							
1. RAJNA IMMOBILIARE S.r.l.	-37	62	46	-	46	-	46
B. Companies subject to significant influence							
1. ALBA LEASING S.p.A.	-2,043	10,823	7,129	82	7,211	11	7,222
2. ARCA VITA S.p.A.	-240	92,437	73,385	-	73,385	-1,778	71,607
3. ARCA HOLDING S.p.A.	-2,293	102,280	71,462	-	71,462	133	71,595
4. UNIONE FIDUCIARIA S.p.A.	-3,123	1,616	1,021	-	1,021	-	1,021
5. POLIS FONDI SGR PA	320	-899	-696	-	-696	120	-576

The figures shown above are taken from the draft financial statements as at 31 December 2023 provided by the associated companies or, if not available, from the most recent balance sheets (referring to 100% of the shareholding and not the percentage held by the Group, as required by IFRS 12). It should be noted that the equity valuation was carried out on the basis of the aforementioned data: for Arca Vita S.p.A., Alba Leasing S.p.A. and Polis Fondi SGR PA, since they have not yet approved their draft financial statements, the most recent balance sheet and income statement of the company and its subsidiaries referring to 30 September 2023 was used as a reference.

Company Name	Equity value	Pro-rata net asset value	Book value	Dividends
A. Joint Ventures				
1. RAJNA IMMOBILIARE S.r.l.	622	311	311	-
B. Companies subject to significant influence				
1. ALBA LEASING S.p.A.	432,947	83,402	83,402	-
2. ARCA VITA S.p.A.	593,833	88,106	88,106	6,541
3. ARCA HOLDING S.p.A.	548,812	190,523	190,523	8,679
4. UNIONE FIDUCIARIA S.p.A.	50,029	12,007	12,007	-
5. POLIS FONDI SGR PA	6,250	1,225	1,225	-

7.4 Non-significant equity investments: accounting information

Company Name	Carrying amount of equity investments	Total assets	Total liabilities	Total revenues	Post-tax profit (loss) from continuing operations	Profit (loss) of groups of assets held for sale after tax	Profit (Loss) for the year	Other income components net of taxes	Statement of comprehensive income
Companies under significant influence	784	6,990	3,339	2,408	(128)	-	(128)	-	(128)

The above figures are taken from the most recent financial investments available.

7.5 Investments: changes in the year

	31/12/2023	31/12/2022
A. Opening balance	**322,632**	**339,333**
B. Increases	**54,256**	**16,563**
B.1 Purchases	-	-
B.2 Write-backs	-	-
B.3 Revaluations	-	87
B.4 Other changes	54,256	16,476
C. Decreases	**531**	**33,264**
C.1 Sales	-	3,581
C.2 Impairment	-	-
C.3 Write-downs	34	-
C.4 Other changes	497	29,683
D. Closing balance	**376,357**	**322,632**
E. Total revaluations	**-**	**-**
F. Total impairment	**(447)**	**(447)**

This item passes from 322.632 million euro to 376.357 million euro.

Other increases derive from the measurement of investees under the equity method. The write-downs relate to the investment held in Sifas S.p.A.; the other decreases derive from the equity valuation of the investments.

7.6 Significant assessments and assumptions to establish the existence of joint control or significant influence

The existence of joint control or significant influence is determined as described in Part A – Accounting policies

7.7-7.8 Commitments relating to investments in companies under joint control and associated companies

There are no joint and several commitments that might give rise to contingencies.

Guarantees and commitments given comprise a commitment in favour of Alba Leasing S.p.a. granted when this company started up as part of the reorganisation of Banca Italease S.p.a., against which the Parent Company has made a specific risk provision.

7.9 Significant restrictions

In accordance with the provisions of IFRS 12 paragraph 13, there are no significant restrictions on the banks and companies included in the scope of consolidation.

Section 9 - Property, equipment and investment property - Item 90

9.1 Property, equipment and investment property used for business purposes: breakdown of assets measured at cost

Assets/Amounts	31/12/2023	31/12/2022
1. Owned assets	**347,774**	**317,406**
a) land	75,316	75,453
b) buildings	182,508	173,198
c) furniture	6,495	5,852
d) electronic equipment	4,912	3,220
e) others	78,543	59,683
2. Rights of use acquired through leases	**158,882**	**167,522**
a) land	-	-
b) buildings	158,593	167,258
c) furniture	-	-
d) electronic equipment	161	144
e) others	128	120
Total	**506,656**	**484,928**
of which: obtained through enforcement of guarantees received	-	-

9.4 Property, plant and equipment held for investment purposes: breakdown of assets measured at fair value

	31/12/2023			31/12/2022		
Assets/Amounts	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Owned assets	**-**	**-**	**82,188**	**-**	**-**	**84,476**
a) land	-	-	-	-	-	-
b) buildings	-	-	82,188	-	-	84,476
2. Rights of use acquired through leases	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
Total	**-**	**-**	**82,188**	**-**	**-**	**84,476**
of which: obtained through enforcement of guarantees received	-	-	-	-	-	-

9.5 Inventories of property, plant and equipment governed by IAS 2: breakdown

Assets/Amounts	31/12/2023	31/12/2022
1. Inventories of property, equipment and investment property obtained through enforcement of guarantees received	**61,929**	**69,569**
a) land	2,128	2,388
b) buildings	59,801	67,181
c) furniture	-	-
d) electronic equipment	-	-
e) others	-	-
2. Other inventories of property, equipment and investment property	**26,301**	**11,935**
Total	**88,230**	**81,504**
of which: measured at fair value less costs to sell	-	-

9.6 Property, equipment and investment property used for business purposes: changes in the year

	Land	Buildings	Furniture	Electronic equipment	Other	**Total**
A. Gross opening balance	**75,535**	**575,279**	**44,680**	**37,601**	**181,975**	**915,070**
A.1 Total net impairment	(82)	(234,823)	(38,828)	(34,237)	(122,172)	(430,142)
A.2 Net opening balances	75,453	340,456	5,852	3,364	59,803	484,928
B. Increases:	**2,863**	**31,969**	**2,007**	**3,042**	**52,073**	**91,954**
B.1 Purchases	1,200	4,154	1,933	2,620	52,027	61,934
- of which business combinations	-	-	-	-	-	-
B.2 Capitalised improvement expenses	-	6,542	-	-	-	6,542
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive changes in fair value recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate differences	184	2,323	55	170	86	2,818
B.6 Reclassified from property held for investment	-	-	-	-	-	-
B.7 Other changes	1,479	18,950	19	252	(40)	20,660
C. Decreases:	**3,000**	**31,324**	**1,364**	**1,333**	**33,205**	**70,226**
C.1 Sales	-	-	-	-	16,098	16,098
- of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	30,889	1,364	1,333	15,668	49,254
C.3 Impairment recognised in:	3,000	200	-	-	1,380	4,580
a) shareholders' equity	-	-	-	-	-	-
b) income statement	3,000	200	-	-	1,380	4,580
C.4 Negative changes in fair value recognised in	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Reclassified to:	-	-	-	-	-	-
a) property, plant and equipment held for investment purposes	-	-	-	-	-	-
b) non-current assets and groups of assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	235	-	-	59	294
D. Net closing balance	**75,316**	**341,101**	**6,495**	**5,073**	**78,671**	**506,656**
D.1 Total net impairment	(82)	(265,585)	(40,821)	(36,721)	(125,989)	(469,198)
D.2 Closing gross amount	75,398	606,686	47,316	41,794	204,660	975,854
E. Valuation at cost	**75,316**	**341,101**	**6,495**	**5,073**	**78,671**	**506,656**

9.7 Investment property: changes in the year

	Total	
	Land	Buildings
A. Opening balance	**-**	**84,476**
B. Increases	**-**	**145**
B.1 Purchases	-	-
- of which business combinations	-	-
B.2 Capitalised improvement expenses	-	-
B.3 Positive changes in fair value	-	145
B.4 Write-backs	-	-
B.5 Exchange gains	-	-
B.6 Reclassified from buildings for business purposes	-	-
B.7 Other changes	-	-
C. Decreases	**-**	**2,433**
C.1 Sales	-	-
- of which business combinations	-	-
C.2 Depreciation	-	-
C.3 Negative changes in fair value	-	2,433
C.4 Impairment	-	-
C.5 Exchange losses	-	-
C.6 Reclassified to:	-	-
a) assets held for use	-	-
b) non-current assets and groups of assets held for sale	-	-
C.7 Other changes	-	-
D. Closing balance	**-**	**82,188**
E. Valuation at fair value	**-**	**-**

Property, equipment and investment property are mainly leased for part of the surface area of the property owned (see Part M, Section 2 for more details) and are measured at fair value. Information on the methods of determining fair value is provided in Part A.4 of the Notes to the Financial Statements in the chapter entitled “Methods of determining fair value”.

In this regard, it is noted that the Group does not hold investment assets represented by rights of use acquired through leasing.

Investment property also includes property owned by Fondo Immobiliare Centro delle Alpi Real Estate, which has been consolidated on a line-by-line basis.

9.8 Inventories of property, equipment and investment property governed by IAS 2: changes in the year

	Inventories of property, equipment and investment property obtained through enforcement of guarantees received					Other inventories of property, equipment and investment property	Total
	Land	Buildings	Furniture	Electronic equipment	Other		
A. Opening balance	**2,388**	**67,181**	**-**	**-**	**-**	**11,935**	**81,504**
B. Increases	**266**	**1,967**	**-**	**-**	**-**	**30,591**	**32,824**
B.1 Purchases	-	1,412	-	-	-	30,591	32,003
B.2 Write-backs	-	-	-	-	-	-	-
B.3 Exchange gains	-	-	-	-	-	-	-
B.4 Other changes	266	555	-	-	-	-	821
C. Decreases	**526**	**9,347**	**-**	**-**	**-**	**16,225**	**26,098**
C.1 Sales	526	933	-	-	-	15,096	16,555
C.2 Impairment adjustments	-	-	-	-	-	86	86
C.3 Exchange losses	-	-	-	-	-	-	-
C.4 Other changes	-	8,414	-	-	-	1,043	9,457
D. Closing balance	**2,128**	**59,801**	**-**	**-**	**-**	**26,301**	**88,230**

9.9 Commitments for the purchase of property, equipment and investment property

Contractual commitments for the purchase of property, equipment and investment property amount to 2.263 million euro.

Section 10 - Intangible assets - Item 100

10.1 Intangible assets: breakdown by type of asset

	31/12/2023		31/12/2022	
Assets/Amounts	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	-	**16,997**	-	**16,997**
A.1.1 attributable to the Group	-	16,997	-	16,997
A.1.2 attributable to non-controlling interests	-	-	-	-
A.2 Other intangible assets	**20,759**	**-**	**19,672**	**-**
of which: software	20,116	**-**	**18,511**	**-**
A.2.1 Assets measured at cost:	20,759	-	19,672	-
a) Intangible assets generated internally	15	-	34	-
b) Other assets	20,744	-	19,638	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**20,759**	**16,997**	**19,672**	**16,997**

Intangible assets with indefinite useful life recognised in the consolidated financial statements are represented by goodwill recognised in the context of business combinations following the completion of the acquisition cost allocation process carried out in accordance with IFRS 3. In particular, goodwill concerns:

- *Factorit S.p.a* for an amount of 7.847 million; the company operates in the sector of advances, guarantees and management of trade receivables of companies. The acquisition of control took place in 2010, on 1 March 2022, the purchase of the minority shares was finalised and the interest held by the Parent Company thus increased from 60.5% to 100%;
- *Prestinuova S.p.a.* for an amount of 4.785 million euro; the company was acquired on 23 July 2018. This company operated in the granting of loans repayable by assigning a fifth of one's salary or pension. On 24 June 2019, the merger by incorporation of PrestiNuova S.p.A. into Banca della Nuova Terra S.p.A. was finalised. ("BNT") was finalised, which now carries out this activity, the latter company also being wholly-owned by Banca Popolare di Sondrio;
- *Rent2Go S.r.l.* for 4.365 million euro, of which the Parent Company acquired the entire share capital on 1 April 2022. The company operates in the long-term car rental sector for professionals, VAT holders and small businesses.

According to IAS 36, intangible assets with indefinite useful life must be tested for impairment at least annually in order to verify their recoverability. The test is performed on 31 December of each year and, in any case, whenever indicators of impairment are detected.

For this purpose, goodwill must be allocated to individual or groups of Cash Generating Units (CGUs). At the consolidated level, the CGUs were identified in the individual legal entities of reference (CGU Factorit, CGU Rent2Go and CGU Banca della Nuova Terra S.p.A. in consideration of the merger by incorporation carried out). These CGUs represent the lowest level at which management verifies the profitability of the investment and this level is no larger than the operating segments identified for the purpose of group segment reporting prepared in accordance with IFRS 8 Operating Segments.

The relevant accounting standards require that the impairment test be performed by comparing the book value of the CGU with its recoverable value. If this value is lower than the book value, an adjustment must be made.

The recoverable amount of the CGU is the higher of its fair value less costs to sell and its value in use. For the purposes of the impairment procedure, the value in use was used to verify the recoverability of the goodwill recorded, determined through the estimate of the present value of the future cash flows expected to be generated by the CGU. In particular, to perform the test on the goodwill allocated to the Factorit and Banca della Nuova Terra S.p.A. CGUs, the Dividend Discount Model ("DDM") is used, according to which the value of a company is a function of the dividend flow it will be able to generate in perspective. In this case, the DDM method was used in the Excess Capital variant, which assumes that the economic value is equal to the sum of the present value of the future cash flows generated in the chosen time horizon of the plan and distributable to shareholders while maintaining an adequate level of capitalisation to ensure future growth and perpetual capitalisation of a dividend considered after the explicit planning period.

Due to the different nature of the reference business, the test on the goodwill allocated to the Rent2Go CGU was conducted by applying the Discounted Cash Flow ("DCF") valuation method, according to which the economic value of a company (equal to the financial value of its invested capital) is defined as the sum of: (i) the present value of future cash flows available to shareholders over a specified explicit planning horizon and (ii) the present value of a perpetual annuity defined on the basis of a cash flow available to the shareholder that is sustainable over the terminal period following the explicit planning period, estimated on the basis of normalised long-term net income.

Future cash flows were defined through specific projections formulated internally by management. A growth rate of 2% per annum was assumed after the explicit planning period.

The present value was calculated using a discount rate (Ke) that corresponds to the cost of risk capital, which is equal to the rate of return on equity required by investors/shareholders for investments with similar risk characteristics. The cost of capital (Ke) is estimated using the Capital Asset Pricing Model methodology with a rate of return on risk-free assets increased by an equity-specific risk premium. This premium is calculated according to the following formula:

Ke = Rf + ß(Rm-Rf)

Where:

Rf = Rate of Return on Risk-Free Assets: gross annual return on medium- and long-term government bonds.

ß = Beta coefficient, which indicates the risk of the specific company in terms of the correlation between the actual return of the specific share and the overall return of the reference market.

(Rm-Rf) = market risk premium: average market return determined on the basis of the long-term yield spread between equities and bonds.

An additional specific risk premium (ARP) was also charged for Rent2Go.

The risk-free component (Rf), which incorporates the so-called "Country Risk", was determined using the average for December 2023 of the yields on 10-year Italian BTP government bonds, equal to 3.80%.

With reference to the beta coefficient (ß):

a) for the Factorit CGU, it was estimated on the basis of the average weekly value over the last three years on a sample of comparable companies, which was 0.97;
b) for the Banca della Nuova Terra S.p.A. CGU, it was estimated on the basis of the average weekly value over the last three years on a sample of comparable companies, which was 1.07;
c) for the Rent2Go CGU, it was estimated as the average weekly value over the last 2 years by a sample of comparable listed operators. This value was 1.03.

The risk premium required by the stock market (Rm-Rf) was assumed to be 6% in line with currently observed valuation practice. The additional risk premium applied to the Rent2Go CGU is 3.02%.

The use of these parameters resulted in a Ke of 9.59% for the Factorit CGU, 10.22% for the Banca delle Nuova Terra CGU and 13.06% for the Rent2Go CGU.

The impairment test conducted on the goodwill recorded in the consolidated financial statements did not reveal any impairment losses.

In this regard, it should be noted that the parameters and assumptions underlying the determination of value in use are significantly influenced by the macroeconomic framework taken as a reference. As highlighted in Part A of the Notes to the Consolidated Financial Statements, given the particular situation of uncertainty in the macroeconomic scenario, it cannot be excluded that the assumptions made, however reasonable and prudent, may not be confirmed in the future scenarios in which the Group will operate. In particular, any worsening of the macroeconomic scenario could adversely affect the projections of estimated cash flows, the cost of capital and the growth factor, leading to different results from those estimated in these Financial Statements.

Specific sensitivity analyses were performed in order to assess the effects produced on the estimates of value in use and, consequently, on the results of the impairment tests of changes in the main parameters underlying the valuation model. These analyses highlighted differences between the values in use during the year and the extreme values, that did not reveal any particular “prospective” critical issues regarding the successful outcome of the assessments.

In particular, for Factorit and Banca della Nuova Terra CGUs the impacts on the values in use, namely +/- 25 and 50 basis points in the cost of capital and +/- 25 and 50 basis points in the medium/long term growth rate, were verified and for all the assumed combinations the values in use were higher than the book values related to the consolidated financial statements. In order not to jeopardise the positive outcome of these valuation exercises, the maximum sustainable level in terms of cost of capital (discount rate) was quantified. The tolerance margin on the cost of capital was about 3.6 percentage points for the Factorit CGU and about 3 percentage points for the Banca della Nuova Terra CGU.

For the Rent2Go CGU, the impact on value in use of a change of +/- 50 basis points in the cost of capital was verified with a change of +/- 20 basis points in the medium/long-term growth rate, and a change of +/- 10 basis points of the Ebit margin. For all combinations assumed, the values in use were higher than the book value recognised in the consolidated financial statements.

In consideration of the current economic context, in which the book value of many companies is not fully recognised by the financial market, the Parent Company also performed a second-level impairment test, applied to the entire company rather than to individual assets, comparing the Group's overall recoverable value with the book value of consolidated shareholders' equity at 31 December 2023. The method used to estimate the recoverable value is the Dividend Discount Model (DDM), which assumes that the economic value of the Group is equal to: the sum of the dividends distributable to shareholders over the chosen period (2023-2026), maintaining an adequate level of capitalisation to guarantee the expected future development, and assuming a dividend growth rate after the explicit planning period of 2% per annum and a cost of capital used to discount future dividends of 11.58%. The test carried out showed that the Group was worth more than its consolidated equity.

Specific sensitivity analyses were performed in order to assess the effects produced on the estimates of value in use and, consequently, on the results of the impairment tests of changes in the main parameters underlying the valuation model (cost of capital and medium/long-term growth rate).

In particular, the impacts on the values in use from changes of +/-25 and 50 basis points in the cost of capital and +/-25 and 50 basis points in the medium/long term growth rate, were verified and for all the assumed combinations the values in use were higher than the comparative values.

These analyses highlighted differences between the values in use during the year and the extreme values, that did not reveal any particular “prospective” critical issues regarding the successful outcome of the assessments.

The maximum sustainable level in terms of cost of capital was also quantified, the margin of tolerance on the cost of capital was approximately 4.9 percentage points.

10.2 Intangible assets: changes in the year

	Goodwill	Other intangible assets: internally generated		Other intangible assets: others		Total
		DEF	INDEF	DEF	INDEF	
A. Opening balance	**16,997**	**208**	**-**	**265,019**	**-**	**282,224**
A.1 Total net impairment	-	(174)	-	(245,381)	-	(245,555)
A.2 Net opening balances	16,997	34	-	19,638	-	36,669
B. Increases	**-**	**-**	**-**	**19,635**	**-**	**19,635**
B.1 Purchases	-	-	-	19,383	-	19,383
- of which business combinations	-	-	-	-	-	-
B.2 Increases in internally generated intangible assets	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive changes in fair value	-	-	-	-	-	-
- equity	-	-	-	-	-	-
- booked to income statement	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	252	-	252
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**19**	**-**	**18,529**	**-**	**18,548**
C.1 Sales	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
C.2 Impairment	-	1	-	18,529	-	18,530
- Depreciation	-	1	-	18,529	-	18,530
- Impairment	-	-	-	-	-	-
+ shareholders' equity	-	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Negative changes in fair value:	-	-	-	-	-	-
- equity	-	-	-	-	-	-
- booked to income statement	-	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Other changes	-	18	-	-	-	18
D. Net closing balance	**16,997**	**15**	**-**	**20,744**	**-**	**37,756**
D.1 Total net value adjustments	-	(175)	-	(263,913)	-	(264,088)
E. Gross closing balance	**16,997**	**190**	**-**	**284,655**	**-**	**301,845**
F. Valuation at cost	**16,997**	**15**	**-**	**20,744**	**-**	**37,756**

Key:
DEF: definite life
INDEF: indefinite life

10.3 Other information

Contractual commitments to purchase software user rights amount to 5.198 million euro.

Section 11 - Tax assets and tax liabilities - Item 110 and item 60 in liabilities

11.1 Deferred tax assets: breakdown

	31/12/2023	31/12/2022
- Value adjustments on loans	155,068	224,759
- Allocations to provisions for risks and charges	57,784	38,390
- Deferred charges	559	193
- Securities and equity investments	18,472	36,100
- Administrative expenses, amortisation and depreciation	20,498	18,692
- Tax losses	4,607	4,596
- Losses loans at FV	2,450	2,263
Total	**259,438**	**324,993**

The Group recognised Deferred Tax Assets (DTA) of 259.438 million euro. Of these, 38.606 million euro relate to equity accounts, 143.334 million euro comply with the requirements of Law 214 dated 22 December 2011 and may be transformed into tax credits in the event of a "reported loss", a "tax loss" for IRES purposes or a "negative net value of production" for IRAP purposes; their recovery is therefore certain, as unrelated to the ability to generate future taxable income. Tax assets not transformable into tax credits have been recognised after checking their recoverability, which is supported by a probability opinion expressed after performing the so-called probability test. This opinion was expressed after analysing the likelihood that sufficient taxable income will be generated in future. In particular, the estimate of future profitability underling the recoverability opinion was based on reasonable and realistic hypotheses and assumptions, after weighting the degrees of uncertainty. The check on the capacity of future taxable income was conducted over an overall time horizon of six financial years based on the economic projections for the years 2024-2026 examined by the Board of Directors that approved the 2024 annual budget, plus the economic forecasts for the years 2027-2029 that were kept equal to those for the year 2026 contained in the approved projections; in this regard, it should be noted that the database used, referring to an overall time horizon of six financial years, is composed of three inertial forecast budgets. The calculation of the impact of permanent IRES and IRAP variations on pre-tax profit and net interest and other banking income was carried out by considering a historical data base referring to the years 2016-2023 and applying rules for the normalisation of tax recoveries from previous years with the aim of achieving a re-expression of taxable income consistent with current tax legislation, eliminating from the taxable income of previous years the variations relating to non-recurring or extraordinary components no longer considered repeatable. The probability test relating to the deferred tax assets was carried out separately, due to the different conditions of use of the underlying temporary differences, for the Group's main entities participating in the tax consolidation: Parent Company, Banca della Nuova Terra SpA and Factorit SpA.

11.2 Deferred tax liabilities: breakdown

	31/12/2023	31/12/2022
- Owned and leased buildings	8,579	8,621
- Revaluation of property at fair value	5,680	5,693
- Revaluation of securities and gains	5,107	5,975
- Administrative expenses	635	944
- Loans	9,354	7,966
Total	**29,355**	**29,199**

11.3 Changes in deferred tax assets (balancing item in income statement)

	31/12/2023	31/12/2022
1. Opening balance	**272,994**	**296,786**
2. Increases	**33,888**	**21,038**
2.1 Deferred tax assets recognised in the year	31,213	19,212
a) related to previous years	1	–
b) due to changes in accounting policies	-	–
c) write-backs	-	–
d) others	31,212	19,212
2.2 New taxes or increases in tax rates	-	–
2.3 Other increases	2,675	1,826
3. Decreases	**86,050**	**44,830**
3.1 Deferred tax assets derecognised in the year	83,563	43,216
a) reversals	83,563	42,943
b) written down as no longer recoverable	-	–
c) change in accounting policies	-	–
d) others	-	273
3.2 Tax rates reduction	-	–
3.3 Other decreases:	2,487	1,614
a) transformation into tax credits as per Law 214/2011	-	–
b) other	2,487	1,614
4. Closing balance	**220,832**	**272,994**

11.4 Changes in deferred tax assets as per Law 214/2011

	31/12/2023	31/12/2022
1. Opening balance	**212,924**	**244,901**
2. Increases	**558**	**26**
3. Decreases	**70,148**	**32,003**
3.1 Reversals	70,148	32,003
3.2 Transformation into tax credits	–	–
a) resulting from operating losses	–	–
b) resulting from tax losses	–	–
3.3 Other decreases	–	–
4. Closing balance	**143,334**	**212,924**

11.5 Changes in deferred tax liabilities (balancing entry in income statement)

	31/12/2023	31/12/2022
1. Opening balance	**20,812**	**14,773**
2. Increases	**2,508**	**7,584**
2.1 Deferred tax liabilities recognised in the year	1,574	7,306
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	1,574	7,306
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	934	278
3. Decreases	**845**	**1,545**
3.1 Deferred tax liabilities derecognised in the year	629	1,545
a) reversals	629	1,545
b) due to changes in accounting policies	-	-
c) others	-	-
3.2 Tax rates reduction	-	-
3.3 Other decreases	216	-
4. Closing balance	**22,475**	**20,812**

11.6 Changes in deferred tax assets (balancing entry in shareholders' equity)

	31/12/2023	31/12/2022
1. Opening balance	**51,999**	**24,899**
2. Increases	**5,205**	**34,261**
2.1 Deferred tax assets recognised in the year	4,817	33,969
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) others	4,817	33,969
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	388	292
3. Decreases	**18,598**	**7,161**
3.1 Deferred tax assets derecognised in the year	18,551	7,161
a) reversals	18,551	3,782
b) written down as no longer recoverable	-	-
c) due to changes in accounting policies	-	-
d) others	47	3,379
3.2 Tax rates reduction	-	-
3.3 Other decreases	-	-
4. Closing balance	**38,606**	**51,999**

This amount relates to losses on securities measured at fair value through other comprehensive income and to actuarial losses recognised in the measurement of long-term employee benefits, i.e. pension fund and termination indemnities booked to equity.

11.7 Changes in deferred tax liabilities (balancing item in shareholders' equity)

	31/12/2023	31/12/2022
1. Opening balance	**8,387**	**20,841**
2. Increases	**4,589**	**1,303**
2.1 Deferred tax liabilities recognised in the year	4,589	1,303
a) related to previous years	–	–
b) due to changes in accounting policies	–	–
c) others	4,589	1,303
2.2 New taxes or increases in tax rates	–	–
2.3 Other increases	–	–
3. Decreases	**6,097**	**13,757**
3.1 Deferred tax liabilities derecognised in the year	5,434	13,757
a) reversals	5,434	13,757
b) due to changes in accounting policies	–	–
c) others	–	–
3.2 Tax rates reduction	–	–
3.3 Other decreases	663	–
4. Closing balance	**6,879**	**8,387**

This amount relates to the tax on the unrealised gains recognised in equity on financial assets measured at fair value through other comprehensive income and to the revaluation of the properties measured at fair value.

Section 13 - Other assets - Item 130

13.1 Other assets: breakdown

	31/12/2023	31/12/2022
Advances paid to tax authorities	55,095	58,772
Tax credits "*Cura Italia*" and "Relaunch" Law Decrees	1,964,684	1,451,634
Tax credits and related interest	13,978	9,255
Current account cheques drawn on third parties	16,897	15,237
Current account cheques drawn on Group banks	604	685
Transactions in customers' securities	24,821	23,463
Advances to suppliers	1,191	1,248
Advances to customers awaiting collections	31,946	27,222
Miscellaneous debits in transit	33,714	29,512
Liquid assets serving pension and similar obligations	18,553	19,310
Accrued income not allocated	53,489	52,271
Prepayments not allocated	41,886	27,893
Differences on elimination	3,930	5,025
Residual items	126,249	108,827
Total	**2,387,037**	**1,830,354**

The main item refers to the tax credits connected with the "Cura Italia" and "Relaunch" Law Decrees, amounting to 1,964.684 million euro. According to "Bank of Italy/Consob/IVASS Document No. 9 of 5 January 2021", these loans were classified under the residual item "other assets" in the balance sheet. For further details, reference should be made to Section 16 of these Notes. Other information.

Liabilities

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

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

Type of transaction/Amounts	31/12/2023				31/12/2022			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Due to central banks	**4,653,679**	-	-	-	**9,053,525**	-	-	-
2. Due to banks	**5,263,996**	-	-	-	**2,328,178**	-	-	-
2.1 Current accounts and sight deposits	538,811	-	-	-	464,716	-	-	-
2.2 Fixed-term deposits	1,036,843	-	-	-	858,682	-	-	-
2.3 Loans	3,660,258	-	-	-	983,304	-	-	-
2.3.1 Repurchase agreements	3,239,952	-	-	-	627,940	-	-	-
2.3.2 Others	420,306	-	-	-	355,364	-	-	-
2.4 Payables for commitments to repurchase own equity instruments	-	-	-	-	-	-	-	-
2.5 Payables for leases	11	-	-	-	34	-	-	-
2.6 Other payables	28,073	-	-	-	21,442	-	-	-
Total	**9,917,675**	**-**	**-**	**9,917,675**	**11,381,703**	**-**	**-**	**11,381,703**

These payables are not specifically hedged.

Payables to central banks include two loans contracted with the ECB for a total of 4,506 million euro as part of the “Targeted Longer-Term refinancing operations” (TLTRO III), after the repayment of the tranche of 4,368 million dated 28 June 2023, which was activated on 24 June 2020.

The first was granted in the first quarter of 2021 for 806 million euro with maturity on 27 March 2024, and the second on 29 September 2021 for 3,700 million euro with maturity on 25 September 2024. These loans payable are secured by bonds, consisting mainly of Government bonds and loans receivable.

Of note is the increase in repurchase agreements from 628 million euro to 3,240 million euro.

“Other loans” are made up principally of funding set up by EIB in connection with loans granted by this institution on the basis of the convention stipulated with it.

Since these payables are predominantly on demand or short-term, the book value is considered a good approximation of fair value.

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

Type of transaction/Amounts	31/12/2023				31/12/2022			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Current accounts and sight deposits	30,553,720	-	-	-	33,616,828	-	-	-
2. Fixed-term deposits	4,376,073	-	-	-	2,661,831	-	-	-
3. Loans	2,241,059	-	-	-	1,576,069	-	-	-
3.1 Repurchase agreements	2,241,059	-	-	-	1,576,069	-	-	-
3.2 Others	-	-	-	-	-	-	-	-
4. Payables for commitments to repurchase own equity instruments	-	-	-	-	-	-	-	-
5. Payables for leases	163,259	-	-	-	171,145	-	-	-
6. Other payables	582,190	-	-	-	96,373	-	-	-
Total	**37,916,301**	**-**	**-**	**37,916,301**	**38,122,246**	**-**	**-**	**38,122,246**

These payables are not specifically hedged.

The fair value is assumed to be the same as the book value as the amounts are short-term or due on demand.

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

Type of securities/Amounts	31/12/2023				31/12/2022			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. bonds	4,383,516	4,097,785	288,801	-	3,531,946	3,262,887	105,816	-
1.1 structured	2,239,535	2,014,669	212,679	-	1,588,521	1,387,208	65,101	-
1.2 others	2,143,981	2,083,116	76,122	-	1,943,425	1,875,679	40,715	-
2. other securities	92,994	-	92,994	-	116,815	-	116,815	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 others	92,994	-	92,994	-	116,815	-	116,815	-
Total	**4,476,510**	**4,097,785**	**381,795**	**-**	**3,648,761**	**3,262,887**	**222,631**	**-**

The fair value of the sub-item other securities is equal to the book value as this item includes short-term bankers' drafts and similar documents.

The level 1 securities mostly relate to bonds listed on the HI-MTF market (Multilateral Trading Facility).

1.4 Detail of subordinated payables/securities

Subordinated securities amount to 513.999 million euro and are made up of the loans indicated below:

- bond of 309.144 million euro from 25/11/2021 and maturity on 25/02/2032 with repayment in full on maturity. It bears a fixed interest rate of 3.875%.
- bond of 204.855 million euro from 30/07/2019 and maturity on 30/07/2029 with repayment in full on maturity. It bears a fixed interest rate of 6.25%.

1.6 Payables for leases

Financial outflows for leasing

	31/12/2023				31/12/2022
	Buildings	Cars	Other	**Total**	**Total**
Initial Lease Liability	170,960	80	139	171,179	183,285
Financial flows	(24,315)	(63)	(74)	(24,452)	(21,623)
Interest	3,016	3	4	3,023	3,035
Other changes	13,326	103	91	13,520	6,482
Closing carrying amount	**162,987**	**123**	**160**	**163,270**	**171,179**

As regards the Other changes during the year, the impact is mainly due to recalculation of the Lease Liability following the ISTAT index changes and the opening and closing of contracts.

At 31.12.2023, the lessee's weighted average marginal borrowing rate of the rates used to discount the lease liabilities is 1.85%.

Analysis of lease liability maturities

	up to 1 year	1 to 5 years	5 to 10 years	over 10 years
Buildings	23,782	81,038	55,565	11,643
Cars	57	55	-	-
Other types	68	98	-	-
Total	**23,907**	**81,191**	**55,565**	**11,643**

The amounts shown refer to non-discounted cash flows.

Section 2 - Financial liabilities held for trading - Item 20

2.1 Financial liabilities held for trading: breakdown

Type of transaction/Amounts	31/12/2023					31/12/2022				
	NV	Fair Value			Fair Value *	NV	Fair Value			Fair Value *
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. Cash liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	-	-	-	-	-	-
3.1.2 Other bonds	-	-	-	-	-	-	-	-	-	-
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	-	-	-	-	-	-
3.2.2 Others	-	-	-	-	-	-	-	-	-	-
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivative instruments										
1. Financial derivatives	-	68	69,509	-	-	-	9	115,862	-	-
1.1 For trading	-	68	69,509	-	-	-	9	115,862	-	-
1.2 Associated with the fair value option	-	-	-	-	-	-	-	-	-	-
1.3 Other	-	-	-	-	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 For trading	-	-	-	-	-	-	-	-	-	-
2.2 Associated with the fair value option	-	-	-	-	-	-	-	-	-	-
2.3 Others	-	-	-	-	-	-	-	-	-	-
Total (B)	**-**	**68**	**69,509**	**-**	**-**	**-**	**9**	**115,862**	**-**	**-**
Total (A+B)	**-**	**68**	**69,509**	**-**	**-**	**-**	**9**	**115,862**	**-**	**-**

Fair Value* = Fair Value calculated excluding changes in value due to changes in the issuer's creditworthiness since the issue date
NV = Nominal or notional value

Section 4 - Hedging derivatives - Item 40

4.1 Hedging derivatives: breakdown by hedge type and levels

	Fair value 31/12/2023			NV 31/12/2023	Fair value 31/12/2022			NV 31/12/2022
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**-**	**1,924**	**-**	**63,794**	**-**	**227**	**-**	**91,358**
1) Fair value	-	1,924	-	63,794	-	227	-	91,358
2) Financial flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Financial flows	-	-	-	-	-	-	-	-
Total	**-**	**1,924**	**-**	**63,794**	**-**	**227**	**-**	**91,358**

NV = Nominal Value

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

Transactions/Type of hedge	Fair Value							Financial flows		**Foreign Investments**
	Micro									
	debt securities and interest rates	equity securities and stock indices	currency and gold	receivable	commodities	others	Macro	Micro	Macro	
1. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-
2. Financial assets measured at amortised cost	121	-	-	-	-	-	-	-	-	-
3. Portfolio	-	-	-	-	-	-	1,803	-	-	-
4. Other transactions	-	-	-	-	-	-	-	-	-	-
Total assets	**121**	**-**	**-**	**-**	**-**	**-**	**1,803**	**-**	**-**	**-**
1. Financial liabilities	-	-	-	-	-	-	-	-	-	-
2. Portfolio	-	-	-	-	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	-	-	-	-	-	-	-	-	-	-
2. Portfolio of financial assets and liabilities	-	-	-	-	-	-	-	-	-	-

Section 6 - Tax liabilities

The item amounts to 71.354 million euro and relates for 41.999 million euro to current taxes and for 29.355 million euro to deferred tax liabilities. As regards the breakdown and amount of deferred taxes, please read "Assets - Section 11" of these notes. The bank's tax years up to 2017 have been closed. Decree Law 59/2016, converted by Law No. 119 of 30/06/2016, introduced the possibility by paying a fee, subject to certain conditions, of transforming D.T.A. (Deferred Tax Assets) into tax credits. The Group will not have to pay any fees as the conditions for payment have not been met.

The Parent Company has exercised the option for tax consolidation involving the Parent Company, Factorit S.p.a., Banca della Nuova Terra S.p.a., Pirovano S.p.a., and in the year under review it was extended to Sinergia Seconda S.r.l., Immobiliare Borgo Palazzo S.r.l., Immobiliare San Paolo S.r.l. and Rent2Go S.r.l. With regard to the dispute involving the Borgo Palazzo real estate company, the company adhered to the facilitated settlement provided for by Law No. 197 of 26/12/2022.

Section 8 - Other liabilities

8.1 Other liabilities: breakdown

	31/12/2023	31/12/2022
Amounts at the disposal of third parties	549,629	441,597
Taxes to be paid on behalf of third parties	156,976	84,762
Taxes to be paid	7,447	2,565
Employee salaries and contributions	19,714	17,900
Suppliers	42,462	30,840
Transit accounts for sundry entities	4,862	3,299
Invoices to be received	23,559	18,589
Credits in transit for financial transactions	154	5
Value date differentials on portfolio transactions	18,156	31,132
Directors' and statutory auditors' emoluments	98	1,286
Loans granted to customers to be finalised	7,621	12,351
Miscellaneous credit items being settled	47,455	49,110
Accrued expenses not allocated	25,634	26,882
Deferred income not allocated	15,725	14,867
Differences on elimination	46,576	21,410
Residual items	95,989	78,034
Total	**1,062,057**	**834,629**

This line item shows an increase of 27.25%.

The "value date differentials on portfolio transactions" relate to the notes received and sent for collection with recourse or for crediting after collection, which are only recognised in the balance sheet on settlement.

Section 9 - Termination indemnities (TFR) - Item 90

9.1 Termination indemnities: changes in the year

	31/12/2023	31/12/2022
A. Opening balance	**35,597**	**40,190**
B. Increases	**10,900**	**8,714**
B.1 Provisions in the year	10,890	8,596
B.2 Other changes	10	118
- of which business combinations	-	-
C. Decreases	**13,038**	**13,307**
C.1 Payments made	2,078	1,963
C.2 Other changes	10,960	11,344
- of which business combinations	-	-
D. Closing balance	**33,459**	**35,597**
Total	**33,459**	**35,597**

Section 10 - Provisions for risk and charges - Item 100

10.1 Provisions for risks and charges: breakdown

Items/Components	31/12/2023	31/12/2022
1. Provisions for credit risk related to commitments and financial guarantees given	47,302	32,583
2. Provisions on other commitments and other guarantees given	48,935	30,621
3. Post employment benefits	178,950	167,827
4. Other provisions for risks and charges	88,433	64,497
4.1 legal and tax disputes	63,626	42,818
4.2 personnel expenses	22,237	18,742
4.3 other	2,570	2,937
Total	**363,620**	**295,528**

At year-end, the Group is not exposed to any other risks that might result in future charges, other than those covered by the provisions referred to above. It is reasonably believed that there are no contingent liabilities. The figures for the company's pension funds include, in addition to the Parent Company's fund, the accounting of the “Swiss BVG pension” according to IAS 19, which entailed recognition of a liability.

10.2 Provisions for risks and charges: changes in the year

	Provisions on other commitments and other guarantees given	Pension and similar obligations	Other provisions for risks and charges	**Total**
A. Opening balance	**30,621**	**167,827**	**64,497**	**262,945**
B. Increases	**24,028**	**25,675**	**47,502**	**97,205**
B.1 Provision in the year	24,028	18,503	46,461	88,992
B.2 Time value changes	-	-	686	686
B.3 Changes due to discount rate variations	-	-	297	297
B.4 Other changes	-	7,172	58	7,230
- of which business combinations	-	-	-	-
C. Decreases	**5,714**	**14,552**	**23,566**	**43,832**
C.1 Used in the year	5,714	11,879	18,916	36,509
C.2 Changes due to discount rate variations	-	2,668	421	3,089
C.3 Other changes	-	5	4,229	4,234
- of which business combinations	-	-	-	-
D. Closing balance	**48,935**	**178,950**	**88,433**	**316,318**

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

	Provisions for credit risk related to commitments and financial guarantees given				
	First stage	Second stage	Third stage	Impaired purchased or originated	**Total**
Commitments to grant loans	9,895	21,718	478	338	32,429
Financial guarantees given	1,338	1,496	12,039	-	14,873
Total	**11,233**	**23,214**	**12,517**	**338**	**47,302**

10.5 Defined-benefit company pension funds

10.5.1. Characteristics of the plans and related risks

The pension fund of 178.950 million euro consists of the pension fund for the Parent Company's personnel of 159.187 million euro and the actuarial liabilities linked to the supplementary pension plan for employees of BPS Suisse SA of 19.763 million euro.

The Parent Company’s pension plan for employees is an internal defined-benefit plan intended to supplement the pension paid to retired employees by the State. The plan is funded by contributions from the Bank and from employees which are determined on a percentage of income basis and credited each month. This plan is also a separate fund pursuant to art. 2117 of the Italian Civil Code.

The amount of the pension fund for the Parent Company's personnel is adjusted to take into account the closed group of members formed on 28/04/1993. This closed group consists of 289 employees and 331 pensioners. Since 28/04/1993, employees have been given the chance to join another supplementary pension scheme as laid down by law and by contract.

BPS Suisse SA is a member of the BVG collective foundation of Rentenanstalt, which guarantees a professional pension to its employees through Swiss Life.

The adequacy of the fund with respect to the present value of the obligation at the reference date was verified using calculations prepared by an independent actuary, making demographic assumptions that distinguish between age and gender, as well as technical-economic assumptions that reflect the theoretical changes in earnings and payments. The technical assessments made reference to dynamic economic and financial assumptions. The discounting rate reflects the yield on prime bonds.

10.5.2 Changes in net (assets) liabilities and redemption rights

	31/12/2023	31/12/2022
Opening balance	**167,827**	**191,565**
Service cost	5,563	6,015
Interest cost	4,309	1,339
Actuarial gains/losses	10,434	(23,013)
Payments	(12,233)	(10,993)
Other allocations	3,050	2,914
Closing balance	**178,950**	**167,827**

10.5.3 Information on the fair value of plan assets

Details of the assets of the Parent Company's pension plan are summarised in the following table:

	31/12/2023	31/12/2022
Debt securities	101,052	100,551
equity securities	281	1,122
Mutual funds invested in bonds	10,161	8,811
Mutual funds invested in shares	12,175	11,748
Mutual funds invested in property	16,966	16,966
Other assets	18,552	19,310
Total	**159,187**	**158,508**

The amount of the fund increases by 0.679 million euro, +0.43%.

Payments of benefits amount to 4.744 million euro compared with 4.275 million euro in 2022. The contributions paid by the employees totalled 0.199 million euro, in line with the previous year.

10.5.4 Description of the principal actuarial assumptions

The assumptions adopted in the actuarial calculation are provided separately for the Parent Company and BPS Suisse SA:

Banca Popolare di Sondrio Spa

	31/12/2023	31/12/2022
discount rate	3.19%	3.03%
expected increase in salaries	0.25%	0.25%
annual inflation rate:		
- for 2024:	2.40%	2.30%
- for the following years	2.00%	2.00%

The average annual rate of increase of pensions paid by the Fund takes into account the equalisation provided for mandatory pension benefits. See the company's financial statements for an explanation of how the discount rate was chosen.

Banca Popolare di Sondrio (Suisse) SA

	31/12/2023	31/12/2022
discount rate	1.50%	2.30%
expected increase in salaries	1.50%	1.50%
rate of inflation	1.50%	1.50%
underlying rate of pension increases	0.00%	0.00%

The technical discount rate was determined with reference to high quality corporate bonds on the Swiss market, the analysis is based on the yield of the SBI Basket AA as of 31.12.2023.

10.5.5 Information on the amount, timing and uncertainties of cash flows

As required by the relevant IAS/IFRS, a sensitivity analysis has been carried out to determine the effect of changes in the principal actuarial assumptions used for the calculations. For this purpose, the scenario used for the valuation was used as the base scenario, and the two parameters deemed most significant were modified from that, namely the average annual discount rate and the inflation rate for Banca Popolare di Sondrio Spa and the average annual discount rate and the rate of salary increases for Banca Popolare di Sondrio (Suisse) SA. Below are the results obtained.

Sensitivity analysis
Banca Popolare di Sondrio Spa

- 0.25% change in the discount rate, the liability amounted to 128.915 million euro;
- -0.25% change in the discount rate, the liability amounted to 135.922 million euro;
- +0.25% change in the inflation rate, the liability amounted to 134.504 million euro;
- -0.25% change in the inflation rate, the liability amounted to 130.220 million euro.

Banca Popolare di Sondrio (Suisse) SA

- +0.50% change in the discount rate, the liability amounted to 12.603 million euro
- -0.50% change in the discount rate, the liability amounted to 27.684 million euro
- +0.50% change in the salary discount rate, the liability amounted to 20.372 million euro
- -0.50% change in the salary discount rate, the liability amounted to 19.154 million euro

10.6 Provisions for risks and charges – other provisions

Items/Values	31/12/2023	31/12/2022
Legal disputes	63,626	42,818
Personnel expenses	22,237	18,742
Other provisions	2,570	2,937
Total	**88,433**	**64,497**

The provision for legal disputes covers outstanding disputes regarding, in particular, claims for repayment from the liquidators of bankrupt customers, concerning positions classified as bad loans or which have already been written off, and other disputes that have arisen in the ordinary course of business.

The duration of such disputes is difficult to assess, given the extended time required in order to obtain justice.

This increase of 20.808 million euro arises from the difference between the provision of the year and the release of provisions set aside in prior years. In addition, as reported in the parent company's financial statements, a specific provision was made for the risks associated with the tax credits acquired.

At 31 December 2023, a number of non-tax-related disputes were pending, with a total *petitum* of about 486 million. This amount related to all existing disputes, is regardless of the estimate of the risk of disbursement of economic resources deriving from the potential loss. It therefore also includes the *petitum* of disputes that have remote risk.

The following paragraphs provide brief information on the disputes considered significant - mainly those with claims exceeding 5 million euro and with the risk of disbursement deemed "possible" - as well as on cases considered significant.

Claims for "indemnification" relating to loans sold as part of the securitisation transactions called "Diana", "Pop NPLs 2020", "Pop NPLs 2021" and "Pop NPLs 2022".

The assignee companies have the contractual right to make claims for compensation for alleged breaches of the guarantees given by the bank on the portfolio of assigned receivables. As regards the "Diana" transaction, 143 requests for a potential amount of 44.06 million euro are pending, for which a provision of 9.510 million euro has been made. On the other hand, with regard to the "Pop NPLS 2020" transaction, 42 requests are pending for a potential amount of 5.45 million euro, for which a provision of 3.021 million euro has been set aside, for the "Pop NPLS 2021" transaction, 126 requests are pending for a potential amount of 10.13 million euro, for which a provision of 3.313 million euro has been set aside. Lastly, as regards the "Pop NPLS 2022" transaction, 2 requests for a potential amount of 1.45 million euro are pending, for which a provision of 0.100 million euro has been made.

Disputes relating to compound interest and usury

The disputes falling within this line of litigation for years represented a significant part of the litigation brought against the Italian banking system. For disputes relating to compound interest, the petitum is equal to approximately 4.80 million, with provisions for 0.39 million, while for those relating to usury, the petitum is equal to 4.60 million, with provisions for 0.67 million.

Clawback actions in insolvency proceedings

13 disputes were pending for a petitum of 7.748 million, with a provision of 2.419 million. None with a request for a refund of a particularly significant amount.

AMA - Azienda Municipale Ambiente s.p.a.

In December 2020, the Bank was notified of the summons before the Court of Rome, concerning the requests for assessment and declaration of the nullity or cancellation of the transaction in financial instruments called "Interest Rate Swap" stipulated on 30 September 2010 and the repayment of amounts unduly received by the Bank for 20.67 million euro. The bank entered an appearance and the case is called to a hearing on 29 November 2024 for closing arguments. The risk of losing appears "possible".

Bankruptcy of Interservice s.r.l. in liquidation

In February 2015, the bankruptcy procedure sued the Bank before the Court of Milan with a request for compensation for the damage caused to the company by the illegal conduct of its director, quantified at 14.65 million euro. With a sentence published on 26 May 2020, the Court rejected the plaintiff's request, but the plaintiff has filed an appeal. The Court of Appeal of Milan ordered the bank to repay more than 7 million euro. An appeal has been filed with the Court of Cassation. The risk of losing appears "possible".

Ginevra s.r.l.

In January 2019, the company and the shareholders Giuliana Piovan and Gianpiero De Luca sued the Bank before the Court of Genoa with a request for compensation, quantified at 11.40 million euro, for contractual liability for failure to grant credit, compound interest and usury. At the hearing on 13 June 2023, deadlines were set for the filing of final pleadings. The Court of Genoa ruled in favour of the bank. At present, the other party has not yet filed an appeal. The risk of losing appears "possible".

Società Italiana per le Condotte d'Acqua s.p.a.

In December 2022, a summons was notified concerning the damage caused to the Company by the bank for having granted credit despite the alleged state of crisis and the lack of concrete prospects of overcoming the crisis. The amount of the application, requested jointly with other credit institutions, is 389 million euro. The bank filed an appearance to reject the charge as unfounded and lacking evidentiary support. The risk of losing appears “possible”.

The provision for personnel expenses essentially relates to the cost of untaken holidays and the potential cost of employee long-service bonuses. It increases by 3.495 million euro, +18.65%.

Other provisions include the Parent Company's provision for charitable donations consisting of net profits authorised by the shareholders of 0.958 million euro used to make approved payments. It increased by 0.300 million euro in the 2022 profit distribution and decreases by 0.128 million euro due to donations made during the year.

Section 13 - Group Shareholders' equity - Items 120, 130, 140, 150, 160, 170 and 180

Share capital comprises 453,385,777 issued and fully-paid ordinary shares, without par value, totalling 1,360.157 million euro, unchanged on last year. Shares in circulation have dividend and voting rights from 1 January 2023.

At year-end, the Bank held treasury shares with a carrying value of 25.418 million euro.

13.2 Capital - Number of Parent Company shares: changes in the year

Items/Types	Ordinary	Other
A. Shares at the beginning of the year	**453,385,777**	–
- fully paid-up	453,385,777	–
- not fully paid-up	-	–
A.1 Treasury shares (-)	(3,677,816)	–
A.2 Shares outstanding: opening balance	**449,707,961**	–
B. Increases	**8,453**	–
B.1 New issues	-	–
- for payment:	-	–
- conversion of bonds	-	–
- warrants exercised	-	–
- others	-	–
- free:	-	–
- to employees	-	–
- to directors	-	–
- others	-	–
B.2 Sale of treasury shares	-	–
B.3 Other changes	8,453	–
C. Decreases	**-**	**–**
C.1 Derecognition	-	–
C.2 Purchase of treasury shares	-	–
C.3 Disposal of businesses	-	–
C.4 Other changes	-	–
D. Shares outstanding: closing balance	-	–
D.1 Treasury shares (+)	**449,716,414**	–
D.2 Shares at the end of the year	3,669,363	–
- fully paid-up	453,385,777	–
- not fully paid-up	453,385,777	–

13.3 Share capital: other information

Share premium accounts

Amounts to 78.949 million, slightly down due to negative differences between the discharge price and the corresponding book value of the shares sold.

13.4 Profit reserves: other information

Item 150 "Reserves" amounts to 1,950.646 million euro with an increase of 8.95%, and also includes the reserve for the purchase of treasury shares, also provided for by art. 60 of the Articles of Association prior to transformation into a joint stock company available, pursuant to art. 8 of the Articles of Association in force, to the directors for the purchase or sale of treasury shares on market terms, as part of normal trading to support the circulation of shares. This reserve amounts to 30 million euro (used for 25.201 million euro).

Section 14 - Non-controlling interests - Item 190

14.1 Detail of item 210 “Non-controlling interests”

The item minority interests amounts to 0.014 million euro, an increase compared to the previous year following the entry of the special purpose vehicle Centro delle Alpi SME S.r.l. established in June 2023 for the purpose of a self-securitisation transaction.

14.2 Capital instruments: breakdown and changes in the year

There were no issues of financial instruments that contribute to the formation of capital issued by group companies not subject to total control.

Other information

1. Commitments and financial guarantees given

	Nominal value on commitments and financial guarantees given				Total 31/12/2023	Total 31/12/2022
	First stage	Second stage	Third stage	Impaired purchased or originated		
1. Commitments to grant loans	**14,451,473**	**2,311,415**	**76,752**	**7,857**	**16,847,497**	**14,410,298**
a) Central banks	-	-	-	-	-	-
b) Public administrations	551,197	77,805	-	-	629,002	608,862
c) Banks	342,156	15,508	-	-	357,664	223,761
d) Other financial companies	1,293,976	3,904	23	1	1,297,904	1,609,523
e) Non-financial companies	9,862,793	2,146,525	71,281	7,543	12,088,142	10,498,974
f) Households	2,401,351	67,673	5,448	313	2,474,785	1,469,178
2. Financial guarantees given	**741,719**	**104,198**	**16,802**	**-**	**862,719**	**907,367**
a) Central banks	-	-	-	-	-	-
b) Public administrations	2,238	2	-	-	2,240	6,441
c) Banks	10,932	2,619	-	-	13,551	13,031
d) Other financial companies	100,729	1,973	156	-	102,858	128,849
e) Non-financial companies	572,084	95,771	16,042	-	683,897	687,608
f) Households	55,736	3,833	604	-	60,173	71,438

2. Other commitments and other guarantees given

	Nominal value	
	Total 31/12/2023	**Total 31/12/2022**
Other guarantees given	**4,339,552**	**3,968,248**
of which: non-performing exposures	73,392	57,083
a) Central banks	-	-
b) Public administrations	94,411	68,753
c) Banks	214,844	158,050
d) Other financial companies	43,183	108,696
e) Non-financial companies	3,784,397	3,451,290
f) Households	202,717	181,459
Other commitments	**4,170,410**	**4,108,955**
of which: non-performing exposures	27,662	33,890
a) Central banks	50,000	50,000
b) Public administrations	70,858	64,496
c) Banks	423,861	517,098
d) Other financial companies	53,491	69,681
e) Non-financial companies	3,483,408	3,320,684
f) Households	88,792	86,996

3. Assets lodged to guarantee the bank's liabilities and commitments

Portfolios	31/12/2023	31/12/2022
1. Financial assets measured at fair value through profit or loss	103,070	108,722
2. Financial assets measured at fair value through other comprehensive income	1,268,168	1,311,977
3. Financial assets measured at amortised cost	12,332,150	13,739,806
4. Property, equipment and investment property	-	-
of which: property, plant and equipment held as inventories	-	-

The assets measured at fair value through other comprehensive income and those measured at amortised include securities assigned to customers under repurchase agreements, assigned to guarantee loans from central banks (TLTRO) and to guarantee the operations of the Swiss subsidiary.

The assets measured at amortised cost also include loans that guarantee the funding provided by the Central Bank (ABACO loans).

5. Management and intermediation for third parties

Type of service	Amount
1. Execution of orders on behalf of customers	**1,334,565**
a) purchases	817,591
1. settled	813,363
2. not settled	4,228
b) sales	516,974
1. settled	514,949
2. not settled	2,025
2. Portfolio management	**1,901,092**
a) individual	1,901,092
b) collective	-
3. Custody and administration of securities	**72,484,775**
A) third-party securities on deposit: associated with activities as a custodian bank (excluding portfolio management)	5,014,702
1. securities issued by companies included in the consolidation	1,500
2. other securities	5,013,202
b) third-party securities on deposit (excluding portfolio management): other	23,293,878
1. securities issued by companies included in the consolidation	2,104,222
2. other securities	21,189,656
c) third-party securities on deposit with third parties	28,088,897
d) own securities held by other custodians	16,087,298
4. Other transactions	**-**

6. Financial assets subject to offsetting in the financial statements, or subject to compensation framework agreements or similar agreements

Technical forms		Gross amount of financial assets (a)	Amount of financial liabilities offset in the financial statements (b)	Net amount of financial assets reported in the financial statements (c=a-b)	Correlated amounts not netted in the balance sheet: Financial instruments (d)	Correlated amounts not netted in the balance sheet: Cash deposits received in guarantee (e)	**Net amount (f=c-d-e) 31/12/2023**	**Net amount 31/12/2022**
1. Derivatives		10,350	-	10,350	5,203	5,147	-	1,667
2. Repurchase agreements		-	-	-	-	-	-	-
3. Securities lending		-	-	-	-	-	-	-
4. Others		-	-	-	-	-	-	-
Total	**31/12/2023**	**10,350**	**-**	**10,350**	**5,203**	**5,147**	**-**	**-**
Total	**31/12/2022**	**42,802**	**-**	**42,802**	**23,429**	**17,706**	**-**	**1,667**

IFRS 7 requires specific disclosures about the financial instruments that are netted or nettable in the balance sheet pursuant to IAS 32, given the application of framework netting agreements or similar arrangements.

There are no netting agreements whereby balances must be netted in the balance sheet pursuant to IAS 32.

With regard to potentially nettable instruments, the following tables indicate those derivative financial instruments governed by "ISDA Master Agreements". In particular, Credit Support Annex (CSA) agreements have been signed with certain counterparties, under which the parties agree to give and accept assets in guarantee (in the Bank's case, amounts of cash denominated in euro), which are redetermined periodically depending on changes in the fair value of the underlying derivatives.

The derivatives subject to agreements of this type and reported herein are measured at fair value.

7. Financial liabilities subject to netting in the balance sheet or subject to framework netting agreements or similar arrangements

Technical forms		Gross amount of financial liabilities (a)	Amount of financial assets netted in the balance sheet (b)	Net amount of financial liabilities reported in the financial statements (c=a-b)	Correlated amounts not netted in the balance sheet: Financial instruments (d)	Correlated amounts not netted in the balance sheet: Cash deposits placed as collateral (e)	**Net amount (f=c-d-e) 31/12/2023**	**Net amount 31/12/2022**
1. Derivatives		59,221	-	59,221	5,203	44,861	9,157	1,158
2. Repurchase agreements		3,481,917	-	3,481,917	3,481,917	-	-	-
3. Securities lending		-	-	-	-	-	-	-
4. Other transactions		-	-	-	-	-	-	-
Total	**31/12/2023**	**3,541,138**	**-**	**3,541,138**	**3,487,120**	**44,861**	**9,157**	**-**
Total	**31/12/2022**	**715,422**	**-**	**715,422**	**651,369**	**62,895**	**-**	**1,158**

Repurchase agreements indicated are subject to netting agreements governed by Global Master Repurchase Agreements (GMRA). The gross amounts (a) shown in the table relating to repurchase transactions are recorded in items 10 a) "Due to Banks" and 10 b) "Due to Customers"; the related financial instruments (d) are represented by the value of the securities involved in the transactions.

PART C – Information on the consolidated income statement

Section 1 – Interest – Items 10 and 20

1.1 Interest and similar income: breakdown

Items/Technical forms	Debt securities	Loans	Other transactions	31/12/2023	31/12/2022
1. Financial assets measured at fair value through profit or loss:	**3,135**	**12,931**	**-**	**16,066**	**9,955**
1.1 Financial assets held for trading	109	-	-	109	231
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	3,026	12,931	-	15,957	9,724
2. Financial assets measured at fair value through other comprehensive income	**74,100**	**-**	**-**	**74,100**	**18,234**
3. Financial assets measured at amortised cost:	**258,330**	**1,388,285**	**-**	**1,646,615**	**721,076**
3.1 Loans and receivables with banks	25,601	173,157	-	198,758	41,532
3.2 Loans and receivables with customers	232,729	1,215,128	-	1,447,857	679,544
4. Hedging derivatives	**-**	**-**	**274**	**274**	**2**
5. Other assets	**-**	**-**	**74,909**	**74,909**	**39,982**
6. Financial liabilities	**-**	**-**	**-**	**61**	**45,309**
Total	**335,565**	**1,401,216**	**75,183**	**1,812,025**	**834,558**
of which: interest income on impaired financial assets	-	49,770	-	49,770	26,960
of which: interest income on financial lease	-	-	-	-	-

The increase in interest income is mainly due to the rise in interest rates, which affected both loans and income from the securities portfolio.

1.2 Interest and similar income: other information

1.2.1 Interest income on financial assets in foreign currency

Items	31/12/2023	31/12/2022
Interest and similar income on foreign currency assets	164,922	92,800

1.3 Interest and similar expense: breakdown

Items/Technical forms	Payables	Securities	Other transactions	31/12/2023	31/12/2022
1. Financial liabilities measured at amortised cost	**(753,884)**	**(120,856)**	**-**	**(874,740)**	**(141,992)**
1.1 Due to central banks	(220,351)	-	-	(220,351)	(354)
1.2 Due to banks	(138,849)	-	-	(138,849)	(12,795)
1.3 Due to customers	(394,684)	-	-	(394,684)	(50,792)
1.4 Securities issued	-	(120,856)	-	(120,856)	(78,051)
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
3. Financial liabilities designated at fair value	**-**	**-**	**-**	**-**	**-**
4. Other liabilities and provisions	**-**	**-**	**-**	**-**	**-**
5. Hedging derivatives	**-**	**-**	**(173)**	**(173)**	**(1,756)**
6. Financial assets	**-**	**-**	**-**	**(157)**	**(9,743)**
Total	**(753,884)**	**(120,856)**	**(173)**	**(875,070)**	**(153,491)**
of which: interest expense on lease payables	(3,022)	-	-	(3,022)	(3,038)

1.4 Interest and similar expense: other information

1.4.1 Interest and similar expense on foreign currency liabilities

Items	31/12/2023	31/12/2022
Interest expense on financial liabilities in foreign currency	(104,568)	(20,554)

1.5 Differentials relating to hedging transactions

Items	31/12/2023	31/12/2022
A. Positive differentials relating to hedging transactions	274	2
B. Negative differentials relating to hedging transactions	(173)	(1,756)
C. Balance (A-B)	**101**	**(1,754)**

Section 2 – Fees and commissions – Items 40 and 50

2.1 Fee and commission income: breakdown

Type of service/Amounts	31/12/2023	31/12/2022
a) Financial instruments	**70,009**	**64,941**
1. Placement of securities	39,917	38,661
1.1 On a firm and/or irrevocable commitment basis	-	-
1.2 Without irrevocable commitment	39,917	38,661
2. Receiving and sending orders and execution of orders on behalf of customers	15,450	11,814
2.1 Receiving and sending orders for one or more financial instruments	15,450	11,814
2.2 Execution of orders on behalf of customers	-	-
3. Other commissions related to activities linked to financial instruments	14,642	14,466
of which: trading on own account	191	-
of which: individual portfolio management	11,260	11,403
b) Corporate Finance	**-**	**-**
1. Mergers and acquisitions advisory services	-	-
2. Treasury services	-	-
3. Other commissions related to corporate finance services	-	-
c) Investment advisory activities	**115**	**-**
d) Compensation and settlement	**-**	**-**
e) Collective portfolio management	**-**	**-**
f) Custody and administration	**17,661**	**16,737**
1. Custodian bank	6,146	5,938
2. Other commissions related to custody and administration activities	11,515	10,799
g) Central administrative services for collective portfolio management	**-**	**-**
h) Fiduciary business	**-**	**-**
i) Payment services	**147,652**	**145,879**
1. Current accounts	47,012	44,448
2. Credit cards	16,249	20,279
3. Debit cards and other payment cards	19,507	19,576
4. Bank transfers and other payment orders	52,756	49,806
5. Other fees related to payment services	12,128	11,770
j) Distribution of third-party services	**30,048**	**28,477**
1. Collective portfolio management	-	-
2. Insurance products	27,052	25,611
3. Other products	2,996	2,866
of which: individual portfolio management	-	-
k) Structured finance	**-**	**-**
l) Servicing for securitisation transactions	**-**	**-**
m) Commitments to make loans	**-**	**-**
n) Financial guarantees given	**35,734**	**31,361**
of which: credit derivatives	-	-
o) Financing transactions	**93,933**	**86,093**
of which: for factoring transactions	31,093	26,687
p) Trading in foreign currencies	**-**	**-**
q) Goods	**-**	**-**
r) Other commission income	**28,415**	**27,686**
of which: for management activities of multilateral trading systems	-	-
of which: for management activities of organised trading systems	-	-
Total	**423,567**	**401,174**

2.2 Fee and commission expense: breakdown

Type of service/amounts	31/12/2023	31/12/2022
a) Financial instruments	**(3,166)**	**(3,506)**
of which: trading of financial instruments	(3,166)	(3,506)
of which: placement of financial instruments	-	-
of which: individual portfolio management	-	-
– Own	-	-
- Delegated to third parties	-	-
b) Compensation and settlement	**-**	**-**
c) Collective portfolio management	**-**	**-**
1. Own	-	-
2. Delegated to third parties	-	-
d) Custody and administration	**(3,377)**	**(3,329)**
e) Collection and payment services	**(5,348)**	**(5,833)**
of which: credit cards, debit cards and other payment cards	(2,935)	(3,099)
f) Servicing for securitisation transactions	**-**	**-**
g) Commitments to receive funds	**-**	**-**
h) Financial guarantees received	**(5,186)**	**(3,677)**
of which: credit derivatives	-	-
i) Door-to-door distribution of financial instruments, products and services	**-**	**-**
j) Trading in foreign currencies	**-**	**-**
k) Other commission expenses	**(3,930)**	**(4,239)**
Total	**(21,007)**	**(20,584)**

Section 3 – Dividends and similar income – Item 70

3.1 Dividends and similar income: breakdown

Items/Income	31/12/2023		31/12/2022	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	1,296	209	2,691	308
B. Other financial assets mandatorily measured at fair value	30	2,249	29	994
C. Financial assets measured at fair value through other comprehensive income	3,824	44	2,354	39
D. Equity investments	-	-	49	-
Total	**5,150**	**2,502**	**5,123**	**1,341**

Section 4 – Net trading income – Item 80

4.1 Net trading income: breakdown

Transactions/Income items	Gains (A)	Trading profits (B)	Losses (C)	Trading losses (D)	**Profit (loss) [(A+B)-(C+D)]**
1. Financial assets held for trading	**67,945**	**45,654**	**(2,333)**	**(684)**	**110,581**
1.1 Debt securities	-	622	-	(121)	501
1.2 Equity securities	831	7,995	(1,631)	(550)	6,645
1.3 Mutual funds	2,675	8,366	(558)	(13)	10,470
1.4 Loans	-	-	-	-	-
1.5 Other	64,439	28,671	(145)	-	92,965
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	**-**	**-**	**-**	**-**	**26**
4. Derivatives	**10,068**	**16,948**	**(10,212)**	**(14,643)**	**2,374**
4.1 Financial derivatives:	10,068	16,948	(10,212)	(14,643)	2,374
- On debt securities and interest rates	8,498	9,077	(8,565)	(8,428)	582
- On equity securities and stock indices	38	1,519	(88)	-	1,469
- On currency and gold	-	-	-	-	213
- Other	1,532	6,352	(1,559)	(6,215)	110
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	-	-	-	-	-
Total	**78,013**	**62,602**	**(12,545)**	**(15,327)**	**112,981**

The net trading gain (loss) goes from 28.404 million euro to 112.981 million euro.

The net result from trading on “other” financial assets is mainly made up of exchange gains.

Section 5 – Net hedging gain (loss) – Item 90

5.1 Net hedging gain (loss): breakdown

Income components/Amounts	31/12/2023	31/12/2022
A. Income related to:		
A.1 Fair value hedging derivatives	-	2,622
A.2 Hedged financial assets (fair value)	2,022	47
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Financial derivatives - Cash-flow hedges	-	-
A.5 Assets and liabilities denominated in foreign currencies	-	-
Total hedging income (A)	**2,022**	**2,669**
B. Charges relating to:		
B.1 Fair value hedging derivatives	(2,098)	(89)
B.2 Hedged financial assets (fair value)	-	(2,761)
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Financial derivatives - Cash-flow hedges	-	-
B.5 Assets and liabilities denominated in foreign currencies	-	-
Total hedging expense (B)	**(2,098)**	**(2,850)**
C. Net hedging gain (loss) (A – B)	**(76)**	**(181)**
of which: result of hedging on net positions	-	-

The proceeds are given by 2.022 million euro for a positive evaluation of the fair value of the loans being hedged against an overall negative evaluation of 2.098 million euro of the fair value of the hedging derivatives. The net result of the measurement at fair value of the hedging structure is therefore negative for 0.076 million euro.

Section 6 - Gains (losses) from sales/repurchases - Item 100

6.1 Gains (losses) from sales/repurchases: breakdown

	31/12/2023			31/12/2022		
Items/Income items	Gains	Losses	Profit (loss)	Gains	Losses	Profit (loss)
Financial assets						
1. Financial assets measured at amortised cost	8,596	(953)	7,643	33,877	(4,906)	28,971
1.1 Loans and receivables with banks	167	-	167	72	(1)	71
1.2 Loans and receivables with customers	8,429	(953)	7,476	33,805	(4,905)	28,900
2. Financial assets measured at fair value through other comprehensive income	2,479	(3,644)	(1,165)	12,155	(306)	11,849
2.1 Debt securities	2,479	-	2,479	12,155	(94)	12,061
2.2 Loans	-	(3,644)	(3,644)	-	(212)	(212)
Total assets (A)	**11,075**	**(4,597)**	**6,478**	**46,032**	**(5,212)**	**40,820**
Financial liabilities measured at amortised cost	-	-	-	-	-	-
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	106	(19)	87	5	-	5
Total liabilities (B)	**106**	**(19)**	**87**	**5**	**-**	**5**

The losses shown in line "1.2 Loans to customers", totalling 0.953 million euro, mainly refer to the effects of the derisking actions carried out during the 2023 financial year, of which 0.742 million euro relate to the transfer of NPL loans carried out in the month of December. For further details, reference should be made to Part E of these consolidated notes, section "C. Securitisation transactions".

Section 7 – Net gains (losses) on financial assets and liabilities measured at fair value through profit or loss – Item 110

7.2 Net change in value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

Transactions/Income items	Gains (A)	Gains on disposals (B)	Losses (C)	Losses on disposals (D)	**Profit (loss) [(A+B)-(C+D)]**
1. Financial assets	**19,313**	**11,330**	**(23,660)**	**(44)**	**6,939**
1.1 Debt securities	256	2,508	(8,940)	(22)	(6,198)
1.2 Equity securities	42	11	-	-	53
1.3 UCI units	6,927	8,811	(1,950)	(22)	13,766
1.4 Loans	12,088	-	(12,770)	-	(682)
2. Financial assets: exchange differences	**-**	**-**	**-**	**-**	**(1,731)**
Total	**19,313**	**11,330**	**(23,660)**	**(44)**	**5,208**

Section 8 – Net adjustments/write-backs for credit risk – Item 130

8.1 Net adjustments for credit risk related to financial assets measured at amortised cost: breakdown

	Adjustments (1)					
			Third stage		Impaired purchased or originated	
Transactions/Income items	First stage	Second stage	Write-off	Other	Write-off	Other
A. Loans and receivables with banks	**(2,028)**	**(1,054)**	**-**	**-**	**-**	**-**
- Loans	(1,308)	(68)	-	-	-	-
- Debt securities	(720)	(986)	-	-	-	-
B. Loans and receivables with customers	**(34,756)**	**(149,549)**	**(21,051)**	**(227,013)**	**(468)**	**(16,475)**
- Loans	(34,180)	(148,682)	(21,051)	(227,013)	(468)	(16,475)
- Debt securities	(576)	(867)	-	-	-	-
Total	**(36,784)**	**(150,603)**	**(21,051)**	**(227,013)**	**(468)**	**(16,475)**

	Write-backs (2)					
Transactions/Income items	First stage	Second stage	Third stage	Impaired purchased or originated	**31/12/2023**	**31/12/2022**
A. Loans and receivables with banks	**1,172**	**130**	**-**	**-**	**(1,780)**	**4,073**
- Loans	771	130	-	-	(475)	(371)
- Debt securities	401	-	-	-	(1,305)	4,444
B. Loans and receivables with customers	**74,919**	**25,052**	**137,591**	**10,917**	**(200,834)**	**(156,578)**
- Loans	70,511	25,052	137,591	10,917	(203,798)	(151,038)
- Debt securities	4,407	-	-	-	2,964	(5,540)
Total	**76,091**	**25,182**	**137,591**	**10,917**	**(202,614)**	**(152,505)**

8.2 Net adjustments for credit risk relating to financial assets measured at fair value through other comprehensive income: breakdown

Transactions/Income items	Adjustments (1)					
			Third stage		Impaired purchased or originated	
	First stage	Second stage	Write-off	Other	Write-off	Other
A. Debt securities	(429)	(40)	-	-	-	-
B. Loans	-	-	-	-	-	-
- Customers	-	-	-	-	-	-
- Banks	-	-	-	-	-	-
Total	**(429)**	**(40)**	**-**	**-**	**-**	**-**

Transactions/Income items	Write-backs (2)				**31/12/2023**	**31/12/2022**
	First stage	Second stage	Third stage	Impaired purchased or originated		
A. Debt securities	816	-	-	-	347	(360)
B. Loans	-	-	-	-	-	-
- Customers	-	-	-	-	-	-
- Banks	-	-	-	-	-	-
Total	**816**	**-**	**-**	**-**	**347**	**(360)**

Section 9 – Gains/(losses) from contractual amendments without derecognition – Item 140

9.1 Gains (Losses) from contractual amendments without derecognition: breakdown

Gains on contractual amendments without derecognition amount to 6.550 million euro.

Section 12 – Administrative expenses – Item 190

12.1 Personnel expenses: breakdown

Type of expense/Amounts	31/12/2023	31/12/2022
1) Employees	**(295,784)**	**(268,771)**
a) wages and salaries	(188,879)	(175,275)
b) social security contributions	(46,016)	(43,089)
c) termination indemnities	(13)	(13)
d) pension expenses	(7,630)	(6,966)
e) provision for employee termination indemnities	(11,022)	(8,603)
f) provision for pension and similar obligations:	(9,671)	(6,101)
- defined contribution	-	-
- defined benefits	(9,671)	(6,101)
g) payments to external supplementary pension funds:	(4,704)	(4,190)
- defined contribution	(4,669)	(4,166)
- defined benefits	(35)	(24)
h) costs deriving from payment agreements based on own capital instruments	(1,205)	-
i) other personnel benefits	(26,644)	(24,534)
2) Other personnel in activity	**(608)**	**(525)**
3) Directors and Statutory Auditors	**(3,876)**	**(3,035)**
4) Retired personnel	**-**	**-**
Total	**(300,268)**	**(272,331)**

12.2 Average number of employees by category

	31/12/2023	31/12/2022
1) Employees	**3,522**	**3,427**
a) managers	38	34
b) officials	891	842
c) other employees	2,593	2,551
2) Other personnel	**13**	**10**
	31/12/2023	**31/12/2022**
- Number of employees at year-end	3,597	3,474
- Other personnel	14	9

12.3 Company pension plans with defined benefits: total costs

Income components/Amounts	31/12/2023	31/12/2022
Service cost	1,784	2,142
Interest cost	4,042	1,160
Contributions from employees	(199)	(199)
Reductions and payments	4,044	2,998
Total charge to income statement (A)	**9,671**	**6,101**
Yield from assets servicing the fund (B)	7,226	3,185
Total charge (A-B)	**2,445**	**2,916**

The costs have been recorded as personnel expenses.

Information regarding the outstanding obligations and related changes during the year, the assets servicing the fund and principal actuarial assumptions made is provided in the tables reported in Part B Section 10.5 of the notes to the financial statements. The cost for the Parent Company consists of the contributions that it has to pay into the fund in accordance with the Fund Regulations.

An additional provision of 7.226 million euro has been recorded, representing the return on the assets servicing the fund, which is recognised as "other operating income". A positive change of 2.668 million euro corresponding to the actuarial profit was recognised in compliance with the provisions of the IAS 19 accounting standard, as balancing entry in equity as shown in the statement of comprehensive income.

12.4 Other employee benefits

The item essentially comprises the cost of expenses and salaries of personnel allocated to a specific fund, and related to meal vouchers, scholarships, insurance costs, the reimbursement of expenses, training costs and other benefits.

12.5 Other administrative expenses: breakdown

Type of service/Amounts	31/12/2023	31/12/2022
Telephone, post and data transmission	(15,087)	(14,057)
Maintenance of property, equipment and investment property	(10,602)	(9,854)
Rent of buildings	(459)	(703)
Security	(5,156)	(4,840)
Transportation	(3,380)	(3,400)
Professional fees	(50,028)	(44,216)
Office materials	(2,351)	(2,315)
Electricity, heating and water	(11,570)	(4,299)
Advertising and entertainment	(4,253)	(4,138)
Legal	(10,471)	(10,979)
Insurance	(2,159)	(3,757)
Company searches and information	(9,626)	(8,214)
Indirect taxes and dues	(67,079)	(62,692)
Software and hardware rental and maintenance	(32,372)	(28,134)
Data entry by third parties	(2,633)	(3,294)
Cleaning	(6,664)	(6,603)
Membership fees	(2,254)	(2,096)
Services received from third parties	(6,277)	(10,130)
Outsourced activities	(27,991)	(25,399)
Deferred charges	(828)	(1,350)
Goods and services for employees	(1,193)	(1,305)
Contributions to resolution and guarantee funds	(38,874)	(45,909)
Other	(10,583)	(10,228)
Total	**(321,890)**	**(307,912)**

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

13.1 Net provisions for credit risk related to commitments to grant loans and financial guarantees given: breakdown

The sub-item is negative for 14.668 million euro, made up of the difference between provisions for the year and reallocations.

13.2 Net provisions for other commitments to grant funds and guarantees given: breakdown

The sub-item is negative for 18.314 million euro, made up of the difference between provisions for the year and reallocations.

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

This item is negative for 26.488 million euro, made up of the difference between provisions for the year and reallocations.

For further details on the provisions made, reference should be made to the information contained in "Section 10 - Provisions for risks and charges" - Item 100 of Part B - Liabilities of these Notes.

Section 14 – Depreciation and net impairment losses on property, equipment and investment property – Item 210

14.1 Depreciation and net impairment losses on property, equipment and investment property: breakdown

Assets/Income component	Depreciation (a)	Impairment adjustments (b)	Write-backs (c)	**Net result (a+b-c)**
A. Property, equipment and investment property				
1. For business purposes	(49,256)	(4,580)	-	(53,836)
- Owned	(26,659)	(4,580)	-	(31,239)
- Rights of use acquired through leasing	(22,597)	-	-	(22,597)
2. Held for investment purposes	-	-	-	-
- Owned	-	-	-	-
- Rights of use acquired through leasing	-	-	-	-
3. Inventories	-	-	-	-
Total	**(49,256)**	**(4,580)**	**-**	**(53,836)**

Section 15 – Amortisation and net impairment losses on intangible assets – Item 220

15.1 Depreciation and net impairment losses on property, equipment and investment property: breakdown

Assets/Income component	Amortisation (a)	Impairment adjustments (b)	Write-backs (c)	**Net result (a+b-c)**
A. Intangible assets				
of which: software	(18,112)	-	-	(18,112)
A.1 Owned	(18,647)	-	-	(18,647)
- Internally generated	-	-	-	-
- Others	(18,647)	-	-	(18,647)
A.2 Rights of use acquired through leases	-	-	-	-
B. Assets held for sale	-	-	-	-
Total	**(18,647)**	**-**	**-**	**(18,647)**

The adjustments relate to intangible assets with a finite life consisting of rights to use computer EDP. There were no significant impairment losses relating to intangible assets during the year, so the disclosures required by IAS 36 paragraphs 130 letters a) c) d) f) g) and 131 are not provided.

Section 16 – Other operating income and expenses – Item 230

16.1 Other operating expenses: breakdown

	31/12/2023	**31/12/2022**
Contingent liabilities	(3,061)	(5,965)
Other	(9,994)	(1,143)
Consolidation differences	(2,793)	(2,194)
Total	**(15,848)**	**(9,302)**

16.2 Other operating income: breakdown

	31/12/2023	**31/12/2022**
Recovery of charges on deposits and overdrafts	1,003	855
Recovery of expenses	1,734	862
Rental income from buildings	6,701	6,089
Recovery of taxes	57,096	50,851
Financial income of pension and similar obligations plan	6,894	2,702
Contingent assets - other	2,949	3,650
Contingent assets - non-existent liabilities	-	-
Other	37,643	27,564
Consolidation differences	3,390	2,108
Total	**117,410**	**94,681**

The item 'Other' includes revenues from vehicle rental of the subsidiary Rent2Go Srl.

Section 17 – Net gains (losses) on equity investments – Item 250

17.1 Net gains (losses) on equity investments: breakdown

Income components/Sectors	31/12/2023	31/12/2022
1) Jointly controlled companies		
A. Income	23	24
1. Revaluations	23	24
2. Gains on disposal	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Charges	-	(1,600)
1. Write-downs	-	(1,600)
2. Impairment write-downs	-	-
3. Losses on disposal	-	-
4. Other charges	-	-
Profit (loss)	**23**	**(1,576)**
2) Associated companies (subject to significant influence)		
A. Income	38,671	30,042
1. Revaluations	38,671	30,006
2. Gains on disposal	-	36
3. Write-backs	-	-
4. Other income	-	-
B. Charges	(170)	(698)
1. Write-downs	(170)	(698)
2. Impairment write-downs	-	-
3. Losses on disposal	-	-
4. Other charges	-	-
Profit (loss)	**38,501**	**29,344**
Total	**38,524**	**27,768**

Section 18 – Net result of fair value measurement of property, equipment and investment property and intangible assets – Item 260

18.1 Net result of the valuation at fair value (or revalued amount) or at the estimated realisable value of property, equipment and investment property and intangible assets: breakdown

Assets/Income components	Revaluations (a)	Write-downs (b)	Exchange rate differences		**Profit (loss)**
			Positive (c)	Negative (d)	**(a-b+c-d)**
A. Property, equipment and investment property	**145**	**(2,433)**	**-**	**-**	**(2,288)**
A.1 For business purposes:	-	-	-	-	-
- Owned	-	-	-	-	-
- Rights of use acquired through leasing	-	-	-	-	-
A.2 Held for investment purposes:	145	(2,433)	-	-	(2,288)
- Owned	145	(2,433)	-	-	(2,288)
- Rights of use acquired through leasing	-	-	-	-	-
A.3 Inventories	-	-	-	-	-
B. Intangible assets	**-**	**-**	**-**	**-**	**-**
B.1 Owned:	-	-	-	-	-
B.1.1 Generated internally by the company	-	-	-	-	-
B.1.2 Others	-	-	-	-	-
B.2 Rights of use acquired through leasing	-	-	-	-	-
Total	**145**	**(2,433)**	**-**	**-**	**(2,288)**

Section 20 – Gains (losses) on sales of investments – Item 280

20.1 Gains (losses) on sale of investments: breakdown

Income component/Sectors	**31/12/2023**	**31/12/2022**
A. Property	439	152
- Gains on disposal	439	152
- Losses on disposal	-	-
B. Other assets	30	20
- Gains on disposal	30	20
- Losses on disposal	-	-
Profit (loss)	**469**	**172**

Section 21 – Income taxes for the year from current operations – Item 300

21.1 Income taxes: breakdown

Income components/Amounts	31/12/2023	31/12/2022
1. Current taxes (-)	(146,348)	(80,290)
2. Changes in current taxes of previous years (+/-)	4	-
3. Decrease in current taxes for the year (+)	350	159
3.bis Decrease in current taxes for the year for tax credits pursuant to Law No. 214/2011 (+)	-	-
4. Change in deferred tax assets (+/-)	(52,564)	(21,963)
5. Change in deferred tax liabilities (+/-)	(564)	(475)
6. Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(199,122)	(102,569)

21.2 Reconciliation of theoretical tax expense and actual tax expense in the financial statements

Profit before tax	**660,284**
Direct taxes	
Theoretical tax	178,449
Dividends (-)	(10,269)
Gains/losses on sale of equity investments (PEX) (+/-)	-
Maxi depreciation	(135)
Ace	(4,445)
Administrative expenses (partially deductible)	402
Other changes (+/-)	(313)
Total direct taxes	**163,688**
IRAP (Regional business tax)	
Theoretical tax	34,536
Dividends	(1,131)
Personnel expenses	1,169
Administrative expenses	1,923
Depreciation and amortisation	304
Other operating income/expense	2,200
Other items	(3,567)
Total IRAP	**35,434**
Total taxes	**199,122**

Section 23 – Profit (Loss) for the year attributable to non-controlling interests – Item 340

23.1 Details of item 340 "Profit (Loss) for the year attributable to non-controlling interests"

As at 31.12.2023, there were no profits or losses attributable to non-controlling interests.

Section 24 – Other information

There is no relevant information other than that already indicated in the previous sections.

Section 25 – Earnings per share

25.1 Average number of diluted capital ordinary shares

There were no transactions involving share capital during the year and no financial instruments were issued that might involve the future issue of shares. Accordingly, the number of shares interested in profit is 453,385,777.

The number of shares shown in the table below is the weighted average for the year.

	31/12/2023	31/12/2022
Number of shares	453,385,777	453,385,777

This is the weighted average used as the denominator in the calculation of basic earnings per share.

25.2 Other information

IAS 33 requires that earnings per share (EPS) be reported in accordance with the following definitions: "Basic EPS", determined by dividing the profit attributable to the bearers of ordinary shares by the weighted average number of ordinary shares in issue. "Diluted EPS", determined by taking account of the dilutive effect of all potential ordinary shares.

	31/12/2023	31/12/2022
Basic EPS – €	1.017	0.554
Diluted EPS – €	1.017	0.554

Part D – Consolidated statement of other comprehensive income

Analysis of consolidated statement of other comprehensive income

Items	31/12/2023	31/12/2022
10. **Profit (Loss) for the year**	**461,162**	**251,321**
Other income items without reversal to the income statement	**(11,598)**	**15,317**
20. Equity securities measured at fair value through other comprehensive income:	(8,733)	(6,333)
a) change in fair value	(8,603)	(4,752)
b) transfers to other components of equity	(130)	(1,581)
30. Financial liabilities measured at fair value through profit or loss (changes in own creditworthiness):	-	-
a) change in fair value	-	-
b) transfers to other components of equity	-	-
40. Hedges of equity securities measured at fair value through other comprehensive income:	-	-
a) change in fair value (hedged instrument)	-	-
b) change in fair value (hedging instrument)	-	-
50. Property, equipment and investment property	-	2,886
60. Intangible assets	-	-
70. Defined-benefit plans	(9,643)	25,667
80 Non-current assets and groups of assets held for sale	-	-
90. Share of valuation reserves of equity investments measured at equity	159	482
100. Financial revenues or costs relating to insurance contracts issued	-	-
110. Income tax relating to other income components without reversal to the income statement	6,619	(7,385)
Other income components with reversal to the income statement	**63,462**	**(115,679)**
120. Hedges of foreign investments:	-	-
a) changes in fair value	-	-
b) reversal to income statement	-	-
c) other changes	-	-
130. Exchange differences:	1,209	(752)
a) changes in value	-	-
b) reversal to income statement	-	-
c) other changes	1,209	(752)
140. Cash flow hedging:	-	-
a) changes in fair value	-	-
b) reversal to income statement	-	-
c) other changes	-	-
of which: result of net positions	-	-
150. Hedging instruments (non-designated items):	-	-
a) changes in value	-	-
b) reversal to income statement	-	-
c) other changes	-	-
160. Financial assets (other than equity securities) measured at fair value through other comprehensive income:	57,644	(126,416)
a) changes in fair value	57,903	(116,454)
b) reversal to income statement	(259)	(9,962)
- credit risk adjustments	(347)	360
– gains/losses on disposals	88	(10,322)
c) other changes	-	-
170. Non-current assets and disposal groups held for sale:	-	-
a) changes in fair value	-	-
b) reversal to income statement	-	-
c) other changes	-	-
180. Share of valuation reserves on investments accounted for by the equity method:	32,808	(41,981)
a) changes in fair value	32,808	(41,981)
b) reversal to income statement	-	-
- impairment	-	-
– gains/losses on disposals	-	-
c) other changes	-	-
190. Financial revenues or costs relating to insurance contracts issued	-	-
a) changes in fair value	-	-
b) reversal to income statement	-	-
c) other changes	-	-
200. Financial revenues or costs relating to outward reinsurance	-	-
a) changes in fair value	-	-
b) reversal to income statement	-	-
c) other changes	-	-
210. Income tax relating to other income components with reversal to the income statement	(28,199)	53,470
220. **Total other income components**	**51,864**	**(100,362)**
230. **Comprehensive income (Items 10 + 220)**	**513,026**	**150,959**
240. Consolidated other comprehensive income attributable to non-controlling interests	-	161
250. **Consolidated other comprehensive income attributable to the parent company**	**513,026**	**150,798**

PART E - Information on risks and related hedging policies

The information contained in this section is based on internal data prepared for management purposes, which means that it may differ from as reported in sections B and C of these notes, except where the book value specifically has to be shown.

The information to be disclosed to the public under Sections Eight and Ten, Title I, Chapter 3 of the Regulation (EU) 575/2013 is provided by the required deadlines in the “Investor relations” section of the Parent Company's institutional website.

Introduction

The Parent Company has the task of ensuring effective risks management through proper articulation of the roles and responsibilities of key decision-making departments, as well as the integrity and completeness of the Group's system of controls. This principle involves the centralisation of essential choices in terms of risk management, in order to ensure the harmonisation of all systems of risk assessment and control developed within the Group and to implement a risk management policy that is as integrated and consistent as possible.

The strategic guidelines for risks exposure are established by the governing bodies of the Parent Company, evaluating the overall operations of the Group and the actual risks it runs, based on the specific type of operations and risk profiles of each company. The decisions are supported by mechanisms for monitoring and control inherent in the evolution of the various risks assumed within the perimeter of the Group and their compatibility with respect to the pursuit of sound and prudent objectives management.

The governing bodies of subsidiaries, according to each one's powers, are responsible for implementing the risk management policies defined by the Parent Company in a manner that is consistent with their company's situation, ensuring the functioning of suitable internal control procedures and a constant flow of information to the Parent Company on individual cases of significant risk.

ESG risks (Environmental, Social and Governance)

The integration of ESG risks at Group companies

In the course of 2023, an organic programme began to accompany the main subsidiaries (Factorit, Banca della Nuova Terra and BPS Suisse) in their journey to integrate "sustainability" elements and attention to ESG risks within their strategic visions and most important corporate processes, having as essential points of reference the "sustainable finance" policies dictated by the Parent Company and the compendiums of methods, tools, data and implementation activities already implemented by the latter, with the goal of a proportional declination on individual corporate entities. The following is a summary overview of the main initiatives underway and planned at the main subsidiary entities.

Factorit

In April 2022, the Bank of Italy issued its own "Supervisory Expectations on Climate and Environmental Risks" (substantially in line with those formalised by the ECB with the publication in November 2020 of the "Guidance on Climate and Environmental Risks") containing a decalogue of non-binding indications addressed to less significant banking institutions and other supervised financial intermediaries in Italy on the integration of climate and environmental risks into their business contexts.

In December of the same year, the Bank of Italy had requested all the entities it supervises to draw up their own Action Plan, with a deadline for transmission by March 2023, in order to implement the aforementioned expectations in concrete terms and to foster, in the medium term, a progressive integration of the aforementioned risks at corporate level.

Factorit then drew up its own Alignment Plan, which was sent to the Supervisory Authority, subject to the approval of its Board of Directors, in accordance with the indicated timeframe. The Plan prepared provided evidence of the actions that our factoring company intends to put in place over a multi-year time horizon (2023-2025) to integrate climate and environmental risk issues into the company's overall business framework, consistently with the principles and guidelines dictated by the Parent Company, setting priorities and timeframes for the completion of the various initiatives, in consideration of the extent of exposure to risks and according to the size and complexity of the company's operations. The Plan covers multiple areas of intervention, similar to the activity programmes already developed and implemented at the Parent Company: from governance and internal organisation mechanisms to strategies and business models; from risk and data management to reporting and disclosure systems.

With the intention of following up on the objectives defined in the draft Multi-Year Plan, an implementation project was launched involving the competent structures of the subsidiary and the Parent Company in the various work sites. Key activities conducted in 2023 in terms of strengthening the company's systems for identifying and managing climate and environmental risks included the definition of the methodology framework and the start of the process of performing an initial mapping and materiality analysis of these risk factors, the results of which will be reported to the company's Board of Directors by the first quarter of 2024.

In the next two financial years, the activities planned to ensure the gradual but complete inclusion of ESG factors - and, in scope, of risks related to environmental and climate change issues - in all the company's main strategic, operational, information and internal control processes will continue.

Banca della Nuova Terra and BPS Suisse

In light of the innovations gradually introduced by the Parent Company with regard to a greater attention to ESG issues and related risks at the overall Group level, 2023 was marked by the implementation of design roll-out initiatives on the two subsidiary entities of the main management solutions already adopted by the Parent Company in this area, promoting a proportional grafting of socio-environmental sustainability assessments into the strategies, processes, methodologies and acts of relevance for business management in these Group entities as well.

For Banca della Nuova Terra, preliminary analyses are underway to progressively align with the expectations of the Supervisory Authority as summarised by the ECB in its "Guidance on Climate and Environmental Risks" published in the last quarter of 2020.

Similar activities started at the beginning of 2024 at the subsidiary BPS Suisse in view of the peculiar legal and regulatory environment in which it operates.

For more details on sustainability issues as well as on the main ESG (Environmental, Social and Governance) risk enhancement activities conducted during the period, please refer to the company's Notes to the Financial Statements Part E - Information on risks and related hedging policies, ESG (Environmental, Social and Governance) Risks Section

Section 1 - Risks of accounting consolidation

QUANTITATIVE INFORMATION

A. Loan quality

A.1 Non-performing and performing credit exposures: balance, impairment, developments, dynamics and business distribution

A.1.1 Distribution of financial assets by portfolio and credit quality (book values)

Portfolio/quality	Bad loans	Unlikely-to-pay loans	Non-performing past due exposures	Performing past due exposures	Other performing exposures	**Total**
1. Financial assets measured at amortised cost	62,223	418,522	60,116	584,797	44,405,150	45,530,808
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	3,120,776	3,120,776
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	19,484	1,965	2,960	354,007	378,416
5. Financial assets held for sale	-	-	-	-	-	-
31/12/2023	**62,223**	**438,006**	**62,081**	**587,757**	**47,879,933**	**49,030,000**
31/12/2022	**121,838**	**431,267**	**56,755**	**496,125**	**45,662,684**	**46,768,669**

A.1.2 Distribution of financial assets by portfolio and credit quality (gross and net values)

Portfolio/quality	Non-performing				Performing			
	Gross exposure	Total write-downs	Net exposure	Total partial write-offs*	Gross exposure	Total write-downs	Net exposure	**Total (net exposure)**
1. Financial assets measured at amortised cost	1,277,099	(736,238)	540,861	83,467	45,248,593	(258,646)	44,989,947	45,530,808
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	3,121,747	(971)	3,120,776	3,120,776
3. Financial assets designated at fair value	-	-	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	39,385	(17,936)	21,449	-	-	-	356,967	378,416
5. Financial assets held for sale	-	-	-	-	-	-	-	-
31/12/2023	**1,316,484**	**(754,174)**	**562,310**	**83,467**	**48,370,340**	**(259,617)**	**48,467,690**	**49,030,000**
31/12/2022	**1,461,442**	**(851,582)**	**609,860**	**114,265**	**45,900,615**	**(157,155)**	**46,158,809**	**46,768,669**

* value to be reported for information purposes

The word credit exposures is understood as excluding equity securities and mutual funds.

The gross carrying amount of financial assets measured at fair value is exposed at the value resulting from the evaluation at year end.

Partial write-offs recorded in relation to the above portfolios total 83 million euro, mostly reflecting the bad loans still recorded in the financial statements.

The following analysis for "Financial assets held for trading and hedging derivatives" shows the accumulated unrealised losses and the net exposures that are obviously of poor credit quality, as well as the net exposures of the remaining financial assets.

	Assets with evident poor credit quality		Other assets
Portfolio/Quality	Accumulated losses	Net exposure	Net exposure
1. Financial assets held for trading	–	–	22,717
2. Hedging derivatives	–	–	1
Total 31/12/2023	**–**	**–**	**22,718**
Total 31/12/2022	**–**	**–**	**63,609**

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

The Group has no structured entities for which this information is applicable.

B.1 Consolidated structured entities

At 31 December 2023, there are no structured entities consolidated in the accounts, as defined by IFRS 12, other than the securitised companies, falling within the scope of the Banca Popolare di Sondrio Group.

B.2 Structured entities not consolidated in the accounts

B.2.1 Prudentially consolidated structured entities

At 31 December 2023, there are no prudentially consolidated structured entities falling within the scope of the Banca Popolare di Sondrio Group.

B.2.2 Other structured entities

The Banca Popolare di Sondrio Group holds interests in UCIs (mutual funds and SICAVs) for long-term investment purposes or for trading purposes, which include the units of funds held following multi-originator sales of non-performing credit exposures of the Group.

For further information, please refer to what is indicated below in the section D.3 "Prudential consolidation - Disposals with recourse limited solely to the assets sold and not derecognised: fair value" and the information provided for the tables in Section 2: "Financial assets measured at fair value through profit or loss - item 20", in part B of these notes.

Section 2 - Risks of prudential consolidation

1.1 Credit risk

QUALITATIVE INFORMATION

1. General aspects

As part of its functions of strategic guidance and coordination of the subsidiaries, the Parent Company ensures that uniform credit policies are adopted at Group level and a standard approach taken to risk assessment and monitoring.

As outlined in the equivalent section of the notes to the Parent Company's separate financial statement, the lines of strategy that are followed are geared to sustaining local economies, in particular small and medium-sized businesses and households, maintaining low levels of risk and concentration. These policies are declined by the subsidiaries in ways that respect the peculiarities of their counterparties and the particular types of products being offered, as well as the characteristics of the market in question.

2. Credit risk management policies

2.1 Organisational aspects

The process of credit risk management adopted by the Parent Company and the organisational structure set up to implement it are explained in detail in the corresponding section of the note relating to the Bank.

The organisational structure of the subsidiaries complies with that of the Parent Company, allowing for differences in size and the area in which they operate.

2.2 Management, measurement and control systems

As part of its coordination activities, the Parent Company requires the subsidiaries to apply the control methodology already discussed in detail in the corresponding section of the note relating to the Bank.

In this regard, it is worth pointing out that the Swiss subsidiary has its own rating system which it applies to customer loans. The latter is based on the experiential and statistical assessment expressed by sector operators: the methodological approach adopted envisages, during the credit appraisal, depending on the type of counterparty and the credit (real estate, Lombard or corporate), the collection of defined indicators and financial, performance and qualitative information. The combined examination of these elements allows the final evaluator to assign the rating. The sister company Factorit also has an internal rating system for the assessment of its counterparties - pending validation by the Supervisory Authority for the purposes of calculating capital requirements - which makes use of the ratings assigned by the Parent Company in relation to joint customers. Furthermore, with regard to the portfolio credit risk component, particular attention has been paid over time to concentration risk, both in relation to the main relationships in place and in relation to geo-sectoral assessments, which affects exposures to major economic and/or legal groups. This analysis is also carried out with regard to positions shared with the Parent Company, for which it assesses the total amount of outstanding exposures.

2.3 Methods for measuring expected losses

The description of the methodological framework implemented by Banca Popolare di Sondrio to calculate the Expected Credit Loss (ECL) on its loan portfolio, in accordance with the requirements of IFRS 9 that came into force on 1 January 2018, is explained in the note to the financial statements.

As part of its coordination activities, the Parent Company requires the subsidiaries to apply consistent homogenous methodologies, also by using the same IT tools. At subsidiaries, the models developed to calculate write-downs applied logic that, while consistent with the methodological framework developed by the Parent Company to comply with the key aspects of the new standard (e.g. estimation of risk parameters over long-term time horizons considering different scenarios, with write-down time horizon dependent on the staging of the position), takes account of their specific characteristics, such as the geographical and economic context in which they operate, the nature and level of diversification of their core businesses, and the complexity and scale of their control structures.

In order to quantify the variability to which the final write-downs are subject, given all the scenario - dependent factors considered explicitly in the methodological framework, the Group has carried out specific sensitivity analyses in accordance with sector best practices and the recommendations issued by the Supervisory Authorities (Report On the application of the IFRS 7 and IFRS 9 requirements regarding banks' expected credit losses - ECL "of 15 December 2021").

Given the importance that the Parent Company has to the Group numbers (the Parent Company's loss forecasts represent more than 90% of the Group's overall figures), please refer to the information already presented with reference to the separate financial statements.

As regards the other relevant subsidiaries, also in consideration of the characteristics of their credit portfolios and the reference geographical contexts, the analyses carried out do not show significantly different results from those shown for the Parent Company.

Lastly, see "Part A – Accounting policies" for information about the determination of expected losses on stage 3 exposures i.e. non-performing loans. More specifically, the expected losses on non-performing loans at 31 December 2023 are determined analytically with reference to expected recoveries, which are discounted using the original effective interest rates over the collection period. Given that the expected recoveries are determined with reference to the specific circumstances of each debtor, it is not considered meaningful to analyse the sensitivity of the ECL identified.

2.4 Credit risk mitigation techniques

As part of its functions of coordination and control, the Parent Company requires the subsidiaries to adopt credit risk mitigation techniques able to ensure efficient management and prudent valuation of the guarantees obtained.

As part of its functions of coordination and control, the subsidiary Banca Popolare di Sondrio (SUISSE) adopts credit risk mitigation techniques substantially in line with those of the Parent Company, that are explained in detail in the corresponding Section of these note on the Bank. In particular, it is standard practice to provide loans secured by real estate or financial guarantees: this is confirmed by the fact that more than 80% of loans to customers granted by the subsidiary have a mortgage component, almost exclusively relating to residential building.

As regards Factorit's operations, on the other hand, particular tools for mitigating the risk assumed by the factor can be found in the techniques used to consolidate the transfer of risk versus the assigned debtor and in fragmenting it over the series of other persons or entities, a typical approach in operations of this kind. The shorter average maturity and, therefore, faster turnover of factoring loans with respect to normal banking transactions ensures a certain flexibility in the recovery of the resources invested.

With regard to the credit risk mitigation of the subsidiary Banca della Nuova Terra, whose loan portfolio is almost entirely made up of salary/pension assignments and payment mandates, and only a residual part of CAP (Common Agricultural Policy) advances due and relating to the 2018 and 2019 financial years, we highlight the typical characteristics of the product that envisage the non-derogable acquisition of special insurance policies on the risk of premature death and loss of employment taken out directly by the Bank as policyholder/beneficiary where the customer is the insured party. In addition, the Bank, having assessed the economic and legal requirements, carries out Crif database queries for all loan requests (with a more prudential approach compared to the provisions of the Assofin protocol (25% of requests)) in order to verify the financial commitments and the real economic capacity of the customer, ensuring compliance with the minimum "intangible" income, also in accordance with the provisions of the aforementioned Assofin protocol.

The subsidiary's Credit Control Office, through its manager, reports to the top management, with objectivity and impartiality, the results of its intervention and control activities. The high-level information dedicated to the representation of credit risk is structured in such a way as to allow to the top bodies, according to the tasks and responsibilities of each, a documented, complete and informed assessment of the risk exposure and the related mechanisms management, control and mitigation, as well as the adequacy of coverage. With regard to loan write-downs, the Bank also has a special model for calculating collective impairments in accordance with IFRS 9.

3. Non-performing loans

3.1 Management strategies and policies

As part of its functions of coordination and control, the Parent Company requires the subsidiaries to bring their loans classification criteria and management methods into line with those of the Parent Company, as explained in the corresponding section of the note on the Bank.

3.2 Write-offs

As part of its functions of coordination and control, the Parent Company requires the subsidiaries to bring their write-off classification and management criteria into line with those of the Parent Company, as explained in the corresponding Section of the note on the Bank.

3.3 Financial assets impaired purchased or originated

Also in this area, the Parent Company requires that the subsidiaries comply with the principles adopted by the Parent Company, which are adequately described in the corresponding Section of the note on the Bank.

4. Financial assets subject to trade renegotiation and exposures subject to forbearance

Please refer to the corresponding Section of the note on the Bank, which explain the specific management and monitoring policies for these exposures that the Parent Company has extended to the subsidiaries.

5. Impacts from emerging risks

Please refer to the corresponding Section of these notes relating to the company.

QUANTITATIVE INFORMATION

A. Loan quality

A.1 Non-performing and performing loans credit exposures: balance, impairment, developments, dynamics, business distribution

A.1.1 Prudential consolidation - Distribution of financial assets by maturity bands (book values)

Portfolios/risk stages		First stage			Second stage			Third stage			Impaired purchased or originated		
		From 1 day to 30 days	From over 30 days to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days	From 1 day to 30 days	From over 30 days to 90 days	Over 90 days
1. Financial assets measured at amortised cost		413,385	-	-	97,306	68,233	3,569	62,804	34,229	164,731	2,715	1,183	9,265
2. Financial assets measured at fair value through other comprehensive income		-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale		-	-	-	-	-	-	-	-	-	-	-	-
Total	**31/12/2023**	**413,385**	**-**	**-**	**97,306**	**68,233**	**3,569**	**62,804**	**34,229**	**164,731**	**2,715**	**1,183**	**9,265**
Total	**31/12/2022**	**326,573**	**-**	**-**	**110,206**	**42,343**	**4,667**	**29,171**	**31,008**	**220,442**	**5,484**	**917**	**16,113**

A.1.2 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees given: analysis of total impairment and total provisions

	Total write-downs											
	First stage assets						Second stage assets					
Reasons/risk stages	Loans with banks and central banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	Loans with banks and central banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs
Total opening adjustments	**211**	**50,720**	**1,308**	**-**	**-**	**52,239**	**246**	**102,782**	**10**	**-**	**-**	**103,038**
Increases in financial assets purchased or originated	424	14,834	489	-	-	15,747	-	43,313	40	-	-	43,353
Derecognition other than write-offs	(550)	(14,411)	(977)	-	-	(15,938)	(1)	(20,963)	(10)	-	-	(20,975)
Net adjustments/write-backs for credit risk (+/-)	429	12,821	111	-	-	13,361	(139)	62,863	-	-	-	62,724
Contractual amendments without derecognition	-	486	-	-	-	486	-	(152)	-	-	-	(152)
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	1,118	-	-	-	1,118	-	(121)	-	-	-	(121)
Total closing adjustments	**514**	**65,568**	**931**	**-**	**-**	**67,013**	**105**	**187,722**	**40**	**-**	**-**	**187,866**
Recoveries from collection on financial assets subject to write-offs	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-

	Total write-downs											Total provisions for commitments to grant loans and financial guarantees given				Tot.
	Third stage assets						Financial assets impaired acquired or originated									
Reasons/risk stages	Loans with banks and central banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	First stage	Second stage	Third stage	Commitments to grant funds and fin. guarantees given impaired acquired or originated	
Total opening adjustments	**-**	**771,789**	**-**	**-**	**771,789**	**-**	**65,453**	**-**	**-**	**63,116**	**2,337**	**10,528**	**9,670**	**12,364**	**21**	**1,025,102**
Increases in financial assets purchased or originated	-	34,252	-	-	34,252	-	-	-	-	-	-	3,218	17,789	479	-	**114,838**
Derecognition other than write-offs	-	(137,817)	-	-	(137,817)	-	(1,672)	-	-	(1,321)	(351)	(1)	-	-	-	**(176,402)**
Net adjustments/write-backs for credit risk (+/-)	-	10,423	-	-	10,423	-	11,174	-	-	11,447	(273)	(2,498)	(4,257)	(326)	322	**90,923**
Contractual amendments without derecognition	-	6,209	-	-	6,209	-	15	-	-	14	1	(32)	5	-	-	**6,531**
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Write-offs not recognised directly in the income statement	-	(52,053)	-	-	(52,053)	-	(5,302)	-	-	(5,302)	-	-	-	-	-	**(57,355)**
Other changes	-	44,373	-	-	44,374	-	(5,249)	-	-	(8,893)	3,644	17	2	-	-	**40,140**
Total closing adjustments	**-**	**677,176**	**-**	**-**	**677,177**	**-**	**64,419**	**-**	**-**	**59,060**	**5,358**	**11,232**	**23,209**	**12,517**	**343**	**1,043,781**
Recoveries from collection on financial assets subject to write-offs	-	39,898	-	-	39,898	-	-	-	-	-	-	-	-	-	-	**39,898**
Write-offs recognised directly in the income statement	-	(20,522)	-	-	(20,522)	-	(468)	-	-	(468)	-	-	-	-	-	**(20,990)**

A.1.3 Prudential consolidation - Financial assets, commitments to grant funds and financial guarantees given: transfers between the various stages of credit risk (gross and nominal values)

	Gross values/nominal value					
	Transfers between first stage and second stage		Transfers between second stage and third stage		Transfers between first stage and third stage	
Portfolios/risk stages	First stage to second stage	Second stage to first stage	Second stage to third stage	Third stage to second stage	First stage to third stage	Third stage to first stage
1. Financial assets measured at amortised cost	2,626,219	1,019,855	139,039	33,289	146,716	8,993
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-
4. Commitments to grant loans and financial guarantees given	503,624	169,721	2,101	1,017	7,735	998
Total 31/12/2023	**3,129,843**	**1,189,576**	**141,140**	**34,306**	**154,451**	**9,991**
Total 31/12/2022	**2,206,158**	**1,025,031**	**124,718**	**55,054**	**117,330**	**19,578**

A.1.4 Prudential consolidation - Cash credit exposures and off-balance-sheet exposures to banks: gross and net values

Type of exposure/amounts	Gross exposure				
		First stage	Second stage	Third stage	Impaired purchased or originated
A. Cash credit exposures					
A.1 Sight	**4,371,115**	**4,362,271**	**8,844**	**-**	**-**
a) Non-performing	-	-	-	-	-
b) Performing	4,371,115	4,362,271	8,844	-	-
A.2 Others	**2,565,164**	**2,454,745**	**103,941**	**-**	**-**
a) Bad loans	-	-	-	-	-
- of which: exposures subject to forbearance	-	-	-	-	-
b) Unlikely-to-pay	-	-	-	-	-
- of which: exposures subject to forbearance	-	-	-	-	-
c) Non-performing past due exposures	-	-	-	-	-
- of which: exposures subject to forbearance	-	-	-	-	-
d) Performing past due exposures	980	980	-	-	-
- of which: exposures subject to forbearance	-	-	-	-	-
e) Other performing exposures	2,564,184	2,453,765	103,941	-	-
- of which: exposures subject to forbearance	-	-	-	-	-
Total (A)	**6,936,279**	**6,817,016**	**112,785**	**-**	**-**
B. Off-balance sheet credit exposures					
a) Non-performing	-	-	-	-	-
b) Performing	929,307	147,296	18,127	-	-
Total (B)	**929,307**	**147,296**	**18,127**	**-**	**-**
Total (A+B)	**7,865,586**	**6,964,312**	**130,912**	**-**	**-**

	Total adjustments and provisions					Net exposure	Total partial write-offs*
		First stage	Second stage	Third stage	Impaired purchased or originated		
A. Cash credit exposures							
A.1 Sight	**622**	**517**	**105**	**-**	**-**	**4,370,493**	**-**
a) Non-performing	-	-	-	-	-	-	-
b) Performing	622	517	105	-	-	4,370,493	-
A.2 Others	**2,884**	**1,847**	**1,038**	**-**	**-**	**2,562,280**	**-**
a) Bad loans	-	-	-	-	-	-	-
- of which: exposures subject to forbearance	-	-	-	-	-	-	-
b) Unlikely-to-pay	-	-	-	-	-	-	-
- of which: exposures subject to forbearance	-	-	-	-	-	-	-
c) Non-performing past due exposures	-	-	-	-	-	-	-
- of which: exposures subject to forbearance	-	-	-	-	-	-	-
d) Performing past due exposures	17	17	-	-	-	963	-
- of which: exposures subject to forbearance	-	-	-	-	-	-	-
e) Other performing exposures	2,867	1,830	1,038	-	-	2,561,317	-
- of which: exposures subject to forbearance	-	-	-	-	-	-	-
Total (A)	**3,506**	**2,364**	**1,143**	**-**	**-**	**6,932,773**	**-**
B. Off-balance sheet credit exposures							
a) Non-performing	-	-	-	-	-	-	-
b) Performing	98	74	1	-	-	929,209	-
Total (B)	**98**	**74**	**1**	**-**	**-**	**929,209**	**-**
Total (A+B)	**3,604**	**2,438**	**1,144**	**-**	**-**	**7,861,982**	**-**

* value to be reported for information purposes

Cash exposures include loans and receivables with banks shown in item 40a and item 10 as well as other financial assets represented by bank securities included in items 20 c, 30 and 40 of the assets side of the balance sheet, excluding equities. The off-balance sheet exposure is represented by guarantees given, commitments and derivatives (except those relating to equity securities). The total values also take into account exposures not within the scope of IFRS 9 impairment.

A.1.5 Prudential consolidation - Cash credit exposures and off-balance-sheet exposures to customers: gross and net values

	Gross exposure				
Type of exposure/amounts		First stage	Second stage	Third stage	Impaired purchased or originated
A. Cash credit exposures					
a) Bad loans	348,409	-	-	327,537	20,872
- of which: exposures subject to forbearance	126,319	-	-	121,016	5,303
b) Unlikely-to-pay loans	894,501	-	-	787,755	69,401
- of which: exposures subject to forbearance	452,383	-	-	387,524	43,327
c) Non-performing past due exposures	73,577	-	-	71,418	119
- of which: exposures subject to forbearance	5,811	-	-	5,654	14
d) Performing past due exposures	600,917	414,967	180,476	-	2,513
- of which: exposures subject to forbearance	15,527	-	14,850	-	365
e) Other performing exposures	45,561,227	41,145,745	4,053,363	-	65,680
- of which: exposures subject to forbearance	314,560	8	272,204	-	29,613
Total (A)	**47,478,631**	**41,560,712**	**4,233,839**	**1,186,710**	**158,585**
B. Off-balance sheet credit exposures					
a) Non-performing	196,069	-	-	93,553	1,462
b) Performing	25,192,427	14,840,103	2,397,486	-	6,395
Total (B)	**25,388,496**	**14,840,103**	**2,397,486**	**93,553**	**7,857**
Total (A+B)	**72,867,127**	**56,400,815**	**6,631,325**	**1,280,263**	**166,442**

	Total adjustments and provisions						
Type of exposure/amounts		First stage	Second stage	Third stage	Impaired purchased or originated	**Net exposure**	**Total partial write-offs***
A. Cash credit exposures							
a) Bad loans	286,186	-	-	269,486	16,700	62,223	80,408
- of which: exposures subject to forbearance	101,906	-	-	97,815	4,091	24,413	19,354
b) Unlikely-to-pay loans	456,494	-	-	396,295	42,338	438,007	3,018
- of which: exposures subject to forbearance	239,642	-	-	207,209	24,319	212,741	-
c) Non-performing past due exposures	11,496	-	-	11,396	23	62,081	-
- of which: exposures subject to forbearance	848	-	-	838	2	4,963	-
d) Performing past due exposures	14,123	2,545	11,368	-	210	586,794	-
- of which: exposures subject to forbearance	1,430	-	1,407	-	23	14,097	-
e) Other performing exposures	242,608	62,105	175,355	-	5,148	45,318,619	40
- of which: exposures subject to forbearance	26,868	-	24,797	-	2,070	287,692	-
Total (A)	**1,010,907**	**64,650**	**186,723**	**677,177**	**64,419**	**46,467,724**	**83,466**
B. Off-balance sheet credit exposures							
a) Non-performing	44,550	-	-	12,516	-	151,519	-
b) Performing	51,591	11,162	23,212	-	338	25,140,836	-
Total (B)	**96,141**	**11,162**	**23,212**	**12,516**	**338**	**25,292,355**	**-**
Total (A+B)	**1,107,048**	**75,812**	**209,935**	**689,693**	**64,757**	**71,760,079**	**83,466**

* value to be reported for information purposes

Cash exposures include the customer loans shown in item 40b as well as other financial assets represented by non-bank securities included in items 20c, 30 and 40 of the assets side of the balance sheet, excluding equity securities and mutual funds. Off-balance sheet exposure is represented by guarantees given, commitments and derivatives (except those relating to equity securities and mutual funds). The total values also take into account exposures not within the scope of IFRS 9 impairment.

A.1.7 Prudential consolidation - Cash credit exposures to customers: analysis of gross non-performing exposures

Reasons/Categories	Bad loans	Unlikely-to-pay loans	Non-performing past due exposures
A. Opening gross exposure	**517,931**	**881,954**	**61,552**
- of which: exposures sold not derecognised	-	10,026	707
B. Increases	**161,423**	**384,424**	**68,907**
B.1 reclassified from performing loans	35,415	261,740	58,934
B.2 reclassified from impaired purchased or originated financial assets	834	10,207	14
B.3 transfers from other categories of non-performing exposures	52,233	15,839	103
B.4 contractual amendments without derecognition	-	586	2
B.5 other increases	72,941	96,052	9,854
C. Decreases	**330,945**	**371,876**	**56,882**
C.1 transfers to performing loans	5	47,848	17,197
C.2 write-offs	52,232	26,110	-
C.3 collections	116,048	202,701	18,066
C.4 proceeds from disposals	31,205	19,346	-
C.5 losses on disposal	14,580	2,305	-
C.6 transfers to other categories of non-performing exposures	8,284	52,234	7,658
C.7 contractual amendments without derecognition	-	568	-
C.8 other decreases	108,591	20,764	13,961
D. Closing gross exposure	**348,409**	**894,501**	**73,577**
- of which: exposures sold not derecognised	-	27,598	6,368

A.1.7bis Prudential consolidation - Cash credit exposures to customers: analysis of gross exposures with forbearance measures, broken down by credit quality

Reasons/Quality	Exposures subject to forbearance: non-performing	Exposures subject to forbearance: performing
A. Opening gross exposure	**653,517**	**434,460**
- of which: exposures sold not derecognised	5,586	27,198
B. Increases	**183,658**	**150,563**
B.1 reclassified from non-impaired exposures not subject to forbearance	22,448	82,116
B.2 reclassified from non-impaired exposures subject to forbearance	54,364	-
B.3 reclassified from impaired exposures subject to forbearance	-	32,683
B.4 reclassified from impaired exposures not subject to forbearance	56,489	4,326
B.5 other increases	50,357	31,438
C. Decreases	**252,661**	**254,935**
C.1 reclassified to non-impaired exposures not subject to forbearance	-	133,949
C.2 reclassified to non-impaired exposures subject to forbearance	32,683	-
C.3 reclassified to impaired exposures subject to forbearance	-	54,364
C.4 write-offs	31,169	-
C.5 collections	111,178	65,072
C.6 proceeds from disposals	25,176	-
C.7 losses on disposal	4,213	-
C.8 other decreases	48,242	1,550
D. Closing gross exposure	**584,514**	**330,087**
- of which: exposures sold not derecognised	18,693	48,174

A.1.9 Prudential consolidation - Non-performing cash credit exposures to customers: analysis of total value adjustments

	Bad loans		Unlikely-to-pay loans		Non-performing past due exposures	
Reasons/Categories	**Total**	of which: exposures subject to forbearance	**Total**	of which: exposures subject to forbearance	**Total**	of which: exposures subject to forbearance
A. Total opening adjustments	**396,095**	**119,496**	**450,688**	**246,581**	**4,798**	**801**
- of which: exposures sold not derecognised	-	-	4,367	2,398	70	-
B. Increases	**109,303**	**40,741**	**190,413**	**75,981**	**10,456**	**809**
B.1 value adjustments from financial assets impaired acquired or originated	5,502	-	9,217	-	16	-
B.2 other adjustments	63,898	28,068	167,114	73,040	8,099	611
B.3 losses on disposal	14,580	3,910	2,305	204	-	-
B.4 transfers from other categories of non-performing exposures	23,409	8,656	1,222	125	23	25
B.5 contractual amendments without derecognition	-	-	94	-	1	-
B.6 other increases	1,914	107	10,461	2,612	2,317	173
C. Decreases	**219,212**	**58,331**	**184,607**	**82,920**	**3,758**	**762**
C.1 write-backs on valuation	1,397	1,045	24,335	28,628	249	34
C.2 write-backs due to collections	29,138	6,313	54,974	9,637	1,681	517
C.3 gains on disposal	13,534	3,383	5,000	3,134	-	-
C.4 write-offs	52,232	17,440	26,110	13,036	-	-
C.5 transfers to other categories of non-performing exposures	21	-	23,027	8,595	1,605	211
C.6 contractual amendments without derecognition	-	-	189	-	4	-
C.7 other decreases	122,890	30,150	50,972	19,890	219	-
D. Total closing adjustments	**286,186**	**101,906**	**456,494**	**239,642**	**11,496**	**848**
- of which: exposures sold not derecognised	-	-	11,243	6,929	770	30

A.2 Classification of exposures based on external and internal ratings

A.2.1 Prudential consolidation - Distribution of financial assets, commitments to grant funds and financial guarantees given by external rating classes (gross amounts)

Exposures	External rating classes						Unrated	Total
	Class 1	class 2	class 3	class 4	class 5	class 6		
A. Financial assets measured at amortised cost	**7,557,637**	**1,721,937**	**2,394,236**	**722,997**	**118,482**	**112**	**34,010,290**	**46,525,691**
- First stage	7,557,637	1,721,937	2,367,922	653,377	74,610	-	28,485,095	40,860,578
- Second stage	-	-	26,314	68,955	43,872	112	4,180,568	4,319,821
- Third stage	-	-	-	665	-	-	1,186,042	1,186,707
- Impaired acquired or originated	-	-	-	-	-	-	158,585	158,585
B. Financial assets measured at fair value through other comprehensive income	**2,262,940**	**380,773**	**382,801**	**81,808**	**5,981**	**-**	**7,445**	**3,121,748**
- First stage	2,262,940	380,773	372,409	74,240	5,981	-	7,445	3,103,788
- Second stage	-	-	10,392	7,568	-	-	-	17,960
- Third stage	-	-	-	-	-	-	-	-
- Impaired acquired or originated	-	-	-	-	-	-	-	-
C. Financial assets held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
- Impaired acquired or originated	-	-	-	-	-	-	-	-
Total (A+B+C)	**9,820,577**	**2,102,710**	**2,777,037**	**804,805**	**124,463**	**112**	**34,017,735**	**49,647,439**
D. Commitments to grant loans and financial guarantees given	**151,453**	**236,706**	**285,059**	**136,608**	**51,384**	**750**	**16,848,255**	**17,710,215**
- First stage	151,453	235,220	283,362	135,552	41,384	-	14,346,221	15,193,192
- Second stage	-	1,486	1,697	1,056	10,000	750	2,400,624	2,415,613
- Third stage	-	-	-	-	-	-	93,553	93,553
- Impaired acquired or originated	-	-	-	-	-	-	7,857	7,857
Total (D)	**151,453**	**236,706**	**285,059**	**136,608**	**51,384**	**750**	**16,848,255**	**17,710,215**
Total (A+B+C+D)	**9,972,030**	**2,339,416**	**3,062,096**	**941,413**	**175,847**	**862**	**50,865,990**	**67,357,654**

The distribution of exposures other than those in equity securities is reported by classes that reflect the long-term rating awarded to them by leading international agencies, as held in the banking group's database.

The risk classes for external ratings indicated in this table refer to the classes of debtor credit-worthiness mentioned in the prudent supervisory regulations. The following is a reconciliation of these rating classes and the ratings issued by the agencies appointed by the Bank. Specifically, the ratings issued by DBRS are used for exposures to governments and central banks, while those of Standard & Poor's and FitchRatings are used for other exposures.

	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6
DBRS Limited	from AAA to AAL	from AH to AL	from BBBH to BBBL	from BBH to BBL	from BH to BL	CCC
Standard & Poor's Rating Services	from AAA to AA-	from A+ to A-	from BBB+ to BBB-	from BB+ to BB	from B+ to B-	from CCC+ down
Fitch Ratings	from AAA to AA-	from A+ to A-	from BBB+ to BBB-	from BB+ to BB-	from B+ to B-	from CCC+ down

A.2.2 Distribution of cash loans and off-balance sheet items by internal rating class

Tables analysing the distribution of the cash and "off-balance sheet" exposures of Banca Popolare di Sondrio by internal rating class are presented in the corresponding section of the notes to the financial statements of the Parent Company.

Banca Popolare di Sondrio (Suisse) SA has its own customer rating system, which it only applies to customer loans. This system splits the loan book into 11 different risk categories. The first category identifies customers with the lowest risk, while the categories from R6 to R8 indicate various levels of insolvency, depending on how serious it is.

	Internal rating classes (1)					
Customers - Exposures	Rating 1	Rating 2	Rating 3	Rating 3G	Rating 4	Rating 4G
A. Financial assets measured at amortised cost	**-**	**491**	**1,013,822**	**813,939**	**2,669,533**	**1,273,408**
- First stage	-	491	1,010,257	810,414	2,649,481	1,261,359
- Second stage	-	-	3,565	3,525	20,052	12,049
- Third stage	-	-	-	-	-	-
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
- First stage	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-
Total (A+B)	**-**	**491**	**1,013,822**	**813,939**	**2,669,533**	**1,273,408**
of which: financial assets impaired purchased or originated	-	-	-	-	-	-
C. Commitments to grant loans and financial guarantees given	**-**	**-**	**81**	**1,124**	**183,455**	**4,831**
- First stage	-	-	81	1,124	183,455	4,831
- Second stage	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-
Total (C)	**-**	**-**	**81**	**1,124**	**183,455**	**4,831**
Total (A+B+C)	**-**	**491**	**1,013,903**	**815,063**	**2,852,988**	**1,278,239**

	Internal rating classes (2)					**Unrated**	**Total**
Customers - Exposures	Rating 4G	Rating 5	Rating 6	Rating 7	Rating 8		
A. Financial assets measured at amortised cost	**149,315**	**19,830**	**9,768**	**43,706**	**18,619**	**681**	**6,013,112**
- First stage	823	-	-	-	-	500	5,733,326
- Second stage	148,492	-	-	-	-	181	187,864
- Third stage	-	19,830	9,768	43,706	18,619	-	91,922
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- First stage	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-
Total (A+B)	**149,315**	**19,830**	**9,768**	**43,706**	**18,619**	**681**	**6,013,112**
of which: financial assets impaired purchased or originated	-	-	-	-	-	-	-
C. Commitments to grant loans and financial guarantees given	**205**	**-**	**-**	**-**	**-**	**121,715**	**311,410**
- First stage	-	-	-	-	-	121,715	311,205
- Second stage	205	-	-	-	-	-	205
- Third stage	-	-	-	-	-	-	-
Total (C)	205	-	-	-	-	121,715	311,410
Total (A+B+C)	**149,520**	**19,830**	**9,768**	**43,706**	**18,619**	**122,396**	**6,324,522**

The Parent Company uses internal ratings to calculate the capital requirements in relation to it corporate and retail portfolios, for which the related IRB models have been validated.

A.3 Distribution of secured exposures by type of guarantee

Cash loans shown in the "Net exposure" column are stated net of specific and portfolio adjustments. Exposures are classified between "fully guaranteed" and "partially guaranteed" by comparing the gross exposure with the value of the contractual guarantee. The amounts shown in the "guarantees" columns refer to the actual value of the guarantee ("fair value"), with an upper limit represented by the book value of the guaranteed exposure: this means that the actual value of the guarantee may be higher than that shown in the table.

A.3.1 Prudential consolidation – Guaranteed cash credit exposures and off-balance sheet exposures to banks

			Collaterals (1)				Personal guarantees (2)	
							Derivatives on loans	
								Other derivatives
	Gross exposure	Net exposure	Properties - Mortgages	Properties - Lease financing	Securities	Other collaterals	CLN	Central counterparties
1. Guaranteed cash credit exposures:	**246,734**	**246,501**	**-**	**-**	**-**	**-**	**-**	**-**
1.1. fully guaranteed	205,370	205,203	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-
1.2. partially guaranteed	41,364	41,298	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-
2. Guaranteed off-balance sheet exposures:	**21,747**	**21,746**	**-**	**-**	**3,603**	**4,189**	**-**	**-**
2.1. fully guaranteed	7,465	7,465	-	-	3,603	2,350	-	-
- of which non-performing	-	-	-	-	-	-	-	-
2.2. partially guaranteed	14,282	14,281	-	-	-	1,839	-	-
- of which non-performing	-	-	-	-	-	-	-	-

	Personal guarantees (2)							Total (1)+(2)
	Derivatives on loans			Endorsement loans				
	Other derivatives							
	Banks	Other financial corporations	Other parties	General governments	Banks	Other financial corporations	Other parties	
1. Guaranteed cash credit exposures:	**-**	**-**	**-**	**11,965**	**225,593**	**31**	**-**	**237,589**
1.1. fully guaranteed	-	-	-	9,040	196,132	31	-	205,203
- of which non-performing	-	-	-	-	-	-	-	-
1.2. partially guaranteed	-	-	-	2,925	29,461	-	-	32,386
- of which non-performing	-	-	-	-	-	-	-	-
2. Guaranteed off-balance sheet exposures:	**-**	**-**	**-**	**5,825**	**470**	**-**	**-**	**14,087**
2.1. fully guaranteed	-	-	-	1,041	470	-	-	7,464
- of which non-performing	-	-	-	-	-	-	-	-
2.2. partially guaranteed	-	-	-	4,784	-	-	-	6,623
- of which non-performing	-	-	-	-	-	-	-	-

A.3.2 Prudential consolidation - Guaranteed cash credit exposures and off-balance sheet exposures to customers

			Collaterals (1)				Personal guarantees (2)	
							Derivatives on loans	
								Other derivatives
	Gross exposure	Net exposure	Properties - Mortgages	Properties - Lease financing	Securities	Other collaterals	CLN	Central counterparties
1. Guaranteed cash credit exposures:	**23,869,972**	**23,138,546**	**14,523,457**	**-**	**963,286**	**2,190,242**	**-**	**-**
1.1. fully guaranteed	20,997,256	20,348,425	14,523,173	-	887,332	2,103,858	-	-
- of which non-performing	947,284	457,116	386,789	-	6,457	7,648	-	-
1.2. partially guaranteed	2,872,716	2,790,121	284	-	75,954	86,384	-	-
- of which non-performing	109,707	47,295	16	-	2,822	263	-	-
2. Guaranteed off-balance sheet exposures:	**4,424,981**	**4,394,282**	**671,482**	**-**	**201,169**	**256,320**	**-**	**-**
2.1. fully guaranteed	3,458,307	3,435,098	671,482	-	130,406	228,514	-	-
- of which non-performing	47,502	32,683	1,946	-	506	591	-	-
2.2. partially guaranteed	966,674	959,184	-	-	70,763	27,806	-	-
- of which non-performing	11,540	7,694	-	-	93	541	-	-

	Personal guarantees (2)							Total (1)+(2)
	Derivatives on loans			Endorsement loans				
	Other derivatives							
	Banks	Other financial corporations	Other parties	General governments	Banks	Other financial corporations	Other parties	
1. Guaranteed cash credit exposures:	**-**	**-**	**-**	**2,527,997**	**37,165**	**298,347**	**2,008,684**	**22,549,178**
1.1. fully guaranteed	-	-	-	843,696	32,140	237,974	1,709,690	20,337,863
- of which non-performing	-	-	-	26,562	19	5,474	24,076	457,025
1.2. partially guaranteed	-	-	-	1,684,301	5,025	60,373	298,994	2,211,315
- of which non-performing	-	-	-	33,036	-	2,893	6,333	45,363
2. Guaranteed off-balance sheet exposures:	**-**	**-**	**-**	**58,529**	**95,886**	**114,666**	**2,598,652**	**3,996,704**
2.1. fully guaranteed	-	-	-	5,912	89,422	94,313	2,160,968	3,381,017
- of which non-performing	-	-	-	41	-	7,130	22,469	32,683
2.2. partially guaranteed	-	-	-	52,617	6,464	20,353	437,684	615,687
- of which non-performing	-	-	-	320	-	20	5,962	6,936

A.4 Consolidation for supervisory purposes - Financial and non-financial assets obtained by enforcing guarantees received

	Credit exposure cancelled	Gross value	Total write-downs	Book value	
					of which obtained during the year
A. Property, equipment and investment property	**-**	**-**	**-**	**-**	**-**
A.1. For business purposes	-	-	-	-	-
A.2. For investment purposes	-	-	-	-	-
A.3. Inventories	-	-	-	-	-
B. Equity securities and debt securities	**-**	**-**	**-**	**-**	**-**
C. Other assets	**93,879**	**64,466**	**2,165**	**62,301**	**57,122**
D. Non-current assets and groups of assets held for sale	**-**	**-**	**-**	**-**	**-**
D.1. Property, equipment and investment property	-	-	-	-	-
D.2. Other assets	-	-	-	-	-
Total 31/12/2023	**93,879**	**64,466**	**2,165**	**62,301**	**57,122**
Total 31/12/2022	**91,232**	**39,804**	**1,647**	**38,157**	**33,629**

B. Distribution and concentration of loans

Preparation of this section has excluded in the exposures reported in tables A.1.4. and A.1.5., exposures to counterparty risk relating to loans of securities or goods, granted or received.

B.1 Prudential consolidation - Distribution by sector of cash credit exposures and off-balance sheet exposures to customers

Exposures/Counterparties	General governments		Financial companies		Financial companies (of which: insurance companies)	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. Cash credit exposures						
A.1 Bad loans	-	397	226	58	-	-
- of which: exposures subject to forbearance	-	-	-	-	-	-
A.2 Unlikely-to-pay loans	20	20	1,963	18,716	-	-
- of which: exposures subject to forbearance	-	-	30	14,823	-	-
A.3 Non-performing past due exposure	3	1	6,052	1,551	-	-
- of which: exposures subject to forbearance	-	-	-	-	-	-
A.4 Performing exposures	11,391,265	3,160	4,241,250	12,222	7,978	9
- of which: exposures subject to forbearance	-	-	94	7	-	-
Total (A)	**11,391,288**	**3,578**	**4,249,491**	**32,547**	**7,978**	**9**
B. Off-balance sheet credit exposures						
B.1 Non-performing exposures	214	2	211	160	-	-
B.2 Performing exposures	997,154	223	1,492,498	4,567	4,286	2
Total (B)	**997,368**	**225**	**1,492,709**	**4,727**	**4,286**	**2**
Total (A+B) 31/12/2023	**12,388,656**	**3,803**	**5,742,200**	**37,274**	**12,264**	**11**
Total (A+B) 31/12/2022	**12,029,452**	**9,394**	**5,671,462**	**37,103**	**122,561**	**26**

Exposures/Counterparties	Non-financial corporations		Households	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. Cash credit exposures				
A.1 Bad loans	50,511	223,542	11,485	62,187
- of which: exposures subject to forbearance	18,890	73,521	5,524	28,385
A.2 Unlikely-to-pay loans	320,667	339,601	115,356	98,156
- of which: exposures subject to forbearance	160,784	170,157	51,927	54,662
A.3 Non-performing past due exposure	23,640	3,952	32,387	5,993
- of which: exposures subject to forbearance	740	260	4,224	588
A.4 Performing exposures	18,189,153	170,807	12,083,744	70,542
- of which: exposures subject to forbearance	129,145	14,503	172,549	13,788
Total (A)	**18,583,971**	**737,902**	**12,242,972**	**236,878**
B. Off-balance sheet credit exposures				
B.1 Non-performing exposures	144,464	43,247	6,630	1,141
B.2 Performing exposures	19,654,041	43,516	2,979,621	3,285
Total (B)	**19,798,505**	**86,763**	**2,986,251**	**4,426**
Total (A+B) 31/12/2023	**38,382,476**	**824,665**	**15,229,223**	**241,304**
Total (A+B) 31/12/2022	**35,433,302**	**763,843**	**13,849,841**	**259,132**

B.2 Prudential consolidation - Distribution by territory of cash credit exposures and off-balance sheet exposures to customers

Exposures/Geographical areas	Italy		Other European countries	
	Net exposures	Total value adjustments	Net exposures	Total value adjustments
A. Cash credit exposures				
A.1 Bad loans	57,741	271,857	4,482	14,323
A.2 Unlikely-to-pay loans	401,774	442,163	36,114	14,267
A.3 Non-performing past due exposure	34,418	8,680	27,664	2,817
A.4 Performing exposures	34,739,167	242,379	10,720,097	13,371
Total (A)	**35,233,100**	**965,079**	**10,788,357**	**44,778**
B. Off-balance sheet credit exposures				
B.1 Non-performing exposures	151,513	44,550	6	-
B.2 Performing exposures	23,818,977	50,994	1,202,256	576
Total (B)	**23,970,490**	**95,544**	**1,202,262**	**576**
Total (A+B) 31/12/2023	**59,203,590**	**1,060,623**	**11,990,619**	**45,354**
Total (A+B) 31/12/2022	**56,629,271**	**1,024,998**	**10,127,668**	**42,378**

Exposures/Geographical areas	America		Asia		Rest of the world	
	Net exposures	Total value adjustments	Net exposures	Total value adjustments	Net exposures	Total value adjustments
A. Cash credit exposures						
A.1 Bad loans	-	4	-	-	-	-
A.2 Unlikely-to-pay loans	26	15	92	48	-	-
A.3 Non-performing past due exposure	-	-	-	-	-	-
A.4 Performing exposures	152,563	410	61,786	309	231,798	262
Total (A)	**152,589**	**429**	**61,878**	**357**	**231,798**	**262**
B. Off-balance sheet credit exposures						
B.1 Non-performing exposures	-	-	-	-	-	-
B.2 Performing exposures	43,724	8	42,045	13	16,312	2
Total (B)	43,724	8	**42,045**	**13**	**16,312**	**2**
Total (A+B) 31/12/2023	**196,313**	**437**	**103,923**	**370**	**248,110**	**264**
Total (A+B) 31/12/2022	**125,868**	**453**	**81,354**	**1,627**	**19,896**	**16**

B.3 Prudential consolidation - Distribution by territory of cash credit exposures and off-balance sheet exposures to banks

	Italy		Other European countries	
Exposures/Geographical areas	Net exposures	Total value adjustments	Net exposures	Total value adjustments
A. Cash credit exposures				
A.1 Bad loans	-	-	-	-
A.2 Unlikely-to-pay loans	-	-	-	-
A.3 Non-performing past due exposure	-	-	-	-
A.4 Performing exposures	5,333,979	2,809	1,171,766	267
Total (A)	**5,333,979**	**2,809**	**1,171,766**	**267**
B. Off-balance sheet credit exposures				
B.1 Non-performing exposures	-	-	-	-
B.2 Performing exposures	258,377	79	344,385	9
Total (B)	**258,377**	**79**	**344,385**	**9**
Total (A+B) 31/12/2023	**5,592,356**	**2,888**	**1,516,151**	**276**
Total (A+B) 31/12/2022	**7,674,926**	**795**	**1,904,918**	**1,859**

	America		Asia		Rest of the world	
Exposures/Geographical areas	Net exposures	Total value adjustments	Net exposures	Total value adjustments	Net exposures	Total value adjustments
A. Cash credit exposures						
A.1 Bad loans	-	-	-	-	-	-
A.2 Unlikely-to-pay loans	-	-	-	-	-	-
A.3 Non-performing past due exposure	-	-	-	-	-	-
A.4 Performing exposures	50,637	112	197,618	270	163,444	44
Total (A)	**50,637**	**112**	**197,618**	**270**	**163,444**	**44**
B. Off-balance sheet credit exposures						
B.1 Non-performing exposures	-	-	-	-	-	-
B.2 Performing exposures	47,816	2	200,277	8	15,671	-
Total (B)	**47,816**	**2**	**200,277**	**8**	**15,671**	**-**
Total (A+B) 31/12/2023	**98,453**	**114**	**397,895**	**278**	**179,115**	**44**
Total (A+B) 31/12/2022	**45,289**	**149**	**311,116**	**82**	**42,712**	**36**

B.4 Large exposures

	31/12/2023	31/12/2022
Number of positions	27	25
Exposure	33,215,368	32,484,084
Risk position	8,321,918	8,283,330

The exposure limit of 10% of Tier 1 capital – the threshold for inclusion of a counterparty in the category of “Large exposure” – has to be measured in terms of the “nominal amount” of the exposure, i.e. the sum of cash risk assets and off-balance sheet transactions with a customer or a group of related customers. On the other hand, the “risk position”, on which the maximum limits are defined for the assumption of each individual significant risk, is given by the same aggregate weighted according to a system that takes account of the nature of the debtor and any guarantees that have been obtained.

It should be noted that the positions shown above include the Italian Republic (nominal exposure, 11,995 million; risk position, 14 million), purely on the basis of sovereign securities held in proprietary portfolios, and the Bank of Italy (nominal exposure, 3,763 million; risk position, nil), mainly for term deposits.

In accordance with the provisions of Article 4 (39) of Regulation (EU) No. 575/2013, as amended and supplemented, the prudential supervisory reporting of large exposures provides for the conventional method of representing groups of connected customers by repeating, for each group of connected customers directly controlled by or economically dependent on a central government, the exposure amounts and the resulting risk position vis-à-vis the corresponding central governments.

It should be noted that the information presented in the table under review does not follow the signalling approach described above because the amounts of exposure and risk position towards central governments are not repeated in relation to the groups of related customers with economic and/or legal ties to the aforementioned central governments.

C. Securitisations

1. Traditional securitisations

QUALITATIVE INFORMATION

During 2023, the Group continued to finalise securitisation transactions through the bulk sale of bad loans, in line with the corporate objectives of derisking and improving asset quality. As explained in the report on operations, in the last quarter of 2023, the Group completed a securitisation transaction through the sale of bad loans called Luzzatti IV.

Note that the book value of the securitisations originated by third party companies, shown in the following table C.2, at 31 December 2023 amounts to 470 million euro.

New transactions during the year

Luzzatti IV securitisation

In December 2023, the Group carried out the fourth securitisation through a multi-originator sale, relating to exposures classified as bad loans originating from 12 banks, for a total value of 313 million in terms of gross book value, of which 173.7 million attributable to Banca Popolare di Sondrio.

The payment of the purchase price by the Vehicle Company, specifically established pursuant to Law 130 of 30 April 1999, called "Luzzatti POP NPLs 2023 Srl" (SPV) was financed by issuing asset-backed securities for a total nominal value of 91.5 million, split as follows:

– a Senior tranche (Class A) for 77.5 million, with investment grade rating (BBB (high) assigned by Morningstar DBRS and BBB+ assigned by Arc Ratings). The tranche in question, retained by Banca Popolare di Sondrio S.p.A., presents structural characteristics of eligibility for the GACS and, should this state guarantee be reintroduced, the participating banks will assess whether to avail themselves of it. These securities carry a fixed yield of 4%;
– a Mezzanine tranche (Class B) for 11.0 million, unrated, with a yield equal to the sum of an annual spread of 10% and the 6-month Euribor;
– a Junior tranche (Class J) for 3 million, unrated, with a yield equal to the 6-month Euribor plus an annual spread of 15% and any variable yield based on the performance of the securitisation.

On 28 December 2023, the issue date of the securities, the originating banks subscribed 100% of the Senior notes and in application of the retention rule provided for by Article 405 of the CRR, each of the originating banks maintained a stake of not less than 5% of the Mezzanine and Junior tranches. The rest of the Mezzanine and Junior securities were subscribed by third-party investors.

Consistently with the provisions of IFRS 9, due to the regulation of the sale of 95% of the said notes (Mezzanine and Junior), in compliance with the retention rule, pursuant to the provisions of Article 6, paragraph 4, of the Securitisation Regulation, the conditions for derecognition of the bad loans sold were met, as the related rights and benefits were substantially transferred.

The following table shows the securitisation positions held by Banca Popolare di Sondrio at the reporting date.

Seniority	Maturity	Nominal Amount	Morningstar DBRS	Arc Ratings
Senior	June 2043	48,392,000	BBB (high)	BBB+
Mezzanine	June 2043	343,430	N/A	N/A
Junior	June 2043	93,663	N/A	N/A
TOTAL		**48,829,093**		

All of the senior securities are classified as "Financial assets measured at amortised cost" for an amount net of expected losses on the basis of the IFRS 9 impairment model of 48.384 million euro; conversely, the portions owned of the mezzanine (fair value 115,639 euro) and junior (fair value 33 euro) securities have been classified as "Financial assets mandatorily measured at fair value through profit or loss".

The loss on disposal, equal to 0.7 million euro, is included in "Gains (losses) from the sale or repurchase of financial assets measured at amortised cost".

The credit management and recovery activity was entrusted by the Vehicle Company to doNext S.p.A. and doValue S.p.A., servicers appointed in accordance with article 2, paragraphs 3 and 6-*bis* of Law 130/1999.

For the sake of completeness of information, it should be noted that as part of the transaction, the selling banks granted the vehicle Luzzatti POP NPLs 2023 S.r.l. a "Limited Recourse Loan" (MRL), intended, on the date of issue of the securities, as a cash reserve available to the SPV to cover any misalignments between the recovery plan of the Portfolio Sold and the payments to be made to the security holders. The "Limited Recourse Loan" made by Banca Popolare di Sondrio is equal to 2.196 million and is recorded under "Financial assets measured at amortised cost"; it will be repaid based on the available liquidity of the SPV in the order of priority of payments and, in any case, prior to the repayment of the principal of the senior securities, so it does not represent any form of credit support for the securitisation.

The main elements of the transaction described above are summarised below with reference to Banca Popolare di Sondrio:

Portfolio sale date	15/12/2023
Vehicle Company	Luzzatti POP NPLs 2023 S.r.l.
Servicers	doNext S.p.A. and doValue S.p.A
Securities issue date	28/12/2023
Type of transaction	Traditional multi-originator sale
Assets sold	NPLs made up of secured and unsecured credit exposures
Sector of the economy	Non-performing loans to individual, corporate and retail customers
Geographical breakdown	The loans subject to securitisation refer to parties resident in Italy.
Subordinated loan (Cash reserve)	2.196 million
Quality of the assets transferred	Bad loans
Amount of securitised assets	The total of the loans receivable from the portfolio sold amounts to 173.7 million euro.
Sale price of the securitised assets	The sale price is 50.7 million euro
Organisational structure	The company doNext S.p.A. prepares a quarterly report containing all the information relating to the receivables of each debtor position.
Internal risk measurement and control systems	The settlement or judicial recovery of bad loans assigned is entrusted solely to the Servicers appointed by the SPV. Banca Popolare di Sondrio has not maintained any role or involvement in the management of credit recovery.

Securitisation transactions already in place

Securitisation transactions completed in the three-year period 2020-2022 included:

- subscription of the Senior securities issued by the vehicle company and sale of the Mezzanine and Junior tranches to third parties, in compliance with the requirements of prudential regulations. As a result of this holding, the receivables sold have been derecognised, as the Group has substantially transferred the rights and benefits of the financial assets sold;
- obtaining the State guarantee on the Senior securities (so-called Guarantee for Securitisation of Bad Loans - GACS pursuant to Decree 18 of 14 February 2016 converted into Law No. 49 of 8 April 2016 and subsequent MEF decree of 3 August 2016), except for the Luzzatti III transaction.

The following is a summary of transactions completed in previous years.

Diana securitisation

Portfolio sale date	01/06/2020
Vehicle Company	Diana S.P.V. S.r.l.
Servicers	Prelios Credit Servicing S.p.A.
Securities issue date	17/06/2020
Type of transaction	Traditional with GACS guarantee from the Economic and Finance Ministry.
Assets sold	NPLs made up of secured and unsecured credit exposures
Sector of the economy	Non-performing loans to individual, corporate and retail customers
Geographical breakdown	The loans subject to securitisation refer to parties resident in Italy.
Subordinated loan (Cash reserve)	10.925 million original, 5.013 million residual as at 31.12.2023
Guarantees and credit lines issued by third parties	IRC contract for hedging cash flows of notes issued
Quality of the assets transferred	Bad loans
Amount of securitised assets	The total of the loans receivable from the portfolio sold amounts to 872 million euro.
Sale price of the securitised assets	The sale price is 274 million euro
Organisational structure	Prelios Credit Servicing S.p.A. prepares a quarterly report containing all the information relating to the receivables of each debtor position.
Internal risk measurement and control systems	The settlement or judicial recovery of bad loans assigned is entrusted solely to the Servicers appointed by the SPV. Banca Popolare di Sondrio has not maintained any role or involvement in the management of credit recovery.

The vehicle company has issued the following securities:

Seniority	Maturity	Issue amount	Rating DBRS Morningstar	Rating Moody's	Rating Scope Ratings
Senior	December 2038	235,000,000	BBB	Baa2	BBB
Mezzanine	December 2038	35,000,000	N/A	N/A	N/A
Junior	December 2038	3,651,000	N/A	N/A	N/A
TOTAL		**273,651,000**			

All senior securities are classified in the portfolio of “Financial assets measured at amortised cost”, based on the reimbursements received from the execution date of the transaction to the closing date of this financial year and the expected losses recognised on the basis of the IFRS 9 impairment model, the net book amount at the end of the year, amounts to 70.717 million. The units of mezzanine (fair value 668,621 euro) and junior (fair value 528 euro) securities owned by the Company have instead been recorded as “Financial assets mandatorily measured at fair value through profit or loss”.

Luzzatti I securitisation

In December 2020, the Group carried out the second securitisation through a multi-originator sale, relating to exposures classified as bad loans originating from 15 banks, for a total value of 919.9 million in terms of gross book value, of which 371.8 million attributable to Banca Popolare di Sondrio.

The main elements of the transaction described above are summarised below with reference to Banca Popolare di Sondrio:

Portfolio sale date	03/12/2020
Vehicle Company	POP NPLs 2020 S.r.l.
Servicers	Credito Fondiario S.p.A. and Fire S.p.A.
Securities issue date	23/12/2020
Type of transaction	Traditional multi-originator sale with GACS guarantee from the Economic and Finance Ministry.
Assets sold	NPLs made up of secured and unsecured credit exposures
Sector of the economy	The portfolio being sold is made up principally of corporate debtors.
Geographical breakdown	The loans subject to securitisation refer to parties resident in Italy.
Subordinated loan (Cash reserve)	4.505 million original, 2.350 million residual as at 31.12.2023
Guarantees and credit lines issued by third parties	IRC contract for hedging cash flows of notes issued
Quality of the assets transferred	Bad loans
Amount of securitised assets	The total of the loans receivable from the portfolio sold amounts to 345 million euro.
Sale price of the securitised assets	The sale price is 112 million euro
Organisational structure	Credito Fondiario S.p.a. prepares a quarterly report containing all the information relating to the receivables of each debtor position.
Internal risk measurement and control systems	The settlement or judicial recovery of bad loans assigned is entrusted solely to the Servicers appointed by the SPV. Banca Popolare di Sondrio has not maintained any role or involvement in the management of credit recovery.

The following table shows the securitisation positions held by Banca Popolare di Sondrio:

Seniority	Maturity	Nominal Amount	Rating DBRS Morningstar	Rating Scope Ratings
Senior	November 2045	109,783,000	BBB	BBB
Mezzanine	November 2045	568,250	CCC	CC
Junior	November 2045	227,400	N/A	N/A
TOTAL		**110,578,650**		

All senior securities are classified in the portfolio of "Financial assets measured at amortised cost", based on the reimbursements received from the execution date of the transaction to the closing date of this financial year and the expected losses recognised on the basis of the IFRS 9 impairment model, the net book amount at the end of the year, amounts to 52.295 million. The units of mezzanine (fair value 101,111 euro) and junior (fair value 227 euro) securities owned by the Company have been recorded as "Financial assets mandatorily measured at fair value through profit or loss".

Luzzatti II securitisation

In December 2021, the Group carried out the third securitisation through a multi-originator sale, relating to exposures classified as bad loans originating from 11 banks, for a total value of 789.2 million in terms of gross book value, of which 420.9 million attributable to Banca Popolare di Sondrio (made up 57% of secured loans).

The main elements of the transaction described above are summarised below with reference to Banca Popolare di Sondrio:

Portfolio sale date	13/12/2021
Vehicle Company	POP NPLs 2021 S.r.l.
Servicers	Zenith Service S.p.A. and doValue S.p.A.
Securities issue date	23/12/2021
Type of transaction	Traditional multi-originator sale with GACS guarantee from the Economic and Finance Ministry.
Assets sold	NPLs made up of secured and unsecured credit exposures
Sector of the economy	Non-performing loans to individual, corporate and retail customers
Geographical breakdown	The loans subject to securitisation refer to parties resident in Italy.
Subordinated loan (Cash reserve)	4.113 million original, 2.910 million residual as at 31.12.2023
Guarantees and credit lines issued by third parties	IRC contract for hedging cash flows of notes issued
Quality of the assets transferred	Bad loans
Amount of securitised assets	The total of the loans receivable from the portfolio sold amounts to 374 million euro.
Sale price of the securitised assets	The sale price is 99.250 million euro
Organisational structure	Zenith Service S.p.A. prepares a quarterly report containing all the information relating to the receivables of each debtor position.
Internal risk measurement and control systems	The settlement or judicial recovery of bad loans assigned is entrusted solely to the Servicers appointed by the SPV. Banca Popolare di Sondrio has not maintained any role or involvement in the management of credit recovery.

The following table shows the securitisation positions held by Banca Popolare di Sondrio at the reporting date.

Seniority	Maturity	Nominal Amount	Rating DBRS Morningstar	Arc Ratings
Senior	October 2045	97,715,000	BBB	BBB
Mezzanine	October 2045	665,614	N/A	N/A
Junior	October 2045	266,246	N/A	N/A
TOTAL		**98,646,860**		

All senior securities are classified in the portfolio of “Financial assets measured at amortised cost”, based on the reimbursements received from the execution date of the transaction to the closing date of this financial year and the expected losses recognised on the basis of the IFRS 9 impairment model, the net book amount at the end of the year, amounts to 67.091 million. The units of mezzanine (fair value 93,142 euro) and junior (fair value 266 euro) securities owned by the Company have been recorded as “Financial assets mandatorily measured at fair value through profit or loss”.

Luzzatti III securitisation

In December 2022, the Group carried out the third securitisation through a multi-originator sale, relating to exposures classified as bad loans originating from 15 banks, for a total value of 545.2 million in terms of gross book value, of which 242.5 million attributable to Banca Popolare di Sondrio.

The main elements of the transaction described above are summarised below with reference to Banca Popolare di Sondrio:

Portfolio sale date	15/12/2022
Vehicle Company	Luzzatti POP NPLs 2022 S.r.l.
Servicers	Prelios Credit Solutions S.p.A. and Fire S.p.A
Securities issue date	29/12/2022
Type of transaction	Traditional multi-originator sale
Assets sold	NPLs made up of secured and unsecured credit exposures
Sector of the economy	Non-performing loans to individual, corporate and retail customers
Geographical breakdown	The loans subject to securitisation refer to parties resident in Italy.
Subordinated loan (Cash reserve)	2.520 million, 2.277 million residual as at 31.12.2023
Quality of the assets transferred	Bad loans
Amount of securitised assets	The total of the loans receivable from the portfolio sold amounts to 242.5 million euro.
Sale price of the securitised assets	The sale price is 58.2 million euro
Organisational structure	Prelios Credit Solutions S.p.A. prepares a quarterly report containing all the information relating to the receivables of each debtor position.
Internal risk measurement and control systems	The settlement or judicial recovery of bad loans assigned is entrusted solely to the Servicers appointed by the SPV. Banca Popolare di Sondrio has not maintained any role or involvement in the management of credit recovery.

The following table shows the securitisation positions held by Banca Popolare di Sondrio at the reporting date.

Seniority	Maturity	Nominal Amount	Moody's	Arc Ratings
Senior	January 2042	56,005,000	Baa1	BBB+
Mezzanine	January 2042	414,406	N/A	N/A
Junior	January 2042	71,042	N/A	N/A
TOTAL		**56,490,448**		

All senior securities are classified in the portfolio of "Financial assets measured at amortised cost", based on the reimbursements received from the execution date of the transaction to the closing date of this financial year and the expected losses recognised on the basis of the IFRS 9 impairment model, the net book amount at the end of the year, amounts to 43.898 million. The units of mezzanine (fair value 127,165 euro) and junior (fair value 249 euro) securities owned by the Company have been recorded as "Financial assets mandatorily measured at fair value through profit or loss".

2. Synthetic securitisations

On 14 June 2022, the Group signed a synthetic securitisation transaction with the EIB Group for a countervalue of 958 million euro against a portfolio of loans granted to 'corporate' counterparties. A net economic interest (retention) of at least 5% was maintained on the financing of the portfolio subject to the transaction.

Synthetic securitisations provide for the purchase of credit risk protection underlying a portfolio of loans, of which the Originator retains full ownership, by entering into collateral agreements. Such transactions are therefore designed to transfer credit risk from the Originator to an external Counterparty, without derecognition of the assets, which are therefore retained on the Parent Company's financial statements.

By means of synthetic securitisation, the bank acquires, in synthetic and thus aggregate form, a hedge against "first losses" that may occur in an identified portfolio of loans. The financial structure mitigates the credit risks present in the loans subject to the transaction and consequently frees up financial resources, which can also be allocated to the development of new loans.

The structure of the transaction envisages the portfolio being virtually divided into 2 tranches according to the degree of risk: Senior and Junior. The initial portfolio subjected to the transaction was broken down as follows:

- Senior: 910.43 million;
- Junior: 47.92 million.

In particular, the Senior tranche does not benefit from any guarantee, while the Junior tranche is covered by a guarantee from the European Investment Fund (EIF) and counter-guaranteed by the European Investment Bank (EIB), using funds from the European Guarantee Fund (EGF), the EU recovery aid instrument launched in 2020 in response to the Covid-19 crisis.

As at 31 December 2023, the Bank's net exposure to the securitisation was 606.4 million euro, of which 30.3 million euro was represented by the Junior component.

QUANTITATIVE INFORMATION

C.1 Prudential consolidation - Exposures deriving from the main "own" securitisation transactions broken down by type of securitised assets and by type of exposure

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
Type of underlying assets/Exposures	Book value	Value adjustments/write-backs	Book value	Value adjustments/write-backs	Book value	Value adjustments/write-backs
A. Fully derecognised from the financial statements	**–**	**–**	**–**	**–**	**–**	**–**
Non-performing loans	282,386	20	1,106	–	1	–
B. Partially derecognised from the financial statements	**–**	**–**	**-**	**-**	**–**	**–**
C. Not derecognised from the financial statements	**576,197**	**(5,714)**	**–**	**–**	**30,251**	**(3,190)**
C.1 Corporate loans (*)	576,197	(5,714)	–	–	30,251	(3,190)

* The sub-item "Loans to companies" relates to the synthetic securitisation transaction.

The table shows the on-balance sheet exposures assumed by the Banca Popolare di Sondrio Group in relation to its Diana, Luzzatti, Luzzatti II and Luzzatti III securitisations. The parts of the table relating to guarantees issued and credit lines are not shown as these situations do not apply in this case.

C.2 Prudential consolidation - Exposures deriving from the main securitisation transactions of "third parties" broken down by type of securitised assets and by type of exposure

	On-balance sheet exposures					
	Senior		Mezzanine		Junior	
Type of underlying assets/Exposures	Book value	Value adjustments/write-backs	Book value	Value adjustments/write-backs	Book value	Value adjustments/write-backs
Bnt Portfolio Spv Srl 15.05.2014/08.02.2042						
Mortgage loans	16,032	–	–	–	–	–
Alba 6 SPV 27.06.2014/25.10.2045						
Lease contracts	453,720	(131)	–	–	–	–

The note linked with the securitisation by Bnt Portfolio Spv Srl is classified among the financial assets mandatorily measured at fair value. That fair value is indicated in the "Book value" column. The parts of the table relating to guarantees issued and credit lines are not shown as these situations do not apply in this case.

C.3 Prudential consolidation – Interests in special purpose securitisation vehicles

			Assets			Liabilities		
Company Name	Registered office	Consolidation	Loans	Debt securities	Other	Senior	Mezzanine	Junior
Alba 6 Spv Srl	Conegliano (TV)	NO	693,106	-	38,815	453,993	-	143,665
Bnt Portfolio Spv Srl	Conegliano (TV)	NO	106,524	-	9,436	113,924	-	-
Diana SPV	Conegliano (TV)	NO	88,641	-	16,587	70,724	35,040	3,653
Pop Npls 2020 Srl	Rome (RM)	NO	110,583	–	42,190	121,208	25,000	10,000
Pop Npls 2021 Srl	Milan (MI)	NO	134,544	-	19,279	131,165	25,517	10,258
Pop Npls 2022 Srl	Conegliano (TV)	NO	82,075	–	20,436	92,742	18,546	3,243
Pop Npls 2023 Srl	Conegliano (TV)	NO	91,500	-	3,490	77,500	11,000	3,000

C.4 Prudential consolidation – Non-consolidated special purpose vehicle for securitisation

The vehicle companies Alba 6 Spv Srl, BNT Porfolio Spv Srl, Diana SPV Srl, Pop Npls 2020 Srl, Pop Npls 2021 Srl, Pop Npls 2022 Srl and Pop Npls 2023 have not been consolidated as there is no control as defined by IFRS 10. Reference should be made to Part A of these notes.

As part of the Diana, Luzzatti I, Luzzatti II, Luzzatti III and Luzzatti IV operations, the Group issued limited-recourse loans to the vehicle companies, at 31 December 2023, for 14.746 million euro, intended at the issue date of the securities to constitute a cash reserve available to the SPV to cover any misalignments between the recovery plan of the portfolio sold to it and the payments to be made in favour of the security holders, shown under "Financial assets measured at amortised cost". The Banca Popolare di Sondrio Group's maximum exposure to the risk of loss is equal to the sum of the book value of the notes (283.493 million euro) and the book value of the limited-recourse loans. Taking into account that the government guarantee only covers the senior tranches (except for the Luzzatti III and Luzzatti IV sale), we believe that the exposure to the risk of loss is reduced to 108.135 million euro.

C.5 Prudential consolidation – Servicer activities – own securitisations: collection of securitised loans and redemption of securities issued by the SPV for securitisation

At 31 December 2023, the Group does not perform any servicer activity for its own securitisations in which the assets sold have been derecognised in accordance with IFRS 9.

C.6 Prudential consolidation – Consolidated special purpose vehicle for securitisation

At 31 December 2023, there were no transactions that use consolidated special vehicle companies for securitisation.

D. Disposal Transactions

A. Financial assets sold and not fully derecognised

QUALITATIVE INFORMATION

Pursuant to IFRS 7, paragraph 42D, letters a), b) and c), the following table shows the Book value of repurchase agreements on securities owned (mainly classified in the portfolio of “Financial assets measured at amortised cost”) which did not lead to derecognition of the underlying financial assets from the financial statements.

The non-derecognition of the securities, with reference to repurchase agreements, is linked to the Group retaining all the risks and benefits associated with the security, since there is an obligation to repurchase it forward at a contractually established price. Depending on the type of counterparty, the consideration for the sale is recognised under payables to banks or to customers, while the securities involved in the transaction remain recorded in their portfolios.

QUANTITATIVE INFORMATION

D.1 Prudential consolidation - Financial assets sold recognised in full and associated financial liabilities: book values

	Financial assets sold and recognised in full				Associated financial liabilities		
	Book value	of which: subject to securitisation transactions	of which: subject to sales contracts with repurchase agreement	of which: non-performing	Book value	of which: subject to securitisation transactions	of which: subject to sales contracts with repurchase agreement
A. Financial assets held for trading	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-	-
4. Derivatives	-	-	-	-	-	-	-
B. Other financial assets mandatorily measured at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets designated at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	**1,263,058**	**-**	**1,263,058**	**-**	**1,225,990**	**-**	**1,225,990**
1. Debt securities	1,263,058	-	1,263,058	-	1,225,990	-	1,225,990
2. Equity securities	-	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost	**4,664,695**	**-**	**4,664,695**	**-**	**4,255,021**	**-**	**4,255,021**
1. Debt securities	4,664,695	-	4,664,695	-	4,255,021	-	4,255,021
2. Loans	-	-	-	-	-	-	-
Total 31/12/2023	**5,927,753**	**-**	**5,927,753**	**-**	**5,481,011**	**-**	**5,481,011**
Total 31/12/2022	**2,266,821**	**-**	**2,266,821**	**-**	**2,046,584**	**-**	**2,046,584**

D.2 Prudential consolidation - Financial assets sold recognised partially and associated financial liabilities: book values

In both the current and the previous year, the Group has no financial assets sold but still partially recognised and associated financial liabilities.

D.3 Prudential consolidation - Sale transactions with liabilities having recourse only to the assets sold and not derecognised in full: fair value

	Recognised in full	Recognised in part	Total	
			31/12/2023	31/12/2022
A. Financial assets held for trading	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equity securities	-	-	-	-
3. Loans	-	-	-	-
4. Derivatives	-	-	-	-
B. Other financial assets mandatorily measured at fair value	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equity securities	-	-	-	-
3. Loans	-	-	-	-
C. Financial assets designated at fair value	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Loans	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	**1,263,058**	**-**	**1,263,058**	**139,142**
1. Debt securities	1,263,058	-	1,263,058	139,142
2. Equity securities	-	-	-	-
3. Loans	-	-	-	-
E. Financial assets measured at amortised cost (fair value)	**4,446,783**	**-**	**4,446,783**	**2,047,815**
1. Debt securities	4,446,783	-	4,446,783	2,047,815
2. Loans	-	-	-	-
Total financial assets	**5,709,841**	**-**	**5,709,841**	**2,186,957**
Total associated financial liabilities	**5,481,012**	**-**	**5,481,012**	**2,046,584**
Net value 31/12/2023	**228,829**	**-**	**228,829**	**-**
Net value 31/12/2022	**140,373**	**-**	**-**	**140,373**

B. Financial assets sold and fully derecognised with recognition of continued involvement

At 31 December 2023, there are no financial assets sold and fully derecognised with recognition of continued involvement.

C. Financial assets sold and not fully derecognised

Pursuant to the provisions of the Communication of the Bank of Italy of 23 December 2019, the following section provides the qualitative and quantitative information regarding the only sale of non-performing loans, classified as "Unlikely to pay", carried out as of 2020 of multi-originator type in favour of a mutual investment fund with simultaneous subscription of units issued by the fund.

During 2023, three sale transactions took place:

1. Illimity Credit & Corporate Turnaround Fund
2. Illimity Real Estate Credit Fund (hereinafter "iREC Fund")
3. Keystone

Illimity Credit & Corporate Turnaround Fund Transaction

On 23 June 2023, the transaction was completed involving the sale of loans, qualified with the status of "unlikely to pay" by the Bank. This deal was carried out through the contribution of non-performing loans at the price of 6.595 million, offsetting the sale price with the subscription price, for the same amount, of 6,920.142 class A units, of the "illimity Credit & Corporate Turnaround Fund".

Taking into account the carrying amount of the loans at 25 May 2023, the sale transaction resulted in the recognition of a negative economic effect of 0.2 million.

The "illimity Credit & Corporate Turnaround Fund" is an Italian alternative investment fund (AIF) of a closed-end, single-sub-fund type reserved for qualified investors, established and managed by illimity SGR S.p.A.

The Fund's management policies are focused on maximising the recovery rate of the receivables acquired and the return on the financial instruments invested in, and on providing new finance as part of the restructuring plans of the companies in the portfolio, through instruments that allow a higher degree of priority in repayment than the financial debt already in place (Debtor-in-Possession Financing).

The structure and functioning of the transaction are governed, also in terms of governance, by the Fund Regulations.

The body responsible for managing the Fund is the Board of Directors which makes use of an Advisory Board that can express a binding opinion to the Board of Directors only in the event of any investment or divestment or contract or other act in conflict of interest, actual or potential, between related parties and with other funds managed by the AMC. There is also a third decision-making body, namely the Fund Meeting, in which all unit-holders of the Fund's Sub-Funds participate.

From an accounting point of view, in line with the provisions of IFRS 9, the aforementioned sale operation involved derecognition of the loans sold, as a counter-entry to the recognition of the shares attributed to the ICCT fund, as the Bank substantially transferred all the risks and benefits deriving from the possession of the assets being sold and, moreover, did not retain any power of management over the fund, which was taken on by the fund management company.

For further details on the determination of the fair value of the units, please refer to part A.4 of these note.

The shares of the fund, together with the shares subscribed in the previous year, were recognised in the accounting portfolio of "Financial assets mandatorily measured at fair value through profit or loss", the fair value as at 31 December 2023 was equal to 20 million euro.

illimity Real Estate Credit Fund Transaction

On 22 December 2023, the transaction was completed involving the sale of loans, qualified with the status of "unlikely to pay" by Banca Popolare di Sondrio. This deal was carried out through the contribution of non-performing loans at the price of 4.6 million, offsetting the sale price with the subscription price, for the same amount, of 4,568,024 class A units, of the "illimity Real Estate Credit Fund".

Taking into account the carrying amount of the loans at 30 September 2023, the sale transaction resulted in the recognition of a positive economic effect of 0.6 million.

The "illimity Real Estate Credit Fund" is an Italian closed-end alternative investment fund (AIF) falling within the category of AIF (Alternative Investment Funds), reserved and single-sub-fund, set up and managed by illimity SGR S.p.A.

The Fund's management policies will focus on maximising the recovery rate of loans, the value of real estate, the value of the assets held by the special purpose vehicles and, in general, the value of the assets falling within the perimeter of the fund, also through dynamic and proactive dialogue with the debtors on the evolution of the business, as well as the definition of a debtor governance consistent with the relevance of the investment and the Fund's role.

The structure and functioning of the transaction are governed, also in terms of governance, by the Fund Regulations.

The body responsible for managing the Fund is the Board of Directors which makes use of an Advisory Board that can express a binding opinion to the Board of Directors only in the event of any investment or divestment or contract or other act in conflict of interest, actual or potential, between related parties and with other funds managed by the AMC. There is also a third decision-making body, namely the Fund Meeting, in which all unit-holders of the Fund's Sub-Funds participate.

From an accounting point of view, in line with the provisions of IFRS 9, the aforementioned sale operation involved derecognition of the loans sold, as a counter-entry to the recognition of the shares attributed to the iREC fund, as Banca Popolare di Sondrio substantially transferred all the risks and benefits deriving from the possession of the assets being sold and, moreover, did not retain any power of management over the fund, which was taken on by the fund management company.

For further details on the determination of the fair value of the units, please refer to part A.4 of these note. The shares of the fund, together with the shares subscribed in the previous year, were recognised in the accounting portfolio of "Financial assets mandatorily measured at fair value through profit or loss", the fair value as at 31 December 2023 was equal to 18 million euro.

Keystone Transaction

On 22 December 2023, another transaction was completed involving the sale of loans, qualified with the status of "unlikely to pay" and "bad loans" by Banca Popolare di Sondrio. This deal was carried out through the contribution of non-performing loans at the price of 1.531 million, offsetting the sale price with the subscription price, for the same amount, of 1,530,480 class A units, of the "Keystone Fund".

Taking into account the carrying amount of the loans at 30 June 2023, the sale transaction resulted in the recognition of a positive economic effect of 0.2 million.

The "Keystone" Fund is a closed-end mutual fund under Italian law, falling within the category of AIFs (Alternative Investment Funds), reserved for professional investors established and managed by Kryalos SGR S.p.A.

The Fund's management policies will focus on maximising the recovery rate of loans, the value of real estate, the value of the assets held by the special purpose vehicles and, in general, the value of the assets falling within the perimeter of the fund, also through dynamic and proactive dialogue with the debtors on the evolution of the business, as well as the definition of a debtor governance consistent with the relevance of the investment and the Fund's role.

The structure and functioning of the transaction are governed, also in terms of governance, by the Fund Regulations.

The body responsible for managing the Fund and for carrying out investment activities is the Board of Directors, which makes use of an Advisory Committee that can express a binding opinion to the Board of Directors only in the event of approval of any investment or divestment or contract or other act in conflict of interest, actual or potential, between related parties and with other funds managed by the AMC. There is also a third decision-making body, namely the Fund Meeting, in which all unit-holders of the Fund's Sub-Funds participate.

From an accounting point of view, in line with the provisions of IFRS 9, the aforementioned sale operation involved derecognition of the loans sold, as a counter-entry to the recognition of the shares attributed to the Keystone fund, as Banca Popolare di Sondrio substantially transferred all the risks and benefits deriving from the possession of the assets being sold and, moreover, did not retain any power of management over the fund, which was taken on by the fund management company.

For further details on the determination of the fair value of the units, please refer to part A.4 of these notes. The shares of the fund, together with the shares subscribed in the previous year, were recognised in the accounting portfolio of "Financial assets mandatorily measured at fair value through profit or loss", the fair value as at 31 December 2023 was equal to 17 million euro.

Multi-originator assignment of receivables to mutual funds completed in the three-year period 2020-2022.

illimity Real Estate Credit Fund

On 3 August 2022, the Illimity transaction was finalised, involving the sale of loans, qualified with the status of "unlikely to pay" by Banca Popolare di Sondrio to the Italian alternative investment fund (AIF), a closed-end single-sub-fund investment fund reserved for qualified investors, established and managed by illimity SGR S.p.A. named "illimity Real Estate Credit Fund".

The Fund's management policies focus on maximising the recovery rate of loans, the value of real estate, the value of the assets held by the special purpose vehicles and, in general, the value of the assets falling within the perimeter of the fund, also through dynamic and proactive dialogue with the debtors on the evolution of the business, as well as the definition of a debtor governance consistent with the relevance of the investment and the Fund's role.

The fund units have been booked to the portfolio of "Financial assets mandatorily measured at fair value through profit or loss". As at 31 December 2023, the fair value of these units amounted to 14.175 million euro. Refer to the financial statements at 31 December 2022 for further details.

Keystone Fund

On 28 December 2022, the keystone transaction was finalised, involving the sale of loans, qualified with the status of "unlikely to pay" by Banca Popolare di Sondrio to the Italian alternative investment fund (AIF), a closed-end fund reserved for qualified investors, established and managed by Kryalos SGR S.p.A. called "Keystone".

The Fund's management policies focus on maximising the recovery rate of loans, the value of real estate, the value of the assets held by the special purpose vehicles and, in general, the value of the assets falling within the perimeter of the fund, also through dynamic and proactive dialogue with the debtors on the evolution of the business, as well as the definition of a debtor governance consistent with the relevance of the investment and the Fund's role.

The fund units have been booked to the portfolio of "Financial assets mandatorily measured at fair value through profit or loss". As at 31 December 2023, the fair value of these units amounted to 15.564 million euro. Refer to the financial statements at 31 December 2022 for further details.

illimity Credit & Corporate Turnaround Fund

On 31 March 2021 and 21 October 2021, two Illimity transactions were finalised, involving the sale of loans, qualified with the status of "unlikely to pay" by Banca Popolare di Sondrio to the Italian alternative investment fund (AIF), a closed-end single-sub-fund investment fund reserved for qualified investors, established and managed by illimity SGR S.p.A. named "illimity Credit & Corporate Turnaround Fund".

The Fund's management policies are focused on maximising the recovery rate of the receivables acquired and the return on the financial instruments invested in, and on providing new finance as part of the restructuring plans of the companies in the portfolio, through instruments that allow a higher degree of priority in repayment than the financial debt already in place (Debtor-in-Possession Financing).

The fund units have been booked to the portfolio of "Financial assets mandatorily measured at fair value through profit or loss". Refer to the financial statements at 31 December 2021 for further details.

IDEA CCR Corporate Credit Recovery II Fund - Credit Section

On 7 October 2020, the DeA Capital deal was completed with the transfer of loans with the status of "unlikely to pay" by Banca Popolare di Sondrio to the Italian alternative mutual investment fund (FIA) of the closed-end multi-sector type reserved for qualified investors, called "IDEA CCR (Corporate Credit Recovery) II" (hereinafter IDEA CCR II), managed by DeA Capital Alternative Funds SGR, which aims to contribute to the relaunch of Italian companies under financial stress, but with solid industrial foundations.

The fund units have been booked to the portfolio of "Financial assets mandatorily measured at fair value through profit or loss", with a fair value of 6 million euro at 31 December 2023. Refer to the financial statements at 31 December 2021 for further details.

D. Covered bond transactions

On 6 November 2013, the Board of Directors of the Parent Company authorised a covered bond programme for a maximum amount of 5 billion euro, based on the assignment to a vehicle company of residential mortgages and construction loans arranged by the Parent Company.

On 30 June 2023, the Board of Directors also approved the update of the Programme in narrative by incorporating the changes introduced by the implementing provisions of Title I-*bis* of Law 30 April 1999, No. 130 on covered bonds (OBG), amending Circular No. 285 of 17 December 2013.

As regards the sale of assets, on 1 June 2014, pursuant and consequent to the combined provisions of arts. 4 and 7-*bis* of law 130 of 30 April 1999, a portfolio of performing loans totalling 802 million euro was sold without recourse to "POPSO Covered Bond s.r.l.", the vehicle company, in relation to the issue on 5 August 2014 of the first series of 5-year covered bonds for 500 million euro.

A second sale of performing loans totalling 202 million euro took place on 5 December 2015, under the same contract.

An additional 2 disposals were made during 2016. The first, on 1 February 2016, of a portfolio of a total of 576 million euro of performing loans in connection with the issuance of the second series of covered bonds totalling 500 million euro on 4 April 2016. The second, on 1 November 2016, of a portfolio of performing loans totalling 226 million euro.

During 2017, a fifth sale of performing loans for a total of 307 million euro took place on 1 October 2017 under the same contract.

Likewise, during 2018, a sixth sale of performing loans for a total of 323 million euro took place on 1 October 2018.

During 2019, a seventh sale of performing loans for a total of 352 million euro took place on 1 December 2019, under the same contract.

During 2022, an eighth sale of performing loans for a total of 167 million euro took place on 1 November 2022, under the same contract.

During 2023, a ninth sale of performing loans for a total of 877 million euro took place on 1 November 2023, under the same contract.

These securitisations involved the sale of residential mortgages to the SPV, which was simultaneously granted a subordinated loan in order to settle the sale price. Since the Bank retains all the risks and benefits relating to those loans, the operations are not treated as a non-recourse sale pursuant to IFRS 9. These loans were not therefore derecognised.

The principal strategic objectives for this issue including equipping the Parent Company with instruments that can be placed on the market, even via public transactions. In addition, the activation of instruments of this type can contribute to:

- extending the maturities of funding and therefore strengthening its correlation with the medium/long-term loans granted;
- diversifying the long-term sources of funding;
- obtaining favourable conditions, with respect to those available via the routine placement of unsecured bonds.

A complex and detailed process has been established for complying with the related regulatory requirements. The process involves, in particular, calculating and monitoring the tests required by law and contracts, checking compliance with the requirements governing the suitability of the assets assigned, preparing the reports required by the regulations and the rating agency, and performing all the related control activities. Among the various counterparties involved for various reasons, BDO Italia Spa, the Independent Auditors and "asset monitor", is responsible for verifying the tests.

The operations are proceeding smoothly and no issues have emerged with respect to the contractual requirements.

The regulations also require assessment of the objectives, legal, reputational and other risks, and controls put in place by the corporate bodies responsible for strategic supervision and control.

The following information is provided about the bond issued by Banca Popolare di Sondrio S.p.A. for which the vehicle company, Popso Covered Bond s.r.l., acts as Guarantor:

Series and Class	Series 3
ISIN Code	IT0005568529
Issue date	24/10/2023
Maturity Date	24/10/2028
Extended maturity	24/10/2029
Currency	Euro
Amount	500,000,000
Type of rate	Fixed
Parameter	4.125%
Coupon	Annual
Applicable law	Italian

With regard to the first two series of bonds, it should be noted that they were fully redeemed at maturity.

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

The Group does not use internal portfolio models for the assessment of credit risk (VaR methodology).

1.2 Banking group - Market risk

1.2.1 Interest rate risk and price risk - trading book for supervisory purposes

QUALITATIVE INFORMATION

A. General aspects

For the Parent Company, reference should be made to the corresponding section of the Company's notes.

Factorit s.p.a., Sinergia Seconda S.r.l. and Banca della Nuova Terra s.p.a. are not exposed to rate and price risk inherent to the trading book, whereas Popso Covered Bond s.r.l., which is consolidated synthetically with the Parent Company, is included in the analysis carried out for the separate financial statements.

The subsidiary Banca Popolare di Sondrio (SUISSE) SA is not exposed to interest rate risk arising from the trading bond portfolio, as there are no operations of this kind in place. As regards the transactions in derivative instruments (derivatives in the strictest sense), the offices of the Swiss subsidiary occasionally arrange interest rate options and interest rate swaps in order to satisfy the hedging needs of customers; these are then matched with operations of opposite sign arranged with leading financial counterparties. Consequently, such transactions do not generate any risk.

The Swiss subsidiary is exposed to price risk for the contained units of UCI classified as “financial assets held for trading”.

A1. Impacts of rising interest rates

For the impacts deriving from the increase in interest rates, please refer to what is indicated for the Parent Company in the corresponding section of the Company's note, given that the subsidiaries' contributions are not material.

B. Management processes and measurement methods of interest rate risk and price risk

For the Parent Company, reference should be made to the corresponding section of the Company's notes.

At a consolidated level, as well as at a separate level, the internal processes for the measurement, control and management of trading book interest rate risk use two separate monitoring systems that are based respectively on:

- an internal model for the daily calculation of the Value at Risk (VaR), which is also used for the analysis of exposure to price risk;
- an analysis of sensitivity to interest rate based on the strategic Asset & Liability Management (ALM) methodologies detailed in section 1.2.2 below (interest rate risk and price risk of the banking book).

As regards the model based on the calculation of VaR, the Bank adopts an overall system of limits on the exposure to risks from financial assets at a consolidated level similar to what was explained in the notes to the separate financial statements, to which reference should be made also for the characteristics of the internal model used for calculating Value at Risk (VaR).

In particular, in addition to the financial instruments exposed to interest rate risk and price risk included in the Parent Company's trading book for supervisory purposes, the model used covers forward exchange rate contracts and derivatives in the strict sense (foreign exchange and commodity options) and the UCI units of the subsidiary.

With regard to the methodologies used to aggregate the various risk profiles, the aggregation is determined by calculating the VaR in a manner that takes account of the correlation between risk profiles, rather than by simple summation, such that the overall VaR is usually less than the sum of the partial VaRs.

As regards the second methodology, based on sensitivity analyses carried out through an Asset & Liability Management (ALM) procedure, please refer to the notes to the separate financial statements of the Company, where the “stress testing” activities are also explained. With regard to the results, please refer to the contents of the following paragraph (Quantitative information).

B1. Impacts of rising interest rates

Similarly to as set out in the corresponding section of the company's notes, the increase in interest rates by central banks starting in the latter part of 2022 and continuing during 2023, while representing an element of uncertainty, did not affect the VaR measures, which were lower than last year, nor did it undermine the segment's profitability. There were no breaches in the year in the system of risk exposure limits insisting on the set of instruments held for trading purposes ("trading book").

QUANTITATIVE INFORMATION

1. Regulatory trading book: distribution by residual maturity (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives

Currency: EURO

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	Over 1 year to 5 years	From over 5 years to 10 years	Over 10 years	Unspecified duration
1. Cash assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**4,042,356**	**535,956**	**408,931**	**1,290,337**	**518,102**	**4,784**	**-**
3.1 With underlying securities	-	156	9	-	-	-	-	-
- Options	-	156	9	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	156	9	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	4,042,200	535,947	408,931	1,290,337	518,102	4,784	-
- Options	-	103,470	112,912	260,410	1,101,710	501,520	1,758	-
+ Long positions	-	51,735	56,456	130,205	550,855	250,760	879	-
+ Short positions	-	51,735	56,456	130,205	550,855	250,760	879	-
- Other derivatives	-	3,938,730	423,035	148,521	188,627	16,582	3,026	-
+ Long positions	-	3,132,207	202,546	79,933	94,316	8,291	1,513	-
+ Short positions	-	806,523	220,489	68,588	94,311	8,291	1,513	-

1. Regulatory trading book: distribution by residual maturity (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives

Currency: OTHER CURRENCIES

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	Over 1 year to 5 years	From over 5 years to 10 years	Over 10 years	Unspecified duration
1. Cash assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**4,267,893**	**227,746**	**134,465**	**14,308**	**-**	**-**	**-**
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	4,267,893	227,746	134,465	14,308	-	-	-
- Options	-	24,104	29,060	53,468	3,820	-	-	-
+ Long positions	-	12,052	14,530	26,734	1,910	-	-	-
+ Short positions	-	12,052	14,530	26,734	1,910	-	-	-
- Other derivatives	-	4,243,789	198,686	80,997	10,488	-	-	-
+ Long positions	-	934,711	101,063	42,109	5,244	-	-	-
+ Short positions	-	3,309,078	97,623	38,888	5,244	-	-	-

2. Supervisory trading book: distribution of exposures in equity securities and equity indices for the main countries of the listing market

Type of transactions/Listing index	Listed						Unlisted
	ITALY	FRANCE	SPAIN	NETHERLANDS	GERMANY	OTHER COUNTRIES	
A. Equity securities							
- long positions	14,521	3,523	1,362	1,136	5,896	1,813	580
- short positions	-	-	-	-	-	-	-
B. Purchase/sale transactions not yet settled in equity securities							
- long positions	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-
C. Other derivatives on equity securities							
- long positions	18	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-
D. Derivatives on stock indices							
- long positions	-	-	-	-	-	-	-
- short positions	6,448	-	-	-	-	-	-

3. Trading book for supervisory purposes – internal models and methodologies for the analysis of sensitivity

Here we show the year-end figures for VaR split between rate risk and price risk, and between transactions explicitly foreseen in tables above and other transactions for which the calculation is carried out in any case.

Value at Risk (VaR), end of period

	(in thousands of euro)
1. **Cash assets**	**–**
1.1 Debt securities	–
1.2 Other assets	–
2. **Cash liabilities**	**–**
2.1 Repurchase agreements	–
2.2 Other liabilities	–
3. **Financial derivatives**	**139**
3.1 With underlying securities	–
- Options	–
+ Long positions	–
+ Short positions	–
- Other derivatives	–
+ Long positions	–
+ Short positions	–
3.2 Without underlying securities	139
- Options	0
+ Long positions	65
+ Short positions	82
- Other derivatives	139
+ Long positions	291
+ Short positions	255
Total interest rate risk	**139**
A. Equity securities	**551**
- Long positions	551
- Short positions	–
B. Purchase/sale transactions not yet settled in equity securities	–
- Long positions	–
- Short positions	–
C. Other derivatives on equity securities	**120**
- Long positions	120
- Short positions	–
D. Derivatives on stock indices	**87**
- Long positions	–
- Short positions	87
Total Price risk transactions tab.2	**567**
Mutual funds	**804**
Total Price risk	**1,325**
Global trading (net of exchange and commodities)	**1,280**

Interest-rate risk

Information on average, minimum and maximum VaR is provided below.

Interest rate Value at Risk (VaR)

	(in thousands of euro)
Medium	492
Minimum	125
Maximum	1,937

With regard to the distribution of VaR during the year, the average, total, general and specific interest rate VaR for each of the twelve months in 2023 is shown below.

January	627
February	570
March	877
April	830
May	518
June	483
July	439
August	345
September	368
October	415
November	267
December	161

With reference to the debt securities included in the management trading portfolio, the number of days in which the actual losses exceeded the VaR was 2 out of 48 total observations. There was no exceedance with regard to theoretical losses and theoretical model losses.

With reference to debt securities in the regulatory trading book (not present at the end of 2023), forward exchange rate contracts, interest rate options and interest rate swaps (excluding the interest rate swaps used by the Parent Company to hedge the interest rate risk arising from the disbursement of fixed-rate loans "Macro Fair Value Hedging" and the interest rate swaps that the Parent Company enters into with primary financial counterparties to hedge similar interest rate swaps that Banca Popolare di Sondrio (SUISSE) SA enters into with the Parent Company to hedge the loans disbursed by the subsidiary), we report below the data from the ALM procedure, similar to those reported in section 1.2.2 below for the banking book. Please note that the outcomes below refer to the hypothetical rate movement scenarios in use for the monthly risk analyses, including:

- the six scenarios described in the "Regulatory Technical Standards EBA/RTS/2022/10";
- two hypothetical scenarios for the shift of rates aimed respectively at capturing future market expectations ("ongoing") and specific particularly adverse situations that have occurred in the past ("historical").

Effects of a change in interest rates over a twelve-month period on the future net interest income.

Future net interest income means the difference between future interest income and future interest expense, calculated on existing transactions and on transactions to be settled on the reference date, possibly renewed while maintaining constant volumes.

The figures given below do not include the effects generated by forward contracts on exchange rates.

In thousands of euro Exposure to risk	Change in net interest income **from 01/01/2023 to 31/12/2023** at the end of the period	average	minimum	maximum	**31/12/2022**
shock up parallel shift	991	1,070	645	1,331	543
shock down parallel shift	-689	-878	-1,168	-583	-440
steepener shock shift	-432	-500	-644	-293	-224
flattener shock shift	669	727	421	908	359
short shock up shift	931	1,008	590	1,258	502
short shock down shift	-662	-834	-1,110	-535	-359
ongoing shift	-496	-315	-525	-6	27
Historical	1,584	976	600	1,584	501
Worst case scenario	-689	-878	-1,168	-583	-440

Effects of a change in interest rates on the future profit over a twelve-month period.

Future profit means the difference between future revenues and future costs calculated on existing transactions and on transactions to be settled on the reference date, possibly renewed while maintaining constant volumes.

The figures given below do not include the effects generated by forward contracts on exchange rates.

In thousands of euro Exposure to risk	Change in profit **from 01/01/2023 to 31/12/2023** at the end of the period	average	minimum	maximum	**31/12/2022**
shock up parallel shift	991	920	-1,039	1,262	543
shock down parallel shift	-689	-710	-1,091	1,302	-440
steepener shock shift	-432	-511	-644	-293	-224
flattener shock shift	669	713	305	896	359
short shock up shift	931	950	-23	1,226	502
short shock down shift	-662	-774	-1,076	103	-394
ongoing shift	-496	-306	-525	103	27
Historical	1,584	789	-1,550	1,584	501
Worst case scenario	-689	-774	-1550	-293	-440

Effects of a change in interest rates on equity.

Equity means the difference between the current value of asset and liability items calculated on existing transactions and on the transactions to be settled at the reference date in the event of inertial volumes.

In thousands of euro Exposure to risk	Change in equity value from 01/01/2023 to 31/12/2023 at the end of the period	average	minimum	maximum	**31/12/2022**
shock up parallel shift	434	1,803	101	2,433	1,614
shock down parallel shift	-24	-1,560	-2,098	103	-1,532
steepener shock shift	478	-299	-444	478	-47
flattener shock shift	-321	634	-321	877	340
short shock up shift	-132	1,122	-132	1,532	781
short shock down shift	372	-1,010	-1,363	372	-726
ongoing shift	378	-335	-517	378	-34
Historical	-2,713	1,796	-2,713	2,729	1,883
Worst case scenario	-2,713	-1589	-2,713	103	-1,532

Price risk

Information on average, minimum and maximum VaR is provided below.

Price Value at Risk (VaR)

	(in thousands of euro)
Medium	2,415
Minimum	1,210
Maximum	3,539

As regards the distribution of VaR during the year, we indicate below the average value of the price VaR in each of the twelve months of 2023.

January	2,672
February	2,421
March	2,815
April	3,420
May	2,942
June	2,812
July	2,533
August	1,994
September	1,907
October	2,010
November	2,096
December	1,405

With regard to equities and mutual funds in the management trading book, there were no days on which actual losses, theoretical losses and theoretical model losses exceeded the VaR out of 254 total observations.

1.2.2 Interest rate risk and price risk - Banking book

QUALITATIVE INFORMATION

A. General aspects, management and measurement of interest rate risk and price risk

For the Parent Company, reference should be made to the corresponding section of the Company's notes.

For Factorit S.p.a., interest rate risk is caused by the different times and methods used in repricing the interest rate on assets and liabilities. The presence of diversified fluctuations in interest rates leads to a variation in the expected net interest income, as well as a change in the present value of the assets and liabilities; this in turn alters the economic value of the items at risk. Note that the characteristics of Factorit's assets and liabilities mean that the impact of a change in market rates on the present value of its assets and liabilities is quite marginal. The high level of rotation of the loans and receivables and the fact that the funding is exclusively short-term, which ensure frequent repricings very close to each other, make it possible to maintain lending and funding terms in line with current market conditions.

Banca della Nuova Terra s.p.a. is exposed to interest rate risk linked to its lending operations to customers and to its limited investment in securities, partially offset by fixed-term deposits with the Parent Company.

For Sinergia Seconda s.r.l., there are limited exposures to interest rate risk linked to current account relationships with the Parent Company while Popso Covered Bond s.r.l., consolidated synthetically with the Parent Company, contributes, albeit minimally, to the exposures included in the analyses carried out for the company's financial statements.

At the investee company Banca Popolare di Sondrio (SUISSE), the main source of interest rate risk is represented by fixed-rate lending transactions (mortgages), maturity funding transactions from banks and on-demand funding transactions from customers with appropriate maturity modelling.

From a Group perspective, the internal processes for measuring, controlling and managing the interest rate risk of the banking book make use of two separate monitoring systems managed by the Parent Company, using an integrated database at consolidated level, based respectively on:

- an internal model for the daily calculation of the Value at Risk (VaR), which is also used for the analysis of exposure to price risk;
- an analysis of sensitivity to interest rate risk based on the strategic Asset & Liability Management (ALM) methodologies.

The daily calculation of VaR is used to monitor the consolidated financial assets classified as “other financial assets mandatorily measured at fair value” and the “financial assets measured at fair value through other comprehensive income”, excluding the investments made by the pension funds; the internal process for the control and management of interest rate and price risk, as well as the related methodology, are much the same as those detailed in the company's notes. As already indicated in the corresponding section of the Notes, for “financial assets measured at amortised cost”, a risk metric is in force that is more representative of the typical risk profile of this type of investment.

The analysis of sensitivity using strategic ALM methodologies read the corresponding section of the notes. Similarly, the internal interest rate risk management and control processes adopt a system of indicators that hinges on a first group of metrics made up of two indicators on a consolidated basis known as the “primary” with four threshold levels defined by the Board of Directors in scope of the Risk Appetite Framework; on a second group of summary metrics made up of two so-called “complementary” risk indicators whose respective threshold systems are defined by the Board of Directors as part of the Risk Appetite Framework on a consolidated basis and on a third group of metrics made up of ten so-called “operational” risk indicators whose limits are established by the Risks Committee, in line with the risk appetite established by the board. The first indicator belonging to the first group of metrics is the “Supervisory Outlier Test on EVE” described in the “Final report on guidelines on the management of interest rate risk and credit spread risk arising from non-trading book activities” published on 20 October 2022 by the European Banking Authority and in the “Regulatory Technical Standards EBA/RTS/2022/10”. The second indicator, described by the same documents, is the “Supervisory Outlier Test on NII”. The first indicator in the second set of metrics monitors the exposure to interest-rate risk of the banking book by assigning a value limit to the percentage ratio of the minimum between the change in equity and zero, expressed in absolute terms, and total Tier 1 capital. The change in the value of equity is obtained through the Sensitivity Analysis in Full Evaluation method, under inertial conditions, and considering the smallest change in the value of equity by simulating the six scenarios described in the Regulatory Technical Standards EBA/RTS/2022/10. The second “complementary” indicator monitors the exposure to interest-rate risk of the banking book calculating the percentage ratio of the minimum between the change in profit over a one-year time horizon and zero, expressed in absolute terms, and total Tier 1 capital. The change in profit is obtained by considering the smallest change in profit obtained in the six scenarios described in the “Regulatory Technical Standards EBA/RTS/2022/10” and resulting from the contribution given by the change in net interest income using the “Interactive Simulation” method under static conditions with constant volumes and the change in value of instruments with an impact on the income statement or balance sheet - securities classified in the accounting categories “financial assets measured at fair value through other comprehensive income” (FVOCI) and “other financial assets mandatorily measured at fair value” (FVTPLM) - calculated using the “Sensitivity Analysis in Full Evaluation” method, assuming previous movements of the reference curves. The denominator coincides with the total Tier 1 capital. The first and second indicators of the third group of metrics are calculated respectively as the percentage ratio between the change in value of balance sheet assets, and as the percentage ratio between the change in value of balance sheet liabilities, transformed into absolute terms, and total Tier 1 capital. Changes in the value of assets and liabilities in the financial statements are obtained through the “Sensitivity Analysis in Full Evaluation” method, under inertial conditions, with simulation of the movement of the reference curves in the “parallel shock up” scenario described in the “Regulatory Technical Standards EBA/RTS/2022/10”. The third and fourth indicators of the third group of metrics are calculated respectively as the percentage ratio between the change in value of balance sheet assets, and as the percentage ratio between the change in value of balance sheet liabilities, transformed into absolute terms, and total Tier 1 capital. Changes in the value of assets and liabilities in the financial statements are obtained through the “Sensitivity Analysis in Full Evaluation” method, under inertial conditions, with simulation of the movement of the reference curves in the “parallel shock down” scenario described in the “Regulatory Technical Standards EBA/RTS/2022/10”. The fifth indicator of the third group of metrics is calculated by assigning a limit value to the percentage quotient between the minimum between the change in value of net assets and zero, transformed into absolute terms, and the total of the Tier 1 capital. The change in value of equity is obtained through the Sensitivity Analysis in Full Evaluation method, under inertial conditions, and considering the change in value of the simulated shareholders' equity in the so-called “ongoing” management scenario aimed at capturing future market expectations, respectively. The sixth and seventh “operational” indicators are calculated respectively as the percentage ratio between the minimum between the change in the net interest income and zero, transformed into absolute terms, and the total Tier 1 capital. The change in net interest income is obtained by using the “Interactive Simulation” method, over a time horizon of one year, with simulation of the movement of the reference curves in the “parallel shock up” and “parallel shock down” scenarios described in the “Regulatory Technical Standards EBA/RTS/2022/10” respectively. The eighth and ninth “operational” indicators are calculated respectively as the percentage ratio between the change in value of instruments with an impact on the income statement or balance sheet - securities classified in the accounting categories “financial assets measured at fair value through other comprehensive income' (FVOCI) and “other financial assets mandatorily measured at fair value” (FVTPLM) - calculated through the “Sensitivity Analysis in Full Evaluation” method and total Tier 1 capital. This change in value is obtained by assuming movements of the reference curves in the “parallel shock up” and “parallel shock down” scenarios described in the “Regulatory Technical Standards EBA/RTS/2022/10” respectively. The tenth indicator of the third group of metrics is obtained by calculating the percentage quotient between the minimum between the change in profit over a time horizon of one year and zero, transformed into absolute terms, and the total Tier 1 capital. The change in profit is obtained by simulating the so-called “ongoing” management scenario, aimed at capturing future market expectations respectively, and is from the contribution given by the change in net interest income using the “Interactive Simulation” method under static conditions with constant volumes and the change in value of instruments with an impact on the income statement or balance sheet - securities classified in the accounting categories “financial assets measured at fair value through other comprehensive income” (FVOCI) and “other financial assets mandatorily measured at fair value” (FVTPLM) - calculated using the “Sensitivity Analysis in Full Evaluation” method, assuming the previous movement of the reference curves. The denominator coincides with the total Tier 1 capital.

These indicators are monitored monthly, with the exception of the two indicators relating to the “Supervisory Outlier Test” for which monitoring is quarterly.

The process of monitoring interest-rate risk in relation to the banking book is supported by the preparation of suitable internal information, covering both the situation at specific dates and trends. This information is provided to the competent bodies and functions, either on request or with a fixed frequency, together with the risk analyses and measurements carried out.

With regard to the activity of “stress testing” reference should be made to the corresponding section of the company's notes to the financial statements.

The source of price risk for Banca Popolare di Sondrio (SUISSE) SA lies in equity securities and mutual funds shown under “other financial assets mandatorily measured at fair value” or “financial assets measured at fair value through other comprehensive income”.

The measurement and control of price risk essentially involves application of a Parent Company's internal model for the calculation of Value at Risk (VaR) with the characteristics described in corresponding section of the notes.

With regard to the monitoring of investments, the model used covers the equity investments of the Parent Company, excluding investments in Banca Popolare di Sondrio (SUISSE) SA, Factorit s.p.a., Popso Covered Bond s.r.l., Sinergia Seconda s.r.l. and Banca della Nuova Terra s.p.a.; there is also the equity security owned by the Swiss subsidiary classified as “Equity investments”.

A1. Impacts of rising interest rates

Similarly to what is shown in the corresponding section of the note, there was a gradual reduction in risk measures compared to last year, especially from the second half of the year as markets began to discount expectations of an imminent easing of monetary policy restrictions by central banks. There were no violations in the year in the limit system based on the risk exposure on the set of financial instruments in the banking book.

B. Fair value hedging

For the Parent Company, reference should be made to the corresponding section of the Company's notes.

Loans of significant amounts with similar characteristics granted by the subsidiary Banca Popolare di Sondrio (SUISSE) SA are normally hedged against rate risk by arranging interest-rate swaps (IRS) via the Parent Company.

C. Cash flow hedging

The Group has not carried out cash flow hedging operations.

QUANTITATIVE INFORMATION

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

Currency: OTHER CURRENCIES

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	Over 1 year to 5 years	From over 5 years to 10 years	Over 10 years	Unspecified duration
3. Financial derivatives	**-**	**5,182**	**52**	**-**	**3,888**	**-**	**-**	**-**
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	5,182	52	-	3,888	-	-	-
- Options	-	1,294	52	-	-	-	-	-
+ Long positions	-	647	26	-	-	-	-	-
+ Short positions	-	647	26	-	-	-	-	-
- Other derivatives	-	3,888	-	-	3,888	-	-	-
+ Long positions	-	3,888	-	-	-	-	-	-
+ Short positions	-	-	-	-	3,888	-	-	-
4. Other off-balance sheet transactions	**106,732**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ Long positions	53,366	-	-	-	-	-	-	-
+ Short positions	53,366	-	-	-	-	-	-	-

This table only shows financial derivatives as an interest rate risk sensitivity analysis based on internal models is provided for cash assets and liabilities.

2. Banking book: internal models and other sensitivity analysis methods

Interest-rate risk

With reference to the assets and liabilities that generate the net interest income - except for the debt securities held in the trading book for supervisory purposes (none at the end of 2022), forward contracts on exchange rates, options on interest rates and interest rate swaps, as the information on these is disclosed in the section on the trading book for supervisory purposes – as defined in the paragraph in this section on qualitative information, the following are the figures taken from the ALM procedure.

Please note that the outcomes below refer to the hypothetical rate movement scenarios in use for the monthly risk exposure analyses, including:

– the six scenarios described in the "Regulatory Technical Standards EBA/RTS/2022/10";
– two hypothetical scenarios for the shift of rates aimed respectively at capturing future market expectations ("ongoing") and specific particularly adverse situations that have occurred in the past ("historical").

An updated version of the behavioural models relating to on-demand items receivable and payable was adopted at the end of the period of 31/12/2023.

Effects of a change in interest rates over a twelve-month period on the future net interest income.

Future net interest income means the difference between future interest income and future interest expense, calculated on existing transactions and on transactions to be settled on the reference date, possibly renewed while maintaining constant volumes.

	Change in net interest income				
	from 01/01/2023 to 31/12/2023				
In thousands of euro Exposure to risk	at the end of the period	average	minimum	maximum	**31/12/2022**
shock up parallel shift	94,138	16,232	-59,256	94,138	18,849
shock down parallel shift	-70,248	9,571	-70,248	79,059	-2,184
steepener shock shift	-6,334	37,354	-6,334	72,609	34,468
flattener shock shift	39,358	-15,036	-57,403	39,358	-16,781
short shock up shift	67,879	-7,244	-69,295	67,879	-7,924
short shock down shift	-39,866	35,873	-39,866	91,116	25,291
ongoing shift	-19,094	3,323	-19,688	32,021	894
Historical	109,431	81,230	-14,537	140,954	100,489
Worst case scenario	-70,248	-15,036	-70,248	27,597	-17,937

Effects of a change in interest rates on the future profit over a twelve-month period.

Future profit means the difference between future revenues and future costs calculated on existing transactions and on transactions to be settled on the reference date, possibly renewed while maintaining constant volumes.

	Change in profit				
	from 01/01/2023 to 31/12/2023				
In thousands of euro Exposure to risk	at the end of the period	average	minimum	maximum	**31/12/2022**
shock up parallel shift	30,383	-54,030	-133,272	30,383	-48,933
shock down parallel shift	5,382	91,160	5,382	164,486	78,293
steepener shock shift	10,761	54,252	10,761	93,079	45,839
flattener shock shift	12,232	-43,205	-89,689	12,232	-38,960
short shock up shift	22,301	-55,600	-119,860	22,301	-50,047
short shock down shift	7,699	86,255	7,699	143,814	69,167
ongoing shift	3,969	16,834	-5,629	50,637	-2,920
Historical	29,054	7,773	-91,678	73,160	28,932
Worst case scenario	3,969	-55,600	-133,272	9,728	-50,047

Effects of a change in interest rates on equity.

Equity means the difference between the current value of asset and liability items calculated on existing transactions and on the transactions to be settled at the reference date in the event of inertial volumes.

	Change in equity value				
	from 01/01/2023 to 31/12/2023				
In thousands of euro Exposure to risk	at the end of the period	average	minimum	maximum	**31/12/2022**
shock up parallel shift	111,892	-62,327	-113,070	111,892	-104,886
shock down parallel shift	-126,987	82,333	-126,987	147,944	131,642
steepener shock shift	148,148	133,011	113,843	149,267	129,199
flattener shock shift	-63,195	-105,501	-132,158	-63,195	-116,647
short shock up shift	-18,967	-116,498	-153,175	-18,967	-137,922
short shock down shift	98,114	155,639	98,114	193,638	165,310
ongoing shift	-12,834	17,492	-12,834	42,416	-24,255
Historical	43,350	-29,727	-78,864	43,350	-58,300
Worst case scenario	-126,987	-116,498	-153,175	-63,195	-137,922

With respect to debt securities classified as “financial assets mandatorily measured at fair value”, “financial assets measured at fair value through other comprehensive income”, information on the average, minimum and maximum VaR is given below.

Interest rate Value at Risk (VaR)

	(in thousands of euro)
Medium	10,037
Minimum	4,466
Maximum	16,037

With regard to the distribution of VaR during the year, the average interest rate VaR for each month in 2023 is shown below.

January	15,623
February	14,934
March	14,763
April	13,652
May	11,901
June	9,140
July	8,276
August	7,981
September	7,561
October	6,440
November	5,479
December	4,862

Price risk

With reference to the closing date, we report above all the VaR figures of equity securities (shares and mutual funds) classified as "other financial assets mandatorily measured at fair value" or "financial assets measured at fair value through other comprehensive income", net of any investments servicing pensions and similar obligations of employees and real estate funds, as well as the figure for investments.

Value at Risk (VaR), end of period

	(in thousands of euro)
Equity securities	1,432
Mutual funds	1,746
Total	**3,052**
Equity investments	**4,283**

The following information is provided about the average, minimum and maximum VaR regarding the equity securities (shares and mutual funds) classified among the "other financial assets mandatorily measured at fair value" and the "financial assets measured at fair value through other comprehensive income", excluding any relevant investments by the pension and real estate funds.

Price Value at Risk (VaR)

	(in thousands of euro)
Medium	5,165
Minimum	3,012
Maximum	7,362

With regard to the distribution of VaR during the year, the average VaR for each month in 2023 is presented below.

January	7,063
February	6,861
March	6,386
April	6,172
May	5,933
June	5,481
July	4,977
August	4,255
September	3,980
October	3,769
November	3,753
December	3,417

1.2.3 Exchange risk

QUALITATIVE INFORMATION

A. General aspects, management and measurement of exchange risk

For the Parent Company, reference should be made to the corresponding section of the Company's notes.

Exchange risk is marginal for Factorit s.p.a., given the company's policy of systematic hedging of foreign currency amounts. This risk mainly exists, but for limited volumes, in: commissions and interest income not offset by interest expense expressed in currencies other than the euro, as well as guarantees in foreign currency for transactions in euro. Sinergia Seconda S.r.l., Popso Covered Bond S.r.l. and Banca della Nuova Terra S.p.a. are not exposed to exchange risk, as they do not have assets or liabilities in foreign currencies.

Except with regard to securities held in its proprietary portfolio, Banca Popolare di Sondrio (SUISSE) SA enters into currency transactions to satisfy customers' requirements and to cover transitory treasury mismatches.

The measurement and control of exchange risk at year-end essentially involves application of the Parent Company's internal model for the calculation of Value at Risk (VaR) with the characteristics described in the corresponding section of the Company's notes.

In particular, the model used covers the financial instruments exposed to exchange risk included in the Parent Company's investment book and all assets and liabilities in foreign currency (excluding gold), on and off the balance sheet, pertaining to the subsidiaries, which are shown on table 1 below. Any intercompany relations are eliminated.

The forward contracts on exchange rates, financial derivatives (in a strict sense), debt securities and equity securities are treated analytically, whereas the overall difference of the other items by individual currency is treated as a deposit (positive or negative) with a maturity of one day.

As of the end of September 2023, a management monitoring system dedicated to foreign exchange positions of a structural nature will be introduced, with the same features described in the corresponding section of the company's notes.

A1. Impacts of rising interest rates

Given that the predominantly commercial nature of transactions in foreign currencies, the considerations set out in the corresponding section of the company's note apply.

At the level of risk, the limited impacts of the events analysed are confirmed, thanks to the policy to limit open positions in foreign currency, and there were no episodes of violation of the respective limit. There was some increase in risk at the end of the year due to the strengthening of the Swiss franc.

B. Hedging of exchange risk

For the Parent Company, reference should be made to the corresponding section of the Company's notes.

For the Swiss subsidiary, operations are homogeneous with that carried out by the Parent Company. The subsidiary's Exchange Office administers the positions and matches the exchange risk in the interbank market, while maintaining residual exposures within the limits established in the internal regulations.

QUANTITATIVE INFORMATION

1. Distribution of assets, liabilities and derivatives by foreign currency

	Currency					
Items	US Dollar	Pound Sterling	Japanese Yen	Swiss Franc	Canadian Dollar	Other currencies
A. Financial assets	**900,348**	**75,700**	**29,136**	**6,657,007**	**38,867**	**124,136**
A.1 Debt securities	11,110	-	-	15,686	-	-
A.2 Equity securities	22,652	-	1,482	20,108	-	705
A.3 Loans to banks	346,267	44,955	24,155	15,419	38,768	122,023
A.4 Loans to customers	505,161	29,911	3,194	5,821,248	1	926
A.5 Other financial assets	15,158	834	305	784,546	98	482
B. Other assets	**11,697**	**1,500**	**289**	**107,215**	**386**	**1,558**
C. Financial liabilities	**1,167,041**	**88,550**	**26,382**	**3,561,553**	**40,167**	**127,071**
C.1 Due to banks	275,685	33,222	1,155	927,825	850	34,537
C.2 Due to customers	891,356	55,328	25,227	2,526,820	39,317	92,534
C.3 Debt securities	-	-	-	66,197	-	-
C.4 Other financial liabilities	-	-	-	40,711	-	-
D. Other liabilities	**26,927**	**32**	**-**	**379,518**	**-**	**58**
E. Financial derivatives	**1,744,918**	**31,141**	**21,125**	**2,711,260**	**3,993**	**131,831**
- Options	110,791	-	81	252	-	-
+ Long positions	55,566	-	81	252	-	-
+ Short positions	55,225	-	-	-	-	-
- Other derivatives	1,634,127	31,141	21,044	2,711,008	3,993	131,831
+ Long positions	969,795	19,753	9,031	13,754	2,427	67,621
+ Short positions	664,332	11,388	12,013	2,697,254	1,566	64,210
Total assets	**1,937,406**	**96,953**	**38,537**	**6,778,228**	**41,680**	**193,315**
Total liabilities	**1,913,525**	**99,970**	**38,395**	**6,638,325**	**41,733**	**191,339**
Net balance (+/-)	**23,881**	**(3,017)**	**142**	**139,903**	**(53)**	**1,976**

2. Internal models and other methodologies for the analysis of sensitivity

With reference to the closing date, we report above all the VaR figures split between the transactions explicitly foreseen in table 1 and the other transactions on which the calculation is carried out.

Value at Risk (VaR), end of period

	(in thousands of euro)
Debt securities	579
Equity securities	559
Net balance between other assets and liabilities	21,208
Financial derivatives	30,467
- Options	–
+ Long positions	642
+ Short positions	320
- Other derivatives	30,467
+ Long positions	32,884
+ Short positions	7,170
Total transactions table 1	**1,761**
- Interest Rate Swap	1
+ Long positions	1
+ Short positions	–
Total	**1,760**
Details of the principal currencies	
US Dollar	1,028
Pound Sterling	18
Japanese Yen	12
Swiss Franc	819
Canadian Dollar	1
Other currencies	4
Total	**1,760**
Structural exchange position	**1,128**

Information on average, minimum and maximum VaR is provided below.

Exchange rate Value at Risk (VaR)

	(in thousands of euro)
Medium	2,868
Minimum	485
Maximum	4,465

As regards the distribution of VaR during the year, we indicate below the average value of the currency VaR in each of the twelve months of 2023.

January	3,124
February	3,393
March	3,577
April	4,208
May	3,914
June	3,300
July	3,061
August	2,979
September	2,705
October	1,024
November	1,097
December	2,138

1.3 Derivative instruments and related hedging policy

1.3.1. Trading derivatives

A. Financial derivatives

A.1 Trading financial derivatives: period-end notional amounts

	31/12/2023				31/12/2022			
	Over the counter				Over the counter			
		Without central counterparties				Without central counterparties		
Underlying assets/Types of derivatives	Central counterparties	With settlement agreements	Without settlement agreements	Organised markets	Central counterparties	With settlement agreements	Without settlement agreements	Organised markets
1. Debt securities and interest rates	**-**	**-**	**530,840**	**-**	**-**	**-**	**1,465,683**	**-**
a) Options	-	-	83,076	-	-	-	46,345	-
b) Swaps	-	-	447,764	-	-	-	1,419,338	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and stock indices	**-**	**-**	**106,858**	**-**	**-**	**-**	**108,818**	**-**
a) Options	-	-	106,858	-	-	-	108,818	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currency and gold	**-**	**-**	**3,928,900**	**-**	**-**	**-**	**4,615,949**	**-**
a) Options	-	-	145,073	-	-	-	155,572	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	3,783,827	-	-	-	4,460,377	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**29,853**	**-**	**-**	**-**	**54,242**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**4,596,451**	**-**	**-**	**-**	**6,244,692**	**-**

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

Types of derivatives	Total 31/12/2023				Total 31/12/2022			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With settlement agreements	Without settlement agreements			With settlement agreements	Without settlement agreements	
1. Positive fair value								
a) Options	-	-	3,057	-	-	-	4,116	-
b) Interest rate swaps	-	-	7,469	-	-	-	15,291	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	11,977	-	-	-	42,182	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	214	-	-	-	1,772	-
Total	**-**	**-**	**22,717**	**-**	**-**	**-**	**63,361**	**-**
2. Negative fair value								
a) Options	-	-	2,444	-	-	-	3,446	-
b) Interest rate swaps	-	-	6,235	-	-	-	13,282	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	60,703	-	-	-	97,416	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	195	-	-	-	1,727	-
Total	**-**	**-**	**69,577**	**-**	**-**	**-**	**115,871**	**-**

A.3 OTC trading financial derivatives - notional values, positive and negative gross fair value by counterparty

Underlying assets	Central counterparties	Banks	Other financial corporations	Other parties
Contracts which are not part of settlement agreements				
1) Debt securities and interest rates				
- notional value	-	270,216	224	260,401
- positive fair value	-	7,334	-	1,035
- negative fair value	-	1,016	4	6,098
2) Equity securities and stock indices				
- notional value	-	106,858	-	-
- positive fair value	-	661	-	-
- negative fair value	-	68	-	-
3) Currency and gold				
- notional value	-	3,342,309	7,522	579,069
- positive fair value	-	4,749	24	8,701
- negative fair value	-	58,499	55	3,642
4) Commodities				
- notional value	-	14,926	-	14,926
- positive fair value	-	155	-	58
- negative fair value	-	50	-	145
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
Contracts which are part of settlement agreements				
1) Debt securities and interest rates				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity securities and stock indices				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currency and gold				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC financial trading derivatives: notional values

Underlying/Residual life	Up to 1 year	1 to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	212,086	239,056	79,698	530,840
A.2 Financial derivatives on equity securities and stock indices	106,858	-	-	106,858
A.3 Financial derivatives on currencies and gold	3,911,896	17,004	-	3,928,900
A.4 Financial derivatives on commodities	29,853	-	-	29,853
A.5 Other financial derivatives	-	-	-	-
Total 31/12/2023	**4,260,693**	**256,060**	**79,698**	**4,596,451**
Total 31/12/2022	**5,777,168**	**410,424**	**57,100**	**6,244,692**

B. Credit derivatives

There were no credit derivatives at the reporting date.

1.3.2 Accounting hedges

QUALITATIVE INFORMATION

On first-time application of IFRS 9, the Group exercised the option provided by the standard to continue to fully apply the rules of IAS 39 for each type of hedging (micro and macro). Therefore, the provisions of IFRS 9 on hedging do not apply.

A. Fair value hedging

For the Parent Company, reference should be made to the corresponding section of the Company's notes. Loans of non-significant amounts with similar characteristics granted by the subsidiary Banca Popolare di Sondrio (SUISSE) SA are normally hedged against rate risk by arranging interest-rate swaps (IRS) via the Parent Company. The purpose of hedging the interest rate risk is to realign differences in the banking book caused by changes in the fair value of loans to customers due to changes in the interest rate curve (interest rate risk).

The derivatives are not listed on regulated markets, but traded in the context of OTC circuits.

B. Cash flow hedging

The Group has not carried out cash flow hedging operations.

C. Hedges of foreign investments

The Group did not carry out hedging operations on foreign investments.

D. Hedging Instruments

Generally speaking, in the hypothesis of "fair value hedges", the sources of ineffectiveness of a hedging relationship, during its period of validity, can be related to:

- mismatch between the notional amount of the derivative and the underlying hedged item recognised at the time of the initial designation or generated thereafter, such as in the case of partial loan repayments;
- inclusion of the value of the variable leg of the hedging derivative in the effectiveness test.

During the year, no elements were found that might have caused the hedges to be ineffective, giving the possibility of continuing to apply the hedge accounting rules.

During the year the group did not use dynamic hedges, as defined by IFRS 7, paragraph 23C.

E. Elements hedged

Fixed-rate loans

The Banca Popolare di Sondrio Group currently has accounting hedges, macro fair value hedge type, on fixed rate loans through the use of plain vanilla IRSs to hedge the interest rate risk for the entire duration of the underlying.

The portfolio of hedged fixed-rate loans is open-ended, i.e. it is dynamically made up of the fixed-rate instruments managed at an aggregate level through the hedging derivatives entered into over time.

The effectiveness of the Macro Fair Value Hedge (MFVH) on fixed-rate loans is periodically verified on the basis of specific prospective and retrospective tests. The prospective test aims to verify that for each time interval defined by the Bank, the sensitivity of the underwritten hedging transactions (approximated by the “meta-loan” developed on the basis of the fixed leg of the derivative) is lower than the sensitivity of the hedged loans. This is intended to ensure that derivative instruments entered into for hedging purposes do not create overhedging for specific maturity intervals. The retrospective tests, on the other hand, on the one hand aim at verifying that within the potential hedging perimeter a sub-portfolio is identified and that this sub-portfolio presents a Delta Present Value higher than the Delta Present Value of the meta-loan, on the other hand, it is periodically verified, throughout the life of the transaction, that the ratio of the change in fair value of the hedged item to the hedging instrument is within the range 80%-125%.

For the subsidiary Banca Popolare di Sondrio (SUISSE) SA, loans are also hedged against the risk of interest rate fluctuations by entering into IRS contracts.

QUANTITATIVE INFORMATION

A. Hedging financial derivatives

A.1 Hedging financial derivatives: period-end notional amounts

Underlying assets/Types of derivatives	Total 31/12/2023				Total 31/12/2022			
	Over the counter				Over the counter			
		Without central counterparties				Without central counterparties		
	Central counterparties	With settlement agreements	Without settlement agreements	Organised markets	Central counterparties	With settlement agreements	Without settlement agreements	Organised markets
1. Debt securities and interest rates	**-**	**-**	**64,002**	**-**	**-**	**-**	**102,717**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	64,002	-	-	-	102,717	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and stock indices	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currency and gold	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**64,002**	**-**	**-**	**-**	**102,717**	**-**

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

	Positive and negative fair value								Change in value used to recognise hedge ineffectiveness	
	Total 31/12/2023				Total 31/12/2022				Total	Total
	Over the counter				Over the counter				31/12/2023	31/12/2022
		Without central counterparties				Without central counterparties				
Types of derivatives	Central counterparties	With settlement agreements	Without settlement agreements	Organised markets	Central counterparties	With settlement agreements	Without settlement agreements	Organised markets		
Positive fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	1	-	-	-	248	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**1**	**-**	**-**	**-**	**248**	**-**	**-**	**-**
Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	1,924	-	-	-	227	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**1,924**	**-**	**-**	**-**	**227**	**-**	**-**	**-**

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

Underlying assets	Central counterparties	Banks	Other financial corporations	Other parties
Contracts which are not part of settlement agreements				
1) Debt securities and interest rates				
- notional value	-	64,002	-	-
- positive fair value	-	1	-	-
- negative fair value	-	1,924	-	-
2) Equity securities and stock indices				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currency and gold				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
Contracts which are part of settlement agreements				
1) Debt securities and interest rates				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity securities and stock indices				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currency and gold				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other	-	-	-	-
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC hedging financial derivatives: notional amounts

Underlying/Residual life		Up to 1 year	1 to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates		4,696	21,879	37,427	64,002
A.2 Financial derivatives on equity securities and stock indices		-	-	-	-
A.3 Financial derivatives on currencies and gold		-	-	-	-
A.4 Financial derivatives on commodities		-	-	-	-
A.5 Other financial derivatives		-	-	-	-
Total	**31/12/2023**	**4,696**	**21,879**	**37,427**	**64,002**
Total	**31/12/2022**	**54,504**	**18,176**	**30,037**	**102,717**

B. Hedging credit derivatives

This case does not exist for the Group; the relevant tables are therefore omitted.

C. Non-hedging derivative instruments

This case does not exist for the Group; the relevant tables are therefore omitted.

D. Instruments hedged

This case does not exist for the Group; the relevant tables are therefore omitted.

E. Effects of hedging transactions on equity

This case does not exist for the Group; the relevant tables are therefore omitted.

1.3.3 Other information on derivative instruments (trading and hedging)

A. Financial and credit derivatives

A.1 OTC financial and credit derivatives: net fair value by counterparty

	Central counterparties	Banks	Other financial corporations	Other parties
A. Financial derivatives				
1) Debt securities and interest rates				
- notional value	-	334,217	224	260,401
- net positive fair value	-	7,335	-	1,035
- net negative fair value	-	2,940	4	6,098
2) Equity securities and stock indices				
- notional value	-	106,858	-	-
- net positive fair value	-	661	-	-
- net negative fair value	-	68	-	-
3) Currency and gold				
- notional value	-	3,342,309	7,522	579,069
- net positive fair value	-	4,749	24	8,701
- net negative fair value	-	58,499	55	3,642
4) Commodities				
- notional value	-	14,926	-	14,926
- net positive fair value	-	155	-	58
- net negative fair value	-	50	-	145
5) Other				
- notional value	-	-	-	-
- net positive fair value	-	-	-	-
- net negative fair value	-	-	-	-
B. Credit derivatives				
1) Purchase of protection				
- notional value	-	-	-	-
- net positive fair value	-	-	-	-
- net negative fair value	-	-	-	-
2) Sale of protection				
- notional value	-	-	-	-
- net positive fair value	-	-	-	-
- net negative fair value	-	-	-	-

1.4 Banking group - Liquidity risk

QUALITATIVE INFORMATION

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

For the Parent Company, reference should be made to the corresponding section of the Company's note.

The Group's overall strategy for managing liquidity risk, with its low propensity for risk, manifests itself in the decision to favour, from a prudential perspective, the balance of the structure by maturity of assets and liabilities over the pursuit of increasing levels of profitability.

The coverage of expected liquidity requirements is checked and monitored on a continuous basis and timely action is taken in the markets to ensure the appropriate availability of funds.

In this context, the Parent Company acts as the subsidiary's counterparty of choice in the raising of funds and in the investment of any cash surpluses.

The liquidity reserves in the form of assets eligible as collateral at the European Central Bank are mostly held by the Parent Company; the total value of the assets in question, net of haircuts, amounts to 17,489 million euro, 7,281 were free and 10,208 used as collateral or pledges (including 4,622 million of A.Ba.Co. Loans).

The portfolio of the subsidiary Banca della Nuova Terra spa consists of securities issued by the Italian government and characterised by a high degree of liquidity. As regards the Swiss subsidiary, it holds a bond portfolio mainly composed of securities eligible as collateral at the European Central Bank.

The Parent Company carries out daily monitoring of liquidity risk at a consolidated level. The subsidiaries oversee it through the use of monitoring tools suitable for detecting the operations performed; in the case of Banca Popolare di Sondrio (Suisse) SA, they comply with the rules laid down by the Swiss Supervisory Authority.

The following disclosures are provided in accordance with the requirements of IFRS 7.39.

QUANTITATIVE INFORMATION

1. Distribution by residual contractual maturity of financial assets and liabilities

Currency: EURO

Items/Time bands	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year to 5 years	Over 5 years	Unspecified duration
Cash assets	**4,705,918**	**513,649**	**1,216,683**	**1,487,280**	**2,730,469**	**2,033,110**	**4,616,144**	**14,573,832**	**11,535,283**	**359,438**
A.1 Government securities	89	49,995	50,238	39,518	121,547	357,215	2,122,528	3,715,450	4,626,000	-
A.2 Other debt securities	9,328	-	135	45,531	69,169	151,959	286,673	2,136,139	838,307	-
A.3 Mutual funds	294,198	-	-	-	-	-	-	-	-	-
A.4 Loans	4,402,303	463,654	1,166,310	1,402,231	2,539,753	1,523,936	2,206,943	8,722,243	6,070,976	359,438
- Banks	49,799	16,042	11,471	368	80,558	10,292	57,210	-	-	322,403
- Customers	4,352,504	447,612	1,154,839	1,401,863	2,459,195	1,513,644	2,149,733	8,722,243	6,070,976	37,035
Cash liabilities	**29,513,486**	**2,277,035**	**1,041,008**	**2,712,351**	**2,430,180**	**1,019,969**	**4,798,930**	**3,140,709**	**604,574**	**-**
B.1 Deposits and current accounts	28,294,380	114,562	516,100	1,167,373	780,932	426,488	705,528	175	-	-
- Banks	447,144	6,032	8,008	-	-	-	-	-	-	-
- Customers	27,847,236	108,530	508,092	1,167,373	780,932	426,488	705,528	175	-	-
B.2 Debt securities	92,947	-	10,279	894	16,760	585,438	285,492	3,017,668	508,891	-
B.3 Other liabilities	1,126,159	2,162,473	514,629	1,544,084	1,632,488	8,043	3,807,910	122,866	95,683	-
Off-balance sheet transactions	**9,428,153**	**1,210,201**	**731,689**	**5,417,101**	**954,819**	**1,631,800**	**3,090,821**	**886,281**	**1,030,631**	**-**
C.1 Financial derivatives with exchange of capital	-	1,193,151	692,781	2,029,417	363,617	419,068	135,979	514,447	-	-
- Long positions	-	756,782	582,291	1,937,466	181,235	307,818	66,402	7,176	-	-
- Short positions	-	436,369	110,490	91,951	182,382	111,250	69,577	507,271	-	-
C.2 Financial derivatives without exchange of capital	16,193	-	-	-	148	109	70	-	-	-
- Long positions	8,851	-	-	-	148	109	47	-	-	-
- Short positions	7,342	-	-	-	-	-	23	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans	9,411,960	17,050	38,908	3,387,684	591,054	1,212,623	2,954,772	371,834	1,030,631	-
- Long positions	51,408	14,133	32,995	3,333,417	472,452	1,085,167	2,928,195	337,655	1,030,631	-
- Short positions	9,360,552	2,917	5,913	54,267	118,602	127,456	26,577	34,179	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Item B.1 – Deposits and current accounts reports due to banks and customers allocated to the specific line items.

The breakdown by maturity is based on the residual life of assets and liabilities, being the difference between the reporting date and the maturity dates of each transaction. In the event of repayment plans, the residual maturity of each payment has been considered. UCI units are conventionally assigned to the “on demand” segment. The deposit with the Bank of Italy as a compulsory reserve is shown under loans and receivables with banks within unspecified duration. Non-performing loans are allocated to the pertinent time bands on the basis of forecasts for the recovery of the underlying cash flows made by the Bank for financial statements purposes. Irrevocable commitments to grant loans include all of the irrevocable commitments, whether or not certain to be called on, relating to lines of credit granted to banks and customers.

1. Distribution by residual contractual maturity of financial assets and liabilities

Currency: OTHER CURRENCIES

Items/Time bands	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year to 5 years	Over 5 years	Unspecified duration
Cash assets	**388,338**	**398,168**	**166,805**	**131,636**	**410,114**	**496,053**	**879,667**	**2,929,660**	**1,276,736**	**2,348**
A.1 Government securities	-	-	-	-	6,341	-	2,687	3,609	-	-
A.2 Other debt securities	-	-	-	-	902	-	9,498	3,758	-	-
A.3 Mutual funds	36,721	-	-	-	-	-	-	-	-	-
A.4 Loans	351,617	398,168	166,805	131,636	402,871	496,053	867,482	2,922,293	1,276,736	2,348
- Banks	127,929	261,294	56,087	35,327	22,864	21,006	90,887	25,339	-	-
- Customers	223,688	136,874	110,718	96,309	380,007	475,047	776,595	2,896,954	1,276,736	2,348
Cash liabilities	**3,038,088**	**117,150**	**233,064**	**231,343**	**244,514**	**136,265**	**194,137**	**332,726**	**417,265**	**-**
B.1 Deposits and current accounts	2,848,390	117,066	232,920	138,765	209,400	123,011	180,734	281,459	415,700	-
- Banks	92,848	93,412	162,753	13,598	25,253	16,203	31,115	281,005	415,700	-
- Customers	2,755,542	23,654	70,167	125,167	184,147	106,808	149,619	454	-	-
B.2 Debt securities	50	22	22	-	5	173	13,284	50,753	1,565	-
B.3 Other liabilities	189,648	62	122	92,578	35,109	13,081	119	514	-	-
Off-balance sheet transactions	**107,629**	**516,765**	**757,870**	**2,568,319**	**429,039**	**227,798**	**134,469**	**14,308**	**-**	**-**
C.1 Financial derivatives with exchange of capital	-	516,582	757,289	2,567,782	427,533	227,798	134,465	14,308	-	-
- Long positions	-	253,490	139,902	339,992	214,026	115,619	68,843	7,154	-	-
- Short positions	-	263,092	617,387	2,227,790	213,507	112,179	65,622	7,154	-	-
C.2 Financial derivatives without exchange of capital	15	-	-	2	2	-	4	-	-	-
- Long positions	9	-	-	-	-	-	-	-	-	-
- Short positions	6	-	-	2	2	-	4	-	-	-
C.3 Deposits and loans to be received	29,386	-	-	-	-	-	-	-	-	-
- Long positions	14,693	-	-	-	-	-	-	-	-	-
- Short positions	14,693	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans	78,228	183	581	535	1,504	-	-	-	-	-
- Long positions	38,673	-	-	-	-	-	-	-	-	-
- Short positions	39,555	183	581	535	1,504	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without capital exchange	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Self-securitisation transactions

Credit self-securitisations are transactions carried out with the objective of achieving an improvement in liquidity risk management by optimising the amount of assets immediately available to meet liquidity needs. The Parent Company's direct and full underwriting of the securities issued by the vehicles, while not allowing it to obtain direct liquidity from the market, nevertheless provides securities that can be used for refinancing operations with the ECB and for repurchase agreements on the market, improving the safety margin against the liquidity risk of the parent company. These disposals did not have any economic impact on the financial statements: receivables continue to be shown under assets, while subscribed securities are not represented.

On 16 June 2023, a securitisation transaction was finalised by the Parent Company as part of the management of medium- and long-term interbank funding. The transaction consisted in the non-recourse assignment of a granular portfolio of performing loans granted to SMEs, guaranteed or unsecured, amounting to 1,554 million euro, pursuant to Law 130/1999, to the vehicle company, named Centro delle Alpi SME S.r.l., which was set up for this purpose. The transaction involved the issuance by the SPV, on 16 June 2023, of three tranches of securities for 1,576 million euro:

- a senior tranche of 1,127 million euro, broken down as follows:
  - Class A1 - Nominal Value = 941 million euro
  - Class A2 - Nominal Value = 73 million euro
  - Class A3 - Nominal Value = 105 million euro
  - Class A4 - Nominal Value = 8 million euro

  The above securities are rated A by the Standard & Poor's and DBRS Morningstar rating agencies. On 30 June 2023, the classes also became ECB-eligible.
- a mezzanine tranche - rated BB (high) by Standard & Poor's and BBB by DBRS Morningstar - amounting to 142 million euro.
- a junior tranche, amounting to 307 million euro, unrated.

The senior, mezzanine and junior securities were underwritten by Banca Popolare di Sondrio, so no derecognition was made from the balance sheet of the loans. In fact, the Bank retained the credit risk associated with the securitised portfolio and the related benefits; consequently, in the separate financial statements of the originator bank, the loans continue to be recognised as “Assets sold and not derecognised”; the consideration received from the sale is recognised as a balancing entry to a payable to the vehicle company, net of the securities subscribed by the bank itself.

The transaction envisages, for a predefined period, the possibility for the bank to sell further loan portfolios to the special purpose vehicle (revolving period), which would be financed through the collections of the loans included in the purchased portfolios, or through the further drawdowns of the ABS securities issued and fully subscribed for at the time (partly paid structure). Among the main strategic objectives pursued is that of equipping the Parent Company with an instrument capable of extending the maturities of funding and thus strengthening the correlation between the latter and the mass of medium/long-term loans, as well as that of potentially using part of these securities to diversify the sources of long-term funding.

A complex and well-structured process has been set up to meet the regulatory requirements, allowing, in particular, the calculation and monitoring of the tests required by law and contracts, verification of compliance with the requirements governing the suitability of the assets assigned, the drafting of the reports required by the regulations and the rating agencies, and performance of all the related control activities. Among the various counterparties involved for various reasons, BDO Italia Spa, the Independent Auditors and “asset monitor”, is responsible for verifying the tests. The Parent Company performs on behalf of the special purpose vehicle Centro delle Alpi SME srl the activity of “servicer”, i.e. the service of management, administration and collection of mortgages; it acts on behalf of the special purpose vehicle but is the sole counterparty of the customers and, in return for this service, servicing fees are collected.

As at 31 December 2023, the value of outstanding securities subscribed by the Parent Company was unchanged at 949 million for senior securities, 307 million for mezzanine securities and 142 million for junior securities.

1.5 Banking group - Operational risks

QUALITATIVE INFORMATION

A. General aspects, operational risk measurement and management

The operational risk represents the risk of suffering losses from the inadequacy or malfunctioning of procedures, human resources and internal systems, or from external events.

This category also includes losses caused by fraud, human error, operational interruptions, system downtime, contractual non-performance and natural catastrophes; the scope of operational risk includes legal risks (including conduct risks) and IT risk, but excludes strategic and reputational risks.

"Section 5 - Operational Risks" in the Separate Financial Statements of the Parent Company Banca Popolare di Sondrio explains the system of operational risk management adopted at Group level, which is applied by the subsidiaries, each in proportion to the nature and size of its activity.

Impacts resulting from the Covid-19 pandemic

Reference should be made to the above mentioned Section of the Separate Financial Statements of the Parent Company Banca Popolare di Sondrio also as regards the measures implemented during the year for the purpose of managing operational risks attributable to the Covid-19 pandemic emergency.

QUANTITATIVE INFORMATION

The most significant impacts in absolute terms are mainly represented by loss events attributable to errors/failures in relations with non-customer counterparties, contested breaches of regulatory/contractual obligations and the adoption of improper business and market practices. These types of losses are mainly prudential provisions to the Provision for Risks and Charges for legal proceedings/compensation claims against Group companies.

The total amount of losses also includes disbursements arising from exogenous phenomena, which are usually mitigated through dedicated insurance policies, such as ATM robberies/cashouts and fraud by external subjects (e.g. payment services), as well as losses due to errors/delays in the conduct of operations, system failures and business interruptions.

Among the economic events attributable to unlawful actions by third parties, of particular note during the year was the manifestation of legal risk attributable to proceedings for the seizure of a portfolio of tax credits related to energy efficiency tax bonuses to be acquired in 2021, as a result of the counterparty assignor being charged with criminal offences; an event that led to the prudent recognition, in the Provision for Risks and Charges, of a provision against fraud phenomena potentially compromising the use of credits deriving from superbonus/ecobonus and other building tax bonuses.

The following table shows the operational losses recognised over the past five years (2019-2023) as part of the Loss Data Collection process, according to the regulatory classification for operational risk events (Event Type):

- *Internal fraud* - Events involving fraud, embezzlement or circumvention of the law by the Bank's own staff to obtain personal benefits that involve damage (in the form of monetary losses) that would be borne by the Bank.
- *External fraud* - Events of fraud, embezzlement or circumvention of the law by external/third parties to obtain personal benefits that involve damage to the Bank.
- *Employment and safety at work* - Events attributable to acts that do not comply with the law or agreements on employment, health and safety at work.
- *Customers, products and professional practices* - Events due to non-compliance/negligence in the application of laws, codes, rules of conduct and professional obligations towards customers or due to defects in the nature or characteristics of products, services and models.
- *Damage from external events* - Events involving damage or destruction of property due to accidents, natural disasters or other vandalism.
- *Operational interruptions and system malfunctions* - Events attributable to interruption of business

continuity and unavailability / malfunctioning of the information systems used to support company operations.

- *Execution, delivery and management of processes* - Events due to errors, shortages and unintentional delays in the execution of daily operations, in the management of processes and relationships with counterparties other than customers (e.g. commercial counterparties, suppliers of goods and services).

Banca Popolare di Sondrio Group – Sources of operational losses (accounting period: 01/01/2019 – 31/12/2023)

Event Type	Number of operational loss events (%)	Impacts of operational loss events (%)
- Internal fraud	0.10	0.09
- External fraud	16.30	13.45
- Employment practices and workplace safety	0.47	0.45
- Customers, products and professional practices	30.10	32.65
- Damage from external events	9.11	0.79
- Operational interruptions and system malfunctions	0.73	4.18
- Execution, delivery and management of processes	43.19	48.39
Total	**100.00**	**100.00**

1.6 Sovereign risk

Information on exposure to sovereign debt

Consob, with communication No. DEM/11070007 of 5 August 2011, invited listed companies to provide in the financial statements information on exposures to sovereign debtors, i.e. bonds issued by central and local governments, government agencies and any loans made to them.

In this regard, the overall exposure of the banking group at 31 December 2023 amounted to 11,429 million euro and was structured as follows:

a) Italian government securities: 6,936 million;

b) Securities of other issuers: 4,175 million;

c) Loans to government departments: 55 million;

d*)* Loans to other public administrations and miscellaneous entities: 263 million.

The table below shows the book value of the Group's total debt securities exposure to sovereign states as at 31 December 2023, by portfolio.

(thousands of euro)	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Financial assets measured at amortised cost	Book value
Government securities				
Italy	–	1,479,931	5,456,227	6,936,158
France	–	300,498	834,928	1,135,426
Spain	–	351,602	1,075,357	1,426,959
Germany	–	226,437	784,521	1,010,958
Austria	–	49,697	50,472	100,169
Holland	–	100,167	50,298	150,465
Other Securities from public bodies				
- Italy	–	4,870	132,138	137,008
- Others	37,252	54,568	121,864	213,684
Total	**37,252**	**2,567,770**	**8,505,806**	**11,110,827**

The table does not include GACS-assisted securitisation securities.

With regard to government bond exposures, the following table provides information on maturity, by portfolio:

(thousands of euro)	Within 1 year	from 1 to 5 years	Over 5 years	**Total**
Financial assets measured at fair value through other comprehensive income (Item 30)	632,989	1,323,140	552,203	**2,508,332**
Financial assets measured at amortised cost (Item 40)	1,740,732	2,389,918	4,121,153	**8,251,803**

PART F – Information on consolidated equity

Section 1 – Consolidated equity

A. QUALITATIVE INFORMATION

A healthy banking system is absolutely in the public interest, and the solvency and reliability of banks requires them to maintain appropriate capital resources. Such resources must be sufficient for Group to absorb any losses without prejudicing the rights of depositors, bearing in mind that losses also affect the Bank's reputation.

Banca Popolare di Sondrio as parent company carries out the activity of coordination and guidance on the companies belonging to the group, worrying about the adequacy of the capital of each subsidiary and setting any lines to be adopted. The Group's asset size is constantly monitored and periodically brought to the attention of the Directors and Supervisory Bodies.

The need for adequate capital was made even more evident by the crisis and the actions of the Supervisory Authorities, which now operate on a transnational basis.

The economic/financial crisis has brought the equity levels of banks into sharp focus following the large losses recorded, the explosion of expected losses caused by the recession, the deterioration of loan quality and the uncertain value of assets. Said need is made even more relevant by the ongoing tensions linked to the persistence of high levels of inflation, the Russian-Ukrainian conflict, the energy crisis and lastly the tensions in the Middle East. Without forgetting, at the same time, the need to support the economy in order to stimulate a recovery. Recent events that have affected the banking system are evidence of this. Supervisory Bodies are focusing more and more on the capital adequacy of banks.

The Group has always made every effort to have an adequate and suitable level of capital to enable its operations to grow steadily and to protect against risk in accordance with the requirements of the supervisory regulations. In line with its status as a cooperative bank, the capitalisation policy of the Parent Company has been identified as the instrument that, by creating the role of shareholder/customer, has made it possible to pursue the strategy of autonomous growth decided by management.

By resolution of the shareholders' meeting of 29 December 2021, the Bank, in accordance with the provisions of Law No. 33 of 24 March 2015, converted from a cooperative company limited by shares to a joint-stock company. The transformation into a joint-stock company has not undermined the founding principles that underpin the Bank's activities.

This is why the history of Banca Popolare di Sondrio features periodic increases in capital, carried out in ways that are technically straightforward and transparent, so that the shareholders can immediately understand the terms of the operation. Based on this premise, we have never issued innovative capital instruments and the repeated increases have always been taken up en masse.

The financial resources raised by such operations, together with the reserves built up in accordance with the articles of association, have enabled the Group to expand its activities harmoniously and to look forward to future challenges with a certain tranquillity.

It should be emphasised that the critical situation in the financial markets, especially in the area of loans to customers in past years, has had a negative impact on banks' profitability and consequently on self-financing, which in the past, has always contributed substantially to banks' capitalisation. The tensions that have characterised the banking system in recent years and that have affected various banks have not, in the last analysis, facilitated the projects to strengthen the capital adequacy of the bank, despite the growth in operations designed to add specialist instruments in support of the real economy. In this context, we have acquired Factorit Spa, Banca della Nuova Terra spa and Prestinuova spa in recent years, while also increasing the equity interests held in companies with complementary activities. The last increase in share capital took place in 2014 through a combined bonus and rights issue with the receipt for the cash portion of 343 million euro.

Capital adequacy is constantly checked and periodically brought to the attention of the Administrative and Control Bodies. Furthermore, in accordance with the CCRR and CRD regulations, it is also assessed in relation to the Group’s ability to resist in situations of hypothetical stress events in particularly adverse conditions.

B. QUANTITATIVE INFORMATION

In addition to as described below, for information on the component parts and size of the Group's capital and equity refer to Part B, Liabilities, sections 14 and 13 of these notes to the financial statements.

B.1 Analysis of consolidated equity by type of company

Items/Values	Prudential consolidation	Insurance companies	Other companies	Eliminations and adjustments from consolidation	**Total**
1. Share capital	**1,360,161**	**-**	**10**	**-**	**1,360,171**
2. Share premium accounts	**78,949**		**-**	**-**	**78,949**
3. Reserves	**1,828,161**		**(3,303)**	**125,788**	**1,950,646**
4. Equity instruments					**-**
5. Treasury shares	**(25,418)**		**-**	**-**	**(25,418)**
6. Valuation reserves:	**(17,869)**	**-**	**197**	**1,450**	**(16,222)**
- Equity securities measured at fair value through other comprehensive income	64,246	-	-	-	64,246
- Hedge of equity securities measured at fair value through other comprehensive income					-
- Financial assets (other than equity securities) measured at fair value through other comprehensive income	(32,558)	-	-	-	(32,558)
- Property, equipment and investment property	11,850				11,850
- Intangible assets					-
- Hedges of foreign investments					-
- Cash-flow hedges					-
- Hedging instruments (non-designated elements)					-
- Exchange rate differences	-	-	-	1,455	1,455
- Non-current assets and groups of assets held for sale					-
- Financial liabilities measured at fair value through profit or loss (changes in own creditworthiness)					-
- Actuarial profits (losses) related to defined-benefit pension plans	(61,407)	-	5	-	(61,402)
- Portions of valuation reserves related to subsidiaries carried at equity	-	-	-	(5)	(5)
- Financial revenues or costs relating to insurance contracts issued					-
- Financial revenues or costs relating to outward reinsurance					-
- Special revaluation regulations		-	192	-	192
7. Profit (loss) for the year	**437,873**	**-**	**(49)**	**23,338**	**461,162**
Total	**3,661,857**	**-**	**(3,145)**	**150,576**	**3,809,288**

B.2 Valuation reserve of financial assets measured at fair value through other comprehensive income: breakdown

	Prudential consolidation		Insurance companies		Other companies		Eliminations and adjustments from consolidation		Total	
Assets/Amounts	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	7,362	(36,408)	-	-	-	-	-	-	7,362	(36,408)
2. Equity securities	68,454	(4,209)	-	-	-	-	-	-	68,454	(4,209)
3. Loans	-	(3,511)	-	-	-	-	-	-	-	(3,511)
31/12/2023	**75,816**	**(44,128)**	**-**	**-**	**-**	**-**	**-**	**-**	**75,816**	**(44,128)**
31/12/2022	**72,804**	**(74,979)**	**-**	**-**	**-**	**-**	**-**	**-**	**72,804**	**(74,979)**

B.3 Valuation reserves of financial assets measured at fair value through other comprehensive income: changes in the year

	Debt securities	Equity securities	Loans
1. Opening balance	**(71,024)**	**68,849**	**-**
2. Positive changes	**43,726**	**1,744**	**-**
2.1 Increases in fair value	43,667	1,744	-
2.2 Adjustments for credit risk	-	-	-
2.3 Transfer to income statement of negative reserves from disposals	59	-	-
2.4 Transfer to other components of equity (equity securities)	-	-	-
2.5 Other changes	-	-	-
3. Negative changes	**(1,748)**	**(6,348)**	**(3,511)**
3.1 Reductions in fair value	(1,748)	(5,997)	(3,511)
3.2 Write-backs for credit risk	-	-	-
3.3 Transfer to income statement from positive reserves: from disposal	-	-	-
3.4 Transfer to other components of equity (equity securities)	-	(351)	-
3.5 Other changes	-	-	-
4. Closing balance	**(29,046)**	**64,245**	**(3,511)**

B.4 Valuation reserves relating to defined-benefit plans: changes in the year

The valuation reserve relating to the defined-benefit plans is negative by 61.402 million euro. This amount derives from the recognition of the related actuarial gains and losses and the associated taxation.

Section 2 – Capital and capital adequacy ratios

The disclosure on own funds and capital adequacy is represented in the document "Disclosure to the Public - Pillar 3 at 31 December 2023" prepared on the basis of the regulatory provisions established by Circular No. 285 of 17 December 2013 and subsequent updates, issued by the Bank of Italy, and by Regulation (EU) No. 575/2013 of the European Parliament and Council of 26 June 2013 (CRR), as amended. The document contains consolidated information and is published together with the financial statements on the Parent Company's website.

PART G – Business Combinations involving companies or business units

Section 1 – Transactions realised after the end of the year

Merger transaction: merger of Prima S.r.l. into Immobiliare San Paolo S.r.l.

Description of the transaction

The financial year saw the completion of the merger by incorporation of Prima S.r.l into Immobiliare San Paolo S.r.l. Until the date of the transaction, Immobiliare San Paolo S.r.l held the entirety of the merged company (Prima S.r.l.). By combining the two companies, it was precisely the intention to introduce a simplification in the structure of the Group. On 27 July 2023, the two companies approved the merger plan and their respective balance sheets as at 30 June 2023.

In this specific case, this was a merger of a wholly owned company and therefore, the simplified merger procedure provided for in Article 2505 of the Italian Civil Code was applied and no exchange ratio was determined. On the effective date of the merger, all shares constituting the entire share capital of the merged company held by the sole shareholder were cancelled without any capital increase by Immobiliare San Paolo S.r.l..

On 30 November, the deed of merger by incorporation was signed between Immobiliare San Paolo S.r.l. and Prima S.r.l. and registered at the Sondrio Companies Register on 6 December 2023.

As of that date, the merger took legal effect pursuant to Article 2504 bis, paragraph 2, of the Italian Civil Code. As of 1 January 2023, the accounting and tax effects shall take effect for income tax purposes pursuant to point 9 of Art. 172 of Presidential Decree (D.P.R.) 917/1986.

Accounting of the transaction

The transaction falls within the definition of business combinations between companies belonging to the Group (so-called "business combination under common control")

These transactions do not fall within the scope of IFRS 3 and, based on the provisions of Bank of Italy Circular 262/2005, are conventionally reported in this section. In this context, the Group considered the use of the pooling/continuity of values method as the most appropriate method in accounting for the merger by incorporation into Immobiliare San Paolo S.r.l. of Prima S.r.l.

As a result of the above method, the carrying values of the assets and liabilities recognised in the accounts of Prima S.r.l. at the merger date remain unchanged and are reflected in the financial statements of the entity surviving the merger. As a result, Immobiliare San Paolo S.r.l. incorporated the carrying value of the assets and liabilities recognised in the Prima S.r.l. accounting situation, applying the pooling/continuity of values method, on the date control was obtained in accordance with IFRS 10, which coincides with the legal effective date of the merger, 30 November 2023.

As a result of the merger of Prima S.r.l., a merger deficit of 0.051 million euro was recognised.

Section 2 – Transactions realised after the end of the year

2.1 Business combinations

There have been no business combinations after 31 December 2023 and up to the date of approval of these Consolidated Financial Statements.

Section 3 – Retrospective adjustments

In the year 2023, no adjustments were recognised in connection with business combinations that occurred in the same or previous years.

PART H – Transactions with related parties

1. Information on the remuneration of managers with strategic responsibilities

Below is information on the remuneration paid to Directors, Statutory Auditors and key management personnel in accordance with IAS 24.

The values shown with reference to the Directors (including the emolument attributable to the Chief Executive Officer), the Statutory Auditors and the other Managers with strategic responsibilities refer to the emoluments pertaining to the financial year, regardless of their payment.

	Board of Directors	Board of Statutory Auditors	Other managers with strategic responsibilities
Fees for the office held in Banca Popolare di Sondrio	1,941	281	1,995
Non-monetary benefits	-	-	181
Bonuses and other incentives	-	-	817
Other remuneration	246	30	510

In accordance with the provisions of Article 123-*ter* of Legislative Decree 58/1998, as amended, and Article 84-*quater* of the Issuers' Regulation (Consob Resolution No. 11971/1999, as amended), the Bank has made available both at its registered office and on its website the "Report on Remuneration Policy and Compensation Paid". Please refer to said document for more details on the above-mentioned fees.

2. Related-party disclosures

In accordance with Consob Resolution No. 17221 of 12.3.2010 and subsequent amendments, by resolution of the Board of Directors on 11 November 2010, the Bank adopted its own Internal Regulation on related party transactions.

This regulation was last updated by resolution of the Board of Directors on 31 March 2023 and is published on the company website at www.institutional.popso.it.

A related party is understood as being a person in a certain position who could exercise an influence over the Bank such as to condition, directly or indirectly, the way that it operated to favour their own personal interests.

Related parties have been identified in accordance with IAS 24 and with the above mentioned Consob Regulation. Related parties are:

1. Subsidiary companies, parent companies and companies under joint control.
2. Companies that can exercise significant influence over the reporting bank.
3. Associated companies and their subsidiaries.
4. Joint ventures in which the reporting bank holds an investment.
5. Managers with strategic responsibilities within the bank or its parent company.
6. Close family members of the parties listed in point 5.
7. Subsidiary companies, companies under joint control by one of the parties listed in points 5 and 6.
8. Pension funds of employees and any other entity related to them.

Close family members are defined as follows: the spouse (not legally separated) or companion of the person concerned; the children and dependant relatives of the person concerned, of the spouse (not legally separated) and of the companion; the parents, second degree relatives and others living with the person concerned.

A situation of significant influence is presumed to exist if one holds, directly or indirectly, 20% or more of the votes exercisable at the shareholders' meeting of the investee, or 10% in the case of companies with shares listed on regulated markets, unless the contrary can be clearly demonstrated.

Relations with companies in which investments are held are conducted as part of normal operations and mainly relate to current accounts, deposit accounts and loans. These relations are regulated from a

Group perspective and are normally in line with the conditions applied to the Parent Company in the reference markets and may differ from those that the subsidiary could see applied to it acting autonomously.

Other relations with other related parties, excluding the above companies, are also settled on the market terms applying to the individual transactions, or on terms in line with those applied to employees, if applicable.

Related parties with administration, management and control functions, are applied a special approval procedure for the granting of bank credit laid down in art. 136 of the CBA. This makes the transaction subject to the unanimous approval of the Board of Directors and the consent of all members of the Board of Statutory Auditors.

The balance sheet and income statement figures as at 31 December 2023 are shown below for related parties as defined above on the basis of IAS 24:

(thousands of euro)	Assets	Liabilities	Income	Charges	Guarantees given and commitments	Guarantees received
Directors	459	9,220	12	272	105	488
Statutory auditors	553	443	11	2	371	1,565
Management	-	651	-	31	400	-
Family members	1,195	3,062	57	67	197	6,948
Associated companies	661,127	103,029	11,549	1,468	114,710	612
Other	9,779	1,622	80	-	1,117	-
Totals	**673,113**	**118,027**	**11,709**	**1,842**	**116,902**	**9,613**

Other includes positions with Unipol Group, which exercises significant influence over the Group.

Assets and liabilities mainly refer to item 40 “Financial assets measured at amortised cost - b) loans to customers” and item 10 “Financial liabilities measured at amortised cost - b) amounts due to customers” and have a percentage incidence of 1.55% and 0.31%, respectively. Income and expenses mainly relate to interest and commission items and account for 0.52% and 0.21%, respectively.

The exposure to associated companies is attributable for 136 million euro to Arca Holding spa and 402 million euro to Alba Leasing spa.

PART I – Equity-settled share-based payment agreements

QUALITATIVE INFORMATION

1. Description of payment agreements based on own equity instruments

Banca Popolare di Sondrio S.p.A., as Parent Company, prepares the annual Report on remuneration policy and compensation paid pursuant to the Supervisory Provisions of the Bank of Italy (Circular No. 285/2013, 37th update, Part One, Title IV, Chapter 2 "Remuneration and Incentive Policies and Practices"), Article 450 of the CRR (EU Regulation No. 876/2019), Article 123-*ter* of Legislative Decree 58/1998 and subsequent amendments, Article 84-*quater* and Annex 3A of the Consob Issuers' Regulation approved by resolution No. 11971 of 14 May 1999 and subsequent amendments and additions.

Consistent with the remuneration policies approved by the Shareholders' Meeting and in compliance with the remuneration and incentive provisions of the Bank of Italy, a variable remuneration system based partly on cash payments and partly through the free assignment of shares was defined.

The system is aimed at fostering competitiveness and good governance of the Group. The remuneration, in particular of those who hold relevant roles within the company organisation, tends to attract and retain individuals with professionalism and skills appropriate to the company's needs. At the same time, remuneration systems are defined in line with the bank's corporate objectives and values, including sustainable finance objectives that take into account, *inter alia*, environmental, social and governance (ESG) factors, and with the bank's long-term strategies and prudent risk management policies, including strategies for monitoring and managing non-performing loans, consistent with the provisions on the supervisory review process.

Circular No. 285/2013 in order to ensure that remuneration and incentive systems meet the fundamental objectives of regulation: linkage with risks, compatibility with capital and liquidity levels, medium- to long-term orientation, and compliance with rules, provides for a series of criteria that the variable remuneration component must meet. In particular, the variable component must be balanced, i.e., at least 50% of the variable remuneration paid to the 'Key Personnel' must be allocated through the assignment of shares or financial instruments linked to them (pursuant to Article 114-*bis* of Legislative Decree No. 58 of 24 February 1998) and paid by means of spot payment systems ("up-front") or deferred for a period of not less than 4-5 years so as to take into account the trend over time of the risks assumed by the bank (so-called *malus* mechanisms).

In compliance with the aforementioned regulatory provisions, the Banca Popolare di Sondrio Group has provided for:

- ***Short-term remuneration plan on an annual basis - 2023:*** the Plan identifies the recipients, the reasons for adopting the plan and the approval process and timeframe for awarding the instruments. The 2023 Plan, provided for in the Group's Remuneration Policies, was approved by the Board of Directors on 17 March 2023.
  As to the characteristics of the instruments granted, the Plan provides for the possible free assignment of ordinary shares of Banca Popolare di Sondrio upon the occurrence of certain predefined conditions. The implementation period of the 2023 Plan is between the period of the final results for the financial year 2023 and the year of the possible award of the last tranche of shares. Considering the 5-year deferral period established by the Remuneration Policies, the 2023 Plan can be concluded in 2029. The Plan provides for a one-year action retention period for possible beneficiaries.

- ***Long-Term Compensation Plan 2023-2025:*** the Plan identifies the recipients, the reasons for adopting the plan and the approval process and timeframe for awarding the instruments. As to the characteristics of the instruments granted, the Plan provides for the possible free assignment of ordinary shares of Banca Popolare di Sondrio upon the occurrence of certain predefined conditions. The implementation period of the Plan linked to the Long-Term Bonus System 2023 - 2025 is between the period of the final results for the financial year 2025 and the year of the possible award of the last tranche of shares (2031). Considering the 5-year deferral period established by the Remuneration

Policies, the Plan linked to the Long-Term Bonus System, measured at the end of the validity period of the business plan (2025) can be concluded in 2031. The Plan provides for a one-year action retention period for possible beneficiaries.

QUANTITATIVE INFORMATION

For both plans (short-term and long-term), the allocation of the financial instruments is conditional on the authorisation by the Shareholders' Meeting to the bank's Board of Directors for the use of the treasury shares already held. The 2023 Incentive Plan and the Plan linked to the Long-Term Bonus System (2023 - 2025), provided for by the Group's Remuneration Policies, were approved by the Board of Directors on 17 March 2023. On 17 March 2023, the market price of the Banca Popolare di Sondrio share, traded on the Euronext Milan Market, was 3.812 euro.

1. Changes in the year

The determination of the short-term variable remuneration referred to 2022 entailed the assignment, in 2023, of 37,101 Banca Popolare di Sondrio S.p.A. shares.

Taking into account the previous stock of treasury shares in addition to the deliveries of shares made during 2023 as part of the implementation of the remuneration and incentive policies, as of 31 December 2023 Banca Popolare di Sondrio held 3,669,363 treasury shares.

With reference to the Short-Term Remuneration Plan on an annual basis - 2023, the variable remuneration will be resolved and paid in 2024; when presenting the financial statements for the year 2023, an estimate of the disbursement was made by recording a provision in the income statement with a balancing entry in shareholders' equity for the portion attributable in shares in the amount of 0.8 million euro.

With reference to the Long-Term Remuneration Plan 2023-2025, the exact identification of the shares to be granted is subject to the achievement of the expected results and the determinations of the Board of Directors. For the year 2023, the cost share for the year was estimated by recording a provision of 0.4 million euro in the income statement with a contra-entry in shareholders' equity.

2. Other information

For detailed information on the contents of the *Short-Term Remuneration Plan on an annual basis - 2023 and the Long-Term Remuneration Plan 2023-2025*, please refer to the Information Documents drafted pursuant to Article 84-*bis* of the Issuers' Regulation and Article 114-*bis* of the Consolidated Finance Act, available to the public at the Bank's registered office, on the Bank's website www.popso.it - Institutional website > Investor relations > Shareholders' Meeting.

PART L – Segment reporting

The segment reporting was prepared in accordance with IFRS 8 - Operating segments.

Each segment is identified in consideration of the nature of the products and services offered and the type of reference customer, so as to present internally adequately homogeneous characteristics in terms of risk and profitability.

Even though this classification reflects the lines of business envisaged under the Standardised Approach for calculating the minimum capital requirement for operational risk, it is based substantially on internal practice for the subdivision of activities used to apply corporate policies and to evaluate their results.

Geographical distribution is based on the distribution of branches throughout Italy and Switzerland.

A.1 Distribution by activity sectors: economic data

The following sub-segments are discussed:

- Corporate: these comprise "non-financial companies" and "producer households"; the figures shown here relate to credit and loans, deposits, leasing and payment services. Revenues from currency transactions with resident and non-resident customers are also significant to this sub-segment.
- Individuals and other customers: these comprise "consumer households", "public administrations", "finance companies" and "non-profit organisations"; the results reported derive from routine transactions with these customers, including the taking of deposits, intermediation in savings transactions, the granting of long-term loans and consumer credit, the provision of collection and payment services, the issue of credit and debit cards and other ancillary functions.
- Securities: this sub-segment comprises the results of transactions with customers involving direct trading in, the acceptance of instructions, the placement of financial instruments, insurance and pension productions, and the management of portfolios.
- Central functions: this sub-segment reports the results deriving from the management of portfolio own securities and equity investments, currency transactions on own account, and treasury management activities. In addition, it includes certain residual activities not classified elsewhere since the revenues earned are not significant.

The following tables show the pre-tax results of each individual sector for 2023 and 2022.

Interest income and expense include a notional element to reflect the contribution to the financial margin made by each sub-segment.

This aspect is managed by using a multiple internal transfer rate ("treasury pool"), considering both currency and duration, which keeps assets and liabilities in balance and which is settled within the "central functions" sub-segment.

Administrative expenses are allocated directly to the various sub-segments, wherever possible; in other cases, they are allocated using suitable drivers that essentially reflect the scale of the activities concerned.

The "reconciliation" column is used for the tie-in to the financial statements.

Items	Corporate	Individuals and other customers	Securities	Central functions	**Total**	Reconciliation	**31/12/2023**
Interest income	937,906	1,039,165	-	1,489,052	3,466,123	-1,654,098	1,812,025
Interest expense	-700,855	-869,181	-	-959,132	-2,529,168	1,654,098	-875,070
Net interest income	**237,051**	**169,984**	**-**	**529,920**	**936,955**	**-**	**936,955**
Fee and commission income	191,062	87,556	120,509	25,001	424,128	-561	423,567
Fee and commission expense	-6,546	-9,338	-6,009	1,330	-20,563	-444	-21,007
Dividends and similar income	30	-	-	7,622	7,652	-	7,652
Net trading income	-	-	-	112,979	112,979	2	112,981
Net hedging gains (losses)	-	-	-	-76	-76	-	-76
Gains/losses from sales or repurchases	4,961	-524	-	2,128	6,565	-	6,565
Net gains/losses on financial assets and liabilities measured at fair value	-1,779	1,097	-	5,890	5,208	-	5,208
Total income	**424,779**	**248,775**	**114,500**	**684,794**	**1,472,848**	**-1,003**	**1,471,845**
Net adjustments to financial assets	-175,276	-27,182	-	6,741	-195,717	-	-195,717
Net financial income	**249,503**	**221,593**	**114,500**	**691,535**	**1,277,131**	**-1,003**	**1,276,128**
Administrative expenses	-132,624	-191,008	-62,094	-171,042	-556,768	-65,390	-622,158
Net accruals to provisions for risks and charges	-41,698	-14,616	-	-3,156	-59,470	-	-59,470
Depreciation and net impairment losses on property, equipment and investment property	-10,417	-15,229	-5,057	-23,133	-53,836	-	-53,836
Amortisation and net impairment losses on intangible assets	-4,815	-6,846	-2,245	-4,741	-18,647	-	-18,647
Other operating income/expense	4,432	2,598	-40	28,179	35,169	66,393	101,562
Net gains (losses) on equity investments	-	-	-	38,524	38,524	-	38,524
Net result of fair value measurement of property, equipment and investment property and intangible assets	-	-	-	-2,288	-2,288	-	-2,288
Gains/losses on sale of investments	-	-	-	469	469	-	469
Gross result	**64,381**	**-3,508**	**45,064**	**554,347**	**660,284**	**-**	**660,284**

Items	Corporate	Individuals and other customers	Securities	Central functions	**Total**	Reconciliation	**31/12/2022**
Interest income	381,418	322,554	-	368,057	1,072,029	-237,471	834,558
Interest expense	-103,237	-181,686	-	-106,039	-390,962	237,471	-153,491
Net interest income	**278,181**	**140,868**	**-**	**262,018**	**681,067**	**-**	**681,067**
Fee and commission income	176,317	87,112	114,470	23,731	401,630	-456	401,174
Fee and commission expense	-6,219	-8,201	-6,687	922	-20,185	-399	-20,584
Dividends and similar income	29	-	-	6,435	6,464	-	6,464
Net trading income	-	-	-	28,404	28,404	-	28,404
Net hedging gains (losses)	-	-	-	-181	-181	-	-181
Gains/losses from sales or repurchases	-63	-454	-	41,342	40,825	-	40,825
Net gains/losses on financial assets and liabilities measured at fair value	-7,443	-3,017	-	-57,128	-67,588	-	-67,588
Total income	**440,802**	**216,308**	**107,783**	**305,543**	**1,070,436**	**-855**	**1,069,581**
Net adjustments to financial assets	-122,885	-27,617	-	1,202	-149,300	-	-149,300
Net financial income	**317,917**	**188,691**	**107,783**	**306,745**	**921,136**	**-855**	**920,281**
Administrative expenses	-125,664	-179,210	-57,107	-163,189	-525,170	-55,073	-580,243
Net accruals to provisions for risks and charges	-21,638	-9,504	-	-3,083	-34,225	-	-34,225
Depreciation and net impairment losses on property, equipment and investment property	-10,094	-14,715	-4,864	-15,595	-45,268	-	-45,268
Amortisation and net impairment losses on intangible assets	-4,502	-6,382	-2,073	-4,255	-17,212	-	-17,212
Other operating income/expense	3,578	2,657	-181	23,397	29,451	55,928	85,379
Net gains/losses on equity investments	-	-	-	27,768	27,768	-	27,768
Net result of fair value measurement of property, equipment and investment property and intangible assets	-	-	-	-2,762	-2,762	-	-2,762
Gains/losses on sale of investments	-	-	-	172	172	-	172
Gross result	**159,597**	**-18,463**	**43,558**	**169,198**	**353,890**	**-**	**353,890**

Below is a breakdown of commission income by services rendered, defined from a management perspective, and by IFRS 8 operating segment, in line with the disclosure requirements introduced by IFRS 15.

Type of services	Corporate	Individuals and other customers	Securities	Central functions	Reconciliation	2023	2022
FEE AND COMMISSION INCOME	**191,062**	**87,556**	**120,509**	**25,001**	**(561)**	**423,567**	**401,174**
Guarantees given	**30,968**	**6,533**	**-**	**-**		**37,501**	**32,882**
Management, Brokerage and Consulting	**-**	**-**	**120,509**	**-**		**120,509**	**114,470**
of which assets under administration	-	-	*38,291*	-		*38,291*	*33,786*
of which assets under management	-	-	*55,166*	-		*55,166*	*55,073*
of which insurance collection	-	-	*27,052*	-		*27,052*	*25,611*
Collection and payment services	**45,967**	**36,009**	**-**	**18,496**		**100,472**	**101,296**
Keeping and management of current accounts	**30,774**	**17,263**	**-**	**-**		**48,037**	**45,316**
Other fees and commissions	**83,353**	**27,751**	**-**	**6,505**	**(561)**	**117,048**	**107,210**
of which loans	*75,960*	*18,640*	-	-		*94,600*	*86,246*
of which third-party products	*3,160*	*2,064*	-	-		*5,224*	*4,245*
of which other	*4,233*	*7,047*	-	*6,505*	*(561)*	*17,224*	*16,719*
FEE AND COMMISSION EXPENSE	**(6,546)**	**(9,338)**	**(6,009)**	**1,330**	**(444)**	**(21,007)**	**(20,584)**
NET FEE AND COMMISSION INCOME	**184,516**	**78,218**	**114,500**	**26,331**	**(1,005)**	**402,560**	**380,590**

It should be noted that the breakdown by services is made according to management logic and therefore, the breakdown differs from the individual items of the financial statements required by Schedule 262/2005 for the composition of commission income.

A.2 Distribution by activity sector: financial data

Items	Corporate	Individuals and other customers	Securities	Central functions	**31/12/2023**
Financial assets	20,181,412	16,873,574	-	12,757,540	49,812,526
Other assets	-	-	-	7,194,409	7,194,409
Property, equipment and investment property	117,593	166,693	54,581	338,207	677,074
Intangible assets	4,910	7,692	2,631	22,523	37,756
Financial liabilities	12,061,995	30,381,558	-	9,938,434	52,381,987
Other liabilities	17,914	8,474	-	1,107,023	1,133,411
Provisions	176,387	127,761	25,345	67,586	397,079
Guarantees given	4,473,892	499,984	-	228,396	5,202,272
Commitments	15,866,773	4,279,517	40,267	831,348	21,017,905

Items	Corporate	Individuals and other customers	Securities	Central functions	**31/12/2022**
Financial assets	19,621,423	16,042,907	-	12,338,764	48,003,094
Other assets	-	-	-	9,163,690	9,163,690
Property, equipment and investment property	119,152	168,887	54,851	308,018	650,908
Intangible assets	4,784	7,073	2,358	22,454	36,669
Financial liabilities	11,818,328	30,002,023	-	11,448,457	53,268,808
Other liabilities	14,730	5,512	-	846,746	866,988
Provisions	135,086	115,546	25,272	55,221	331,125
Guarantees given	4,148,632	566,414	-	160,569	4,875,615
Commitments	14,258,167	3,526,854	46,449	687,783	18,519,253

A.3 Distribution by activity sector: comment

The results of the various sub-segments are discussed below.

Corporate sector: particularly noteworthy is the contribution of "Factorit", which showed a positive result of 38,743 thousand euro in this area, up from the previous year (+15.7%) mainly due to the significant growth in net interest income and net commissions.

This sector contributes 9.8% of overall results.

Financial assets and financial liabilities amount to 20,181 million euro and 12,062 million euro respectively.

With respect to total income, net adjustments for the impairment of financial assets represent 41.3% of the total, while administrative expenses absorb 31.2%.

The comparison with the previous year shows a significant decrease in the segment result (-95,216 thousand euro), essentially related to the Parent Company's contribution and mainly attributable to the synergic operation of the following factors:

- significant decrease in net interest income (-14.8%), due in particular to a contraction in the lending spread, which was not fully offset by the growth in the funding spread, where lower volumes were recorded;
- significant increase in commission flows (+8.4%), where in particular there is a growth in commissions on credits and in the foreign sector;
- positive contribution (4,961 thousand euro) from the result of the sale of non-performing loans (item "Gain/loss on sale");
- loss recognised on receivables measured at fair value (-1,779 thousand euro);
- marked growth in net value adjustments on financial assets (+42.6%);
- significant increase in administrative expenses (+5.5%);
- increase in net provisions and reserves for risks and charges, negative by 41.7 million euro.

Individuals and other customers: the sector contributes 0.5% of overall results.

Financial assets and financial liabilities amount to 16,874 million euro and 30,382 million euro respectively.

Net value adjustments for the impairment of financial assets represent 10.9% of the total income, while administrative expenses absorb 76.8%.

The comparison with the previous year shows a significant improvement in the segment result (+14,955 thousand euro), essentially related to the Parent Company and mainly attributable to the synergic operation of the following factors:

- significant increase in net interest income (+20.7%), due to an increase in the spread in deposits, where the largest volumes were recorded, which largely offset the contraction in the spread in loans, where there was also a noticeable increase in volumes;
- substantial stability in commission flows (+0.5%);
- gains recognised on receivables measured at fair value (1,097 thousand euro);
- slight decrease in value adjustments related to financial assets (-1.6%);
- significant increase in administrative expenses (+6.6%);
- significant increase in net provisions and reserves for risks and charges, with a negative contribution of 14.6 million euro.

Securities sector: This sector contributes 6.8% of overall results.

Compared to total income, administrative expenses affect the amount of 54.2%.

The comparison with the previous year highlights a significant improvement in the sector result (+3.5%), mainly due to the contribution of the Parent Company, where an increase of +2,019 thousand euro was recorded, also thanks to the positive performance of the segments relating to order collection and investment funds.

Central structure: the sector contributes 84.0% of overall results.

The comparison with the previous year shows a marked increase in the result (+227.6%), largely due to the contribution of the Parent Company, where essentially a positive trend in net interest income was recorded, due in particular to a significant increase in coupon flows from the proprietary portfolio, together with an improvement in the result of financial activities (net result of financial assets and liabilities measured at fair value and trading profits).

B. Distribution by geographical areas

The geographical distribution was made on the basis of the location of the branches; the representation according to the alternative criterion, based on the residence of the counterparties, does not lead to significant differences.

For the Parent Company, branches are aggregated into two geographical areas, "Northern Italy" and "Central Italy", since there is a significance difference in the respective customer profiles, while products, services, commercial and management policies are all the same.

In fact, in terms of intermediated volumes, in Northern Italy the most significant market shares pertain to "non-financial companies" and "consumer and producer households" while in Central Italy the "public administration" sector assumes particular importance.

The differences between the Parent Company and the Swiss subsidiary regarding the types of customer served, the products and services provided, and commercial and operational policies adopted make the separate representation of the "Swiss" operations area significant.

B.1 Distribution by geographical areas: economic data

Items	Northern Italy	Central-Southern Italy	Switzerland	**Total**	Reconciliation	**31/12/2023**
Interest income	2,986,216	311,655	135,146	3,433,017	-1,620,992	1,812,025
Interest expense	-2,137,482	-263,650	-95,930	-2,497,062	1,621,992	-875,070
Net interest income	**848,734**	**48,005**	**39,216**	**935,955**	**1,000**	**936,955**
Fee and commission income	343,154	57,418	28,381	428,953	-5,386	423,567
Fee and commission expense	-18,365	-2,830	-2,683	-23,878	2,871	-21,007
Dividends and similar income	44,100	-	44	44,144	-36,492	7,652
Net trading income	48,584	-	64,416	113,000	-19	112,981
Net hedging gains (losses)	-55	-	-4	-59	-17	-76
Gains/losses from sales or repurchases	5,405	1,160	-	6,565	-	6,565
Net gains/losses on financial assets and liabilities measured at fair value	4,966	655	-413	5,208	-	5,208
Total income	**1,276,523**	**104,408**	**128,957**	**1,509,888**	**-38,043**	**1,471,845**
Net adjustments to financial assets	-149,836	-38,804	-7,562	-196,202	485	-195,717
Net financial income	**1,126,687**	**65,604**	**121,395**	**1,313,686**	**-37,558**	**1,276,128**
Administrative expenses	-442,086	-41,448	-75,816	-559,350	-62,808	-622,158
Net accruals to provisions for risks and charges	-56,284	-3,640	-279	-60,203	733	-59,470
Depreciation and net impairment losses on property, equipment and investment property	-48,703	-3,017	-5,805	-57,525	3,689	-53,836
Amortisation and net impairment losses on intangible assets	-14,726	-1,413	-2,008	-18,147	-500	-18,647
Other operating income/expense	39,254	1,410	419	41,083	60,479	101,562
Net gains (losses) on equity investments	-587	-	-	-587	39,111	38,524
Net result of fair value measurement of property, equipment and investment property and intangible assets	-2,288	-	-	-2,288	-	-2,288
Gains/losses on sale of investments	469	-	-	469	-	469
Gross result	**601,736**	**17,496**	**37,906**	**657,138**	**3,146**	**660,284**

Items	Northern Italy	Central-Southern Italy	Switzerland	**Total**	Reconciliation	**31/12/2022**
Interest income	930,454	72,221	77,054	1,079,729	-245,171	834,558
Interest expense	-341,409	-44,376	-14,416	-400,201	246,710	-153,491
Net interest income	**589,045**	**27,845**	**62,638**	**679,528**	**1,539**	**681,067**
Fee and commission income	325,249	51,981	27,925	405,155	-3,981	401,174
Fee and commission expense	-16,094	-3,550	-3,043	-22,687	2,103	-20,584
Dividends and similar income	35,592	29	39	35,660	-29,196	6,464
Net trading income	18,542	-	10,134	28,676	-272	28,404
Net hedging gains (losses)	-32	-	-25	-57	-124	-181
Gains/losses from sales or repurchases	41,924	-1,099	-	40,825	-	40,825
Net gains/losses on financial assets and liabilities measured at fair value	-64,453	-1,847	-1,306	-67,606	18	-67,588
Total income	**929,773**	**73,359**	**96,362**	**1,099,494**	**-29,913**	**1,069,581**
Net adjustments to financial assets	-137,235	-17,020	5,006	-149,249	-51	-149,300
Net financial income	**792,538**	**56,339**	**101,368**	**950,245**	**-29,964**	**920,281**
Administrative expenses	-418,536	-38,075	-70,549	-527,160	-53,083	-580,243
Net accruals to provisions for risks and charges	-27,805	-5,911	-997	-34,713	488	-34,225
Depreciation and net impairment losses on property, equipment and investment property	-43,028	-2,952	-5,290	-51,270	6,002	-45,268
Amortisation and net impairment losses on intangible assets	-13,817	-1,336	-1,684	-16,837	-375	-17,212
Other operating income/expense	34,295	898	-37	35,156	50,223	85,379
Net gains (losses) on equity investments	1,106	-	-	1,106	26,662	27,768
Net result of fair value measurement of property, equipment and investment property and intangible assets	-2,762	-	-	-2,762	-	-2,762
Gains/losses on sale of investments	172	-	-	172	-	172
Gross result	**322,163**	**8,963**	**22,811**	**353,937**	**-47**	**353,890**

B.2 Distribution by geographical area: balance sheet

Items	Northern Italy	Central-Southern Italy	Switzerland	31/12/2023
Financial assets	40,268,786	3,507,029	6,036,711	49,812,526
Other assets	6,307,530	-	886,879	7,194,409
Property, equipment and investment property	595,297	34,557	47,220	677,074
Intangible assets	31,841	1,373	4,542	37,756
Financial liabilities	37,600,298	8,363,991	6,417,698	52,381,987
Other liabilities	1,075,181	6,725	51,505	1,133,411
Provisions	332,034	44,124	20,921	397,079
Guarantees given	4,099,876	854,834	247,562	5,202,272
Commitments	17,559,339	3,146,458	312,108	21,017,905

Items	Northern Italy	Central-Southern Italy	Switzerland	31/12/2022
Financial assets	39,020,849	3,428,554	5,553,691	48,003,094
Other assets	8,151,871	-	1,011,819	9,163,690
Property, equipment and investment property	570,927	35,346	44,635	650,908
Intangible assets	32,410	1,389	2,870	36,669
Financial liabilities	37,736,905	9,406,554	6,125,349	53,268,808
Other liabilities	825,453	5,945	35,590	866,988
Provisions	279,010	41,164	10,951	331,125
Guarantees given	3,842,674	763,838	269,103	4,875,615
Commitments	14,979,362	3,204,445	335,446	18,519,253

Disclosure of information State by State pursuant to Circular 285 of 17 December 2013 on “Supervisory provisions for Banks”

This information is available (in Italian) in the “Governance” section of the website www.popso.it.

PART M - Information on Leasing

Section 1 – Lessee

QUALITATIVE INFORMATION

Contracts that fall within the application of IFRS 16 can be grouped into three distinct categories:

a) real estate, which is the most relevant case with its appurtenances (e.g. parking spaces even if they have a marginal incidence);

b) cars;

c) other types, including the rental of IT equipment

In accordance with IFRS 16, the rights held under licence agreements have been excluded from the scope of application of the standard. They continue to be recognised under IAS 38 – Intangible assets.

The lease contracts mainly relate to buildings used as bank branches and generally have a duration of more than 48 months, typically 72 or 108 months, with automatic renewal options. For contracts with indefinite useful life, as provided for by existing policies, the useful life was defined on the basis of the duration historically recognised for the contract at the date of first-time application of IFRS 16. In the absence of this information, it is set equal to that of the contract to which it is strictly functional, if any, or to that of contracts that have similar characteristics.

Lease instalments are revised annually from the second year of the contract to reflect 75% or 100% of the change in the consumer price index for the families of blue- and white-collar workers.

Lease contracts for cars and IT equipment typically have a four-year term without the exercise of renewal and/or purchase options and payment on a monthly basis.

Checks for indicators of potential impairment are carried out consistently with the criteria for other Property, equipment and investment property (e.g. existence of plans to divest or negotiate branches, presence of disused branches). There was no evidence of any impairment in the right-of-use asset.

In line with the disclosures required by paras. 51, 53 and 59 of IFRS 16, the following supplementary information is provided:

- variable lease payments: situations involving variable lease payments are marginal for disclosure purposes, as this practice is rare in contracts signed by the group;
- extension and termination options: contracts signed by the group generally envisage giving 6 months' notice of termination. Most contracts for the lease of branch premises require payment of the cost of restoring them to their original condition if the lease is terminated. This amount is not very relevant;
- guarantees on the residual value: the group does not provide guarantees on the residual value;
- leases not yet signed: the group has not made any lease commitments of significant amount;
- sale and leaseback transactions: the group has no sales plans or leaseback agreements in place.

Part B of the Notes to the financial statements provides information about leased right-to-use assets (Tables 9.1 - 9.6 Part B, Assets) and lease liabilities (Tables 1.1 - 1.6 Part B, Liabilities and equity). In particular, right-to-use assets total 159 million, while lease liabilities total 164 million euro.

Part C of the Notes to the financial statements contains the information required by para. 53 of IFRS 16 about the interest charged on lease liabilities and the income earned from sub-leasing transactions. See those sections for further details.

Consistently with the provisions of IFRS 16, the Group makes use of the exemptions allowed by the standard for short-term leases and leases of low-value assets, the costs of which, during 2023, amount to 0.132 million euro.

QUANTITATIVE INFORMATION

As required by para. 53 of IFRS 16, the following information is provided: carrying amount of right-to-use assets at the reporting date and the depreciation charge on right-to-use assets by category of underlying asset.

	2023				2022
Assets/Amounts	Buildings	Cars	Other	Total	Total
Initial right-of-use	167,258	120	144	167,522	180,968
Depreciation for the financial year	(22,456)	(69)	(73)	(22,598)	(21,646)
Other changes	13,791	77	90	13,958	8,200
Closing carrying amount	**158,593**	**128**	**161**	**158,882**	**167,522**

As regards the Other changes during the year, the impact is due to recalculation of the right-of-use following the ISTAT changes and the opening/closing of contracts.

Section 2 – Lessor

QUALITATIVE INFORMATION

The Group is party to operational leases on buildings. These operational lease contracts do not transfer to the lessee substantially all the risks and benefits deriving from ownership of the assets, which remain with the lessor. In the case of operational lease contracts, the lessor recognises the lease instalments in the income statement on an accruals basis.

QUANTITATIVE INFORMATION

1. Balance sheet and income statement information

Reference should be made to the contents of Part C - Income Statement, Table 16.2 (Other operating income: breakdown) for information on other income deriving from operating leases.

3. Operational leases

The maturities of the payments to be received are summarised below.

3.1 Maturities of payments to be received

	2023	2022
Time band	Lease payments receivable	Lease payments receivable
Up to 1 year	116	131
Over 1 year to 2 years	119	133
Over 2 year to 3 years	123	134
Over 3 year to 4 years	126	134
Over 4 year to 5 years	131	135
Over 5 years	402	409
Total	**1,017**	**1,076**

3.2 Other information

No other information to be reported.

CERTIFICATIONS AND OTHER REPORTS

Certification of the consolidated Financial Statements at 31 December 2023 pursuant to article 81-*ter* of Consob Regulation No. 11971 of 14 May 1999, as amended.

1. The undersigned Mario Alberto Pedranzini in his capacity as Chief Executive Officer and Maurizio Bertoletti in his capacity as Manager responsible for preparing the accounting documents of Banca Popolare di Sondrio S.p.A., attest, also taking into account the provisions of Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February 1998:
   - the adequacy, in relation to the characteristics of the enterprise,
   - the actual application,

   of the administrative and accounting procedures for the preparation of the consolidated financial statements for 2023.

2. The evaluation of the adequacy and effective application of the administrative and accounting procedures for the formation of the consolidated financial statements as at 31 December 2023 are based on a model, defined by Banca Popolare di Sondrio Società per azioni, which makes reference to the principles of the "Internal Control - Integrated Framework (CoSO)", issued by the Committee of Sponsoring Organizations of the Treadway Commission, which acts as a reference framework for the internal control system and for financial reporting that is generally accepted internationally.

3. It is also certified that:

   3.1 the consolidated financial statements as at 31 December 2023:

   a) have been prepared in compliance with the international financial reporting standards recognised by the European Community pursuant to Regulation (CE) 1606/2002 of the European Parliament and by the Council on 19 July 2002;
   b) agree with the balances on the books of account and the accounting entries;
   c) provide a true and fair view of the equity, economic and financial situation of the Issuer and the whole of the companies included in the scope of consolidation.

   3.2 The Report on Operations includes a reliable analysis of the trend and of the operating profit, the situation of the issuer and of all of the consolidated companies, together with the description of the major risks and uncertainties to which they are exposed..

Sondrio, 12 March 2024

The Managing Director	The Manager responsible for preparing the Company's accounting documents
Mario Alberto Pedranzini	Maurizio Bertoletti

REPORT OF THE
INDEPENDENT AUDITORS
ON THE CONSOLIDATED FINANCIAL STATEMENTS

Banca Popolare di Sondrio S.p.A.

Consolidated financial statements as at December 31, 2023

Independent auditor's report
pursuant to article 14 of Legislative Decree n. 39,
dated January 27, 2010, and article 10 of EU Regulation n. 537/2014

EY S.p.A.
Via Meravigli, 12
20123 Milano

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Independent auditor’s report in accordance with article 14 of Legislative Decree n. 39, dated January 27, 2010 and article 10 of EU Regulation n. 537/2014

(Translation from the original Italian text)

To the Shareholders of
Banca Popolare di Sondrio S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Banca Popolare di Sondrio Group (the “Group”), which comprise the consolidated balance sheet as at December 31, 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the cash flow statement for the year then ended, and the notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2023 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 9 of Legislative Decree n. 38, dated February 28, 2005 and article 43 of Legislative Decree n.136, dated August 18, 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Banca Popolare di Sondrio S.p.A. (the “Bank” or the “Parent Company”) in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matter:

Key audit matter	Audit response
Classification and measurement of loans to customers, Loans	
Loans measured at amortised cost, presented in item 40 b) of the balance sheet, amount to approximately Euro 33,423 million and represent about 58% of total assets. The classification and valuation of loans is relevant for the audit both as the value of loans is significant for the consolidated financial statements as a whole and as the value of the related impairment losses is determined by the Directors through the use of estimates that have a high degree of complexity and subjectivity, also linked to the potential worsening of credit risk due to current and prospective economic and financial risks. Among these, the following matters are particularly relevant: • the identification and calibration of parameters for determining the significant increase in credit risk compared to the initial detection date, for the purpose of allocating exposures in Stage 1 and Stage 2 (performing loans); • the definition of valuation models applied for the calculation of statistical expected credit losses based on historical observation of data for each risk class and forward looking factors; • the identification impairment evidence, with subsequent classification of exposures in Stage 3 (non-performing loans); • for loans classified in Stage 3, the determination of the criteria used for estimating the expected cash flows according to the recovery strategy. Information on the evolution of the quality, classification and measurement of loans is provided within Part A - Accounting Policies, in Part B - Information on the balance sheet, in Part C - Information on the Income Statement and in Part E - Information on risks and related hedging policies of the notes to the financial statements.	In relation to these aspects, our audit procedures included, among others: • updating the understanding of the *policies*, processes and controls implemented by the Group in relation to the classification and measurement of loans and performing compliance procedures on the key controls, including those relating to IT safeguards, in order to verify its operational effectiveness; • performing comparative analysis of the portfolio and the related coverage ratios, with reference to the most significant deviations from the previous year balances; • understanding of the methodology underlying the valuation models used to calculate statistical expected losses; • performing substantive procedures, on sample basis, aimed at verifying the proper classification and measurement of performing and non performing loans; • the verification, through analysis of the supporting documentation, of the accounting of the disposal of non-performing loans carried out during the year; • the assessment of the adequacy of the disclosure provided in the notes to the financial statements. The procedures described above have also been carried out with the support of experts from the EY network on models for the evaluation of financial instruments and IT systems.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 9 of Legislative Decree n. 38 dated February 28, 2005 and article 43 of Legislative Decree n.136, dated August 18, 2015, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Board of statutory auditors ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going

concern;

- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant risks or the safeguard measures applied.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/2014

The shareholders of the Bank (at the time Banca Popolare di Sondrio S.C.p.A), in the general meeting held on April 29, 2017, appointed us to perform the audits of the consolidated financial statements for each of the years ending December 31, 2017 to December 31, 2025.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the Board of statutory auditors ("Collegio Sindacale") in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion on the compliance with the provisions of Delegated Regulation (EU) no. 815/2019

The Directors of Banca Popolare di Sondrio S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulation (EU) n. 815/2019 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) to the consolidated financial statement, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the consolidated financial statement with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at December 31, 2023 have been prepared in the XHTML-format and have been marked-up, in all material aspects, in compliance with the provisions of Delegated Regulation.

Due to certain technical limitations, some information included in the explanatory notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated January 27, 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 1998

The Directors of Banca Popolare di Sondrio S.p.A., are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of the Group as at December 31, 2023 including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 1998, with the consolidated financial statements of the Group as at December 31, 2023 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of the Group as at December 31, 2023 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated December 30, 2016

The Directors of Banca Popolare di Sondrio S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated December 30, 2016. We have verified that non-financial information has been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated December 30, 2016, such non-financial information is subject to a separate compliance report signed by us.

Milan, April 5, 2024

EY S.p.A.
Signed by: Davide Lisi, Auditor

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

RESOLUTIONS OF THE SHAREHOLDERS’ MEETING

Of 27 April 2024 (in a single call)

AGENDA

1) Financial Statements at 31 December 2023:
    a) Presentation of the financial statements at 31 December 2023: Directors' report on operations; report of the Board of Statutory Auditors; related and consequent resolutions; presentation of the consolidated financial statements at 31 December 2023;
    b) Allocation of the profit for the financial year 2023 and distribution of the dividend; related and consequent resolutions;
2) Resolutions on remuneration matters:
    a) Annual report on remuneration policy and compensation paid:
       a1) approval of the 2024 Remuneration Policies of the Banca Popolare di Sondrio Banking Group;
       a2) approval by non-binding resolution of the remuneration paid in the financial year 2023;
    b) Approval of the 2024 Share-based Remuneration Plan, pursuant to art. 114-*bis* of Legislative Decree 58/98 (Consolidated Finance Act);
3) Resolutions concerning treasury shares:
    a) Authorisation to purchase and sell treasury shares pursuant to art. 8 of the Articles of Association and articles 2357 and 2357-*ter* of the Italian Civil Code, art. 132 of Legislative Decree 58/98 (Consolidated Finance Act), and article 144-*bis* of Regulation No. 11971 approved by Consob resolution of 14 May 1999;
    b) Authorisation for the use of treasury shares already held in service of the 2024 Share-based Remuneration Plan, pursuant to article 114-*bis* of Legislative Decree 58/98 (Consolidated Finance Act);
4) Appointment for the audit of Banca Popolare di Sondrio Spa accounts for the financial years 2026-2034 and determination of the fee;
5) Appointment of five directors for the three-year period 2024-2026;
6) Determination of directors’ emoluments;
7) Appointment of the Board of Statutory Auditors for the three-year period 2024-2026
8) Determination of the annual remuneration of auditors for the three-year period 2024-2026.

Point 1) on the agenda

Letter a)

The Meeting, having heard the directors’ report on operations during 2023; having noted the report of the Board of Statutory Auditors and that of the Independent Auditors; having taken as read the balance sheet, the income statement, the explanatory notes and, in addition, the financial statements of the subsidiary and associated companies,

approved:

– the directors’ report on operations;
– the financial statements at 31 December 2023 in the results shown in the balance sheet and income statement and the related notes; financial statements that show a profit for the year of 392,765,866 euro;

took note of:

– the consolidated financial statements at 31 December 2023.

Letter b)

The Shareholders' Meeting, recalling the resolutions taken when approving the financial statements at 31 December 2023, having heard the report on the proposed allocation of the profit for the year; having acknowledged the report of the Board of Statutory Auditors and that of the independent auditors, approved the allocation of the profit for the year of € 392,765,866, as proposed by the Board of Directors in accordance with the law and the articles of association, and more specifically resolved:

a) to determine as 0.56 euro the dividend to be assigned to each of the 453,385,777 shares in circulation as of 31/12/2023 and with dividend rights as of 1/1/2023, with transfer to the extraordinary reserve of the amount of dividends from treasury shares possibly in existence on the working day before the ex-dividend date, for a total amount of	€ 253,896,035.12
b) to allocate the residual profit:	
– to the reserve for donations	€ 500,000.00
– to the unavailable reserve under Legislative Decree 38/2005 (Art. 6(1)(a))	€ 12,927,430.14
– to the non-distributable reserve D.L. 10 August 2023 No. 104 Art. 26 para. 5-*bis* converted by Law No. 136 of 9 October 2023	€ 107,060,000.00
– to the extraordinary reserve	€ 18,382,400.74

In accordance with the Stock Exchange calendar, the dividend was paid from 22 May 2024, going ex-coupon No. 46 on 20 May 2024.

Point 2) on the agenda

Letter a1)

The Shareholders' Meeting approved, with a binding vote, the 2024 Remuneration Policies of the Banca Popolare di Sondrio Banking Group contained in the first section of the Annual report on remuneration policy and compensation paid, and acknowledged the Public Disclosure required by the supervisory regulations on remuneration and incentive policies and practices contained in the annex to the Annual report on remuneration policy and compensation paid, as well as the information received on the activities carried out by the Remuneration Committee.

Letter a2)

The Meeting approved, by non-binding vote, the second section of the Annual report on remuneration policy and compensation paid for 2023.

Letter b)

The Meeting approved the 2024 Share-based Remuneration Plan, pursuant to art. 114-*bis* of Legislative Decree 58/98 (Consolidated Law on Finance), as described in the Information Document relating to the 2024 Share-based Remuneration Plan, and granted the Board of Directors, with the right to sub-delegate, all powers necessary to the actual implementation of the aforesaid Plan, to be exercised in accordance with the relevant Information Document.

Point 3) on the agenda

Letter a)

The Meeting resolved:

– to authorise the Board of Directors to purchase and/or dispose of ordinary treasury shares and/or to cancel them, pursuant to current legislation and the Articles of Association, for the period of time between today’s date and the date of the Shareholders’ Meeting called to approve the 2024 financial statements, on the basis specified below, on condition that the start of the purchase programme, or its suspension and/or its termination is authorised by the Board of Directors, with the right to delegate to the Executive Committee, which will therefore publish the information required pursuant to art. 144-*bis*, para.3, of the Issuers' Regulation on the programme start date;

<u>Purchases of treasury shares</u>

- purchases may be made up to a maximum amount of 30,000,000 (thirty million) euro without exceeding the available reserves, on condition in all cases that the number of treasury shares held never exceeds 2% of the shares representing share capital;
- purchase transactions may be made at any time until the date of the Shareholders’

Meeting called to approve the 2024 financial statements;

- the purchase price of the shares must not be more than 20% greater than the official price for Banca Popolare di Sondrio shares posted by Borsa Italiana S.p.A. at the end of the market day immediately prior to each transaction;
- purchases must be made in one of the ways specified in para.1, letters a), b), c), d-*bis*), d-*ter*), or in para.1-*bis* of art. 144-*bis* of Regulation No. 11971 approved by Consob on 14 May 1999, as subsequently amended.

<u>Trading and sale of treasury shares</u>

- the treasury shares purchased in execution of this Shareholders' resolution, as well as those purchased pursuant to previous Shareholders' resolutions, may be traded and disposed of and, therefore, assigned even prior to making the maximum purchase covered by this requested authorisation, on one or more occasions, in the manner deemed most appropriate for the reasons expressed in the directors' report and in the interests of the Bank;
- the disposals or dispositions may be made at any time prior to the Shareholders' Meeting called to approve the 2024 financial statements;
- the treasury shares purchased may be disposed of, on one or more occasions, even prior to making the maximum authorised purchase of treasury shares;
- the disposals may be made on the basis and with the timing deemed most appropriate in the interests of the Bank, in any manner considered suitable in relation to the objectives pursued, without prejudice in all cases to compliance with the authorisation conditions and the applicable regulations;
- the selling price of the shares – if sold in the market – must not be more than 20% lower than the official price for Banca Popolare di Sondrio shares posted by Borsa Italiana S.p.A. at the end of the market day immediately prior to each transaction.

<u>Maximum volumes</u>

- the purchases and sales – in the latter case if made in the market – must not exceed 25% of the average daily volume of the shares traded on the market run by Borsa Italiana S.p.A., calculated with reference to the average daily volume of trades in the 20 trading days prior to the date of each transaction.

<u>Cancellation of treasury shares</u>

- the treasury shares purchased in execution of this Shareholders' resolution, as well as those purchased pursuant to previous Shareholders' resolutions, may be cancelled on one or more occasions, in the manner deemed most appropriate for the reasons expressed in the directors' report and in the interests of the Bank, without prejudice to compliance with the regulatory requirements and the Articles of Association, using the reserve for treasury shares held to cover any differences between their cancellation value and their purchase price.

– to grant the Board of Directors, and the Managing Director, on its behalf, all powers needed to implement this resolution, as well as to make any changes to it that might be needed or suggested by the Supervisory Authorities or those that manage the market.

Letter b)

The Meeting authorised the Board of Directors to use, up to a maximum total amount of 540,000 euro, the ordinary shares in Banca Popolare di Sondrio already held by the Bank to service the 2024 Remuneration Plan based on financial instruments during the life of that plan. The number of shares used to service the above Plan shall be determined with reference to the closing price struck on the date on which the Board of Directors resolves to assign the variable remuneration.

The Board of Directors, and the Managing Director, on its behalf, was also granted all powers needed to implement this resolution, as well as to make any changes to it that might be needed or suggested by the Supervisory Authorities or those that manage the market.

Point 4) on the agenda

The Shareholders' Meeting, having acknowledged that with the approval of the financial statements as at 31 December 2025, the engagement for the legal audit of the bank's accounts conferred for the nine-year period 2017-2025 to the independent auditors EY spa will expire, and having examined the proposal of the Board of Directors containing the recommendation and preference formulated by the Board of Statutory Auditors as the Internal Control and Audit Committee, has resolved to confer the engagement to the company KPMG S.p.A. of auditing the accounts of Banca Popolare di Sondrio S.p.A. for the 2026-2034 financial years, determining the annual fee.

The Meeting also granted to the Board of Directors all powers necessary for the implementation of the shareholders' resolution, also through delegated persons.

Point 5) on the agenda

The Meeting appointed as directors for the three-year period 2024-2026, in accordance with the articles of association, Roberto Giay, Loretta Credaro (executive director), Giuseppe Recchi (independent director), Pierluigi Molla (independent director) - taken from "List No. 1" submitted by the Board of Directors -, Séverine Melissa Harmine Neervoort (independent director), taken from "List No. 2" submitted by 12 shareholders.

Point 6) on the agenda

The Shareholders' Meeting determined the remuneration of the directors in compliance with the Remuneration Policies contained in Section I - Remuneration Policies 2024 of the BPS Banking Group - of the "Annual report on remuneration policy 2024 and compensation paid in 2023".

Point 7) on the agenda

Pursuant to the Articles of Association, the Shareholders' Meeting appointed for the three-year period 2024/2026 Laura Vitali (Standing Auditor), Massimo De Buglio (Standing Auditor), and Paolo Vido (Alternate Auditor), taken from "List no. 1" submitted by 4 shareholders, and Carlo Maria Vago (taking on the position of Chair of the Board of Statutory Auditors) and Marco Fabio Capitanio (Alternate Auditor) taken from "List no. 2" submitted by 12 shareholders.

Point 8) on the agenda

The Meeting determined the annual remuneration of the Board of Statutory Auditors for the entire term of office.

THE PROGRESS OF BANCA POPOLARE DI SONDRIO IN THE MAIN ITEMS OF THE FINANCIAL STATEMENTS

Year	Financial investments euro	Loans and receivables with customers euro	Fiduciary assets euro	Equity (capital and reserves) euro	Profit for the year euro	Dividend euro
1871	26	93	37	47	1	0.001
1875	109	675	569	181	21	0.002
1880	46	1,024	777	360	33	0.002
1885	213	1,431	1,161	410	42	0.002
1890	459	1,805	1,646	457	49	0.002
1895	840	1,380	1,631	453	36	0.002
1900	860	1,627	1,987	465	43	0.002
1905	940	2,330	2,834	504	53	0.002
1910	1,460	3,717	4,738	563	68	0.003
1915	2,425	3,399	5,178	658	59	0.002
1920	7,906	9,100	22,320	1,232	186	0.005
1925	9,114	35,692	39,924	2,303	523	0.006
1930	12,899	43,587	54,759	3,230	561	0.006
1935	21,402	30,912	53,190	3,543	339	0.004
1940	24,397	32,808	57,064	3,091	312	0.002
1945	112,239	101,840	191,619	6,491	817	0.002
1950	608,460	892,440	1,359,864	50,496	10,834	0.041
1955	1,413,363	2,372,139	3,573,499	262,122	25,998	0.124
1960	3,474,898	5,864,314	9,124,181	495,960	45,997	0.150
1965	6,564,058	9,861,955	18,238,851	670,265	60,044	0.170
1970	11,228,709	21,140,462	34,440,002	1,577,469	86,800	0.196
1975	49,247,998	46,458,454	103,136,018	4,940,413	336,351	0.284
1980	248,877,713	135,350,391	386,128,259	44,618,760	2,298,768	0.620
1981	303,227,605	149,856,755	435,958,220	70,294,839	3,543,126	0.878
1982	434,505,499	168,991,589	564,440,308	93,988,765	5,876,973	0.930
1983	551,731,767	201,889,280	722,876,267	105,498,725	9,795,722	1.394
1984	657,323,707	244,311,938	885,640,690	117,286,747	11,754,271	1.911
1985	669,773,787	327,572,423	985,454,131	123,347,208	13,332,058	2.582
1986	854,978,708	381,346,894	1,108,118,326	129,106,270	13,582,958	2.169
1987	954,429,924	407,643,937	1,205,007,005	134,486,897	13,588,657	2.169
1988	950,465,324	510,164,638	1,285,408,512	139,730,318	13,665,548	2.272
1989	958,277,398	634,760,956	1,431,120,712	145,100,954	13,984,014	2.324
1990	919,261,388	819,877,375	1,567,539,101	170,006,961	14,919,668	1.653
1991	886,480,827	1,014,385,379	1,708,284,250	192,743,654	16,018,859	1.653
1992	1,162,262,510	1,202,265,949	2,151,786,340	198,979,714	16,304,997	1.704
1993	1,675,065,908	1,441,158,530	2,862,510,529	250,913,662	17,860,906	1.136
1994	1,438,251,891	1,701,208,296	2,922,731,483	258,100,923	16,976,601	1.136
1995	1,828,374,994	1,903,530,111	3,401,567,857	335,480,368	18,688,353	0.413
1996	1,817,497,737	2,120,842,006	3,590,238,215	345,127,951	20,685,619	0.439
1997	1,730,940,393	2,485,706,688	3,844,781,082	353,507,281	20,796,084	0.439
1998	2,005,202,039	2,990,333,100	4,343,203,973	535,162,454	24,784,724	0.196
1999	1,993,529,114	3,724,763,745	5,058,960,710	557,555,696	30,555,532	0.232
2000	2,043,141,602	4,443,945,484	5,829,901,035	576,036,331	38,428,768	0.300
2001	2,618,137,267	5,579,546,805	7,374,954,358	731,304,438	46,064,525	0.180
2002	3,218,789,508	6,246,734,925	8,626,473,276	752,369,741	46,703,800	0.190
2003	2,827,584,863	7,117,211,453	9,139,503,657	773,957,639	60,117,119	0.230
2004	3,492,730,224	8,078,424,234	10,498,481,204	1,031,391,991	73,210,556	0.170
2005	4,029,597,013	9,197,849,967	11,928,279,967	1,119,500,111	85,178,406	0.190
2006	4,216,404,673	10,560,504,042	13,316,179,364	1,231,012,722	107,113,135	0.230
2007	5,174,395,815	12,402,268,867	15,844,113,698	1,592,235,650	130,823,404	0.220
2008	5,260,646,663	14,936,103,083	18,469,073,506	1,492,021,195	13,735,247	0.030
2009	4,794,397,579	16,711,080,589	19,779,755,056	1,683,715,881	190,674,454	0.330
2010	5,063,550,816	18,247,861,145	21,243,136,724	1,722,830,035	133,319,754	0.210
2011	5,742,516,051	20,606,382,386	24,261,565,885	1,676,472,699	57,283,707	0.090
2012	7,098,208,844	22,390,051,929	27,490,789,964	1,711,323,846	25,822,369	0.033
2013	8,696,206,457	20,843,577,225	27,752,052,266	1,773,767,299	48,831,672	0.050
2014	11,078,365,152	20,535,826,086	29,329,977,518	2,221,418,922	97,552,111	0.060
2015	10,945,940,157	20,021,406,321	28,704,284,801	2,334,513,952	100,064,082	0.070
2016	11,185,303,807	21,331,910,550	30,252,182,840	2,334,785,742	80,047,620	0.060
2017	15,201,247,408	21,819,028,458	34,664,943,911	2,426,948,619	118,400,102	0.070
2018	14,716,303,975	21,483,735,791	33,770,793,630	2,366,819,712	83,623,117	0.050
2019	12,258,037,925	22,314,013,776	33,139,673,205	2,517,571,741	100,695,191	0.000
2020	15,725,255,450	24,097,378,444	41,392,257,234	2,641,048,692	75,045,078	0.060
2021	18,378,602,771	25,039,636,995	45,539,331,233	2,831,986,698	212,099,145	0.200
2022	17,320,911,729	26,711,957,796	48,509,904,000	2,872,857,462	212,901,668	0.280
2023	**17,754,599,125**	**26,973,237,775**	**46,820,066,615**	**3,178,641,981**	**392,765,866**	**0.560**

The figures for the years prior to 1993 have not been adjusted for consistency with those of subsequent years, which are aggregated with different criteria following the regulatory changes that have occurred.

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