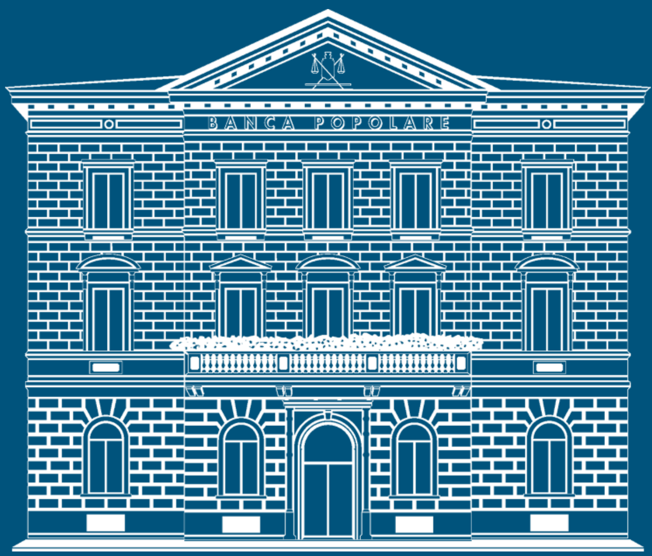
Banca Popolare di Sondrio

FOUNDED IN 1871



CONSOLIDATED HALF-YEAR FINANCIAL REPORT AS AT 30 JUNE 2024

Banca Popolare di Sondrio

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Società per azioni (joint-stock company)
Head Office and General Management: I - 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
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
(Figures approved at the Shareholders' meeting of 27 April 2024)

Rating:

- 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
- Rating issued to Banca Popolare di Sondrio by Fitch Ratings on 24 April 2024:
  - Long-term Issuer Default Rating (IDR): BBB-
  - Short-term Issuer Default Rating (IDR): F3
  - Viability Rating: bbb-
  - Government Support Rating: n.a.
  - Long-term Deposit Rating: BBB
  - Short-term Deposit Rating: F3
  - Senior Preferred Debt: BBB-
  - Tier 2 Subordinated Debt: BB
  - Outlook: Stable
- Rating issued to Banca Popolare di Sondrio by Morningstar DBRS 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 17 April 2024:
  - Issuer rating: BBB
  - Outlook: Stable

CONTENTS

BOARD OF DIRECTORS

Chair	FRANCESCO VENOSTA
Deputy Chair	LINO ENRICO STOPPANI*
Managing Director	MARIO ALBERTO PEDRANZINI**
Directors	NICOLA CORDONE
	LORETTA CREDARO*
	ANNA DORO
	FEDERICO FALCK*
	ROBERTO GIAY
	MARIA CHIARA MALAGUTI
	PIERLUIGI MOLLA
	SÉVERINE MÉLISSA HARMINE NEERVOORT
	GIUSEPPE RECCHI
	SERENELLA ROSSI
	SILVIA STEFINI
	ROSSANA ZAMBELLI

BOARD OF STATUTORY AUDITORS

Chair	CARLO MARIA VAGO
Statutory Auditors	MASSIMO DE BUGLIO
	LAURA VITALI
Alternate Auditors	MARCO FABIO CAPITANIO
	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 financial reports	SIMONA ORIETTI

* Members of the Executive Committee

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

BRANCH NETWORK

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 piazzale 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 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 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
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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General Management: Lugano, via Giacomo Luvini 2a
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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PrestiNuova
Agency in Financial Activities of BNT Banca
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Stelvio Pass (m 2.760-3.450) - Bormio (SO)
Holiday Apartments: (CIR: 014009-REC-00017/18)
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Isolaccia Valdidentro (SO) • "Pirovano Valdidentro" Apartments
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via Delle Prese 8 - Sondrio - tel. +39 0342 210 040
www.pirovano.it - info@pirovano.it

"LUIGI CREDARO" LIBRARY
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Ⓣ Treasury - Updated to 24 July 2024

THE BANKING GROUP IN

BPS (SUISSE)

Banca Popolare di Sondrio (SUISSE)

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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.

Number of branches in each province

Number of treasuries

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

IL GRUPPO BANCARIO

THE HEART OF THE ALPS

Banca Popolare di Sondrio FOUNDED IN 1871

BRANCHES by province:

- 50 SONDRIO and 13 Treasuries
- 2 ALESSANDRIA
- 15 BERGAMO and 13 Treasuries
- 2 BOLZANO
- 32 BRESCIA and 18 Treasuries
- 31 COMO and 28 Treasuries
- 5 CREMONA
- 2 CUNEO
- 7 GENOVA and 1 Treasury
- 2 IMPERIA
- 20 LECCO and 19 Treasuries
- 2 LODI
- 5 MANTOVA and 3 Treasuries
- 53 MILANO and 10 Treasuries
- 18 MONZA E BRIANZA and 3 Treasuries
- 2 NOVARA
- 3 PARMA
- 7 PAVIA and 9 Treasuries
- 4 PIACENZA
- 45 ROMA and 3 Treasuries
- 3 SAVONA and 1 Treasury
- 2 TORINO
- 4 TRENTO and 1 Treasury
- 2 TREVISO
- 18 VARESE and 6 Treasuries
- 2 VENEZIA
- 5 VERBANO CUSIO OSSOLA
- 4 VERONA
- 3 VICENZA
- 1 in BOLOGNA, LA SPEZIA, NAPOLI, PADOVA, TRIESTE, UDINE and VERCELLI
- 1 in the Autonomous Region of Valle d'Aosta and 2 Treasuries

DESKS ABROAD C/O EXTERNAL PARTNERS:

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Holiday Apartments
Bormio - SO
• "Pirovano" Apartments
(CIR: 014009-REC-00017)
• "Chalet Felse" Apartments
(CIR: 014009-REC-00018)

Isolaccia Valdidentro - SO
• "Pirovano Valdidentro" Apartments
(CIR: 014071-CIM-00053/54)

Registered and Administrative Office
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via Delle Prese 8 - Sondrio
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AL CENTRO DELLE ALPI

INFORMATION ON OPERATIONS

Note. The amounts contained in this interim management report are represented using the euro as the accounting currency; comparisons in percentage terms refer for the balance sheet part to the homogeneous data at the end of 2023 and for the income statement part to the homogeneous data at 30 June 2023; any exceptions are explained. 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.

INTERIM MANAGEMENT REPORT AS AT 30 JUNE 2024

INTRODUCTION

The consolidated half-year financial report for the six months ended 30 June 2024 was prepared in compliance with article 154-ter, paragraphs 2, 3 and 4, of Legislative Decree No. 58 of 24 February 1998, in accordance with the recognition and measurement criteria set forth in the IAS/IFRS adopted by the European Community and in force today, as specified in the notes.

The condensed consolidated half-year financial statements have been prepared in accordance with IAS 34.

In implementation of the aforementioned discipline, the half-year report gives priority to information at the consolidated level. Given the importance of Banca Popolare di Sondrio s.p.a. within the Group, extensive references to its activities have been maintained.

THE BANCA POPOLARE DI SONDRIO BANKING GROUP

The Banca Popolare di Sondrio Banking Group comprises:

Parent Company:

Banca Popolare di Sondrio spa - Sondrio.

Companies of the banking group:

- *Banca Popolare di Sondrio (SUISSE) SA - Lugano CH.*
  The Parent Company holds all the capital of Banca Popolare di Sondrio (SUISSE) SA, amounting to 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.

FULLY CONSOLIDATED EQUITY INVESTMENTS

Company Name	Head office	Share capital (in thousands)	% Held
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)	Milan	10(2)	100
Immobiliare San Paolo srl (1)	Tirano	10(2)	100
Rent2Go srl (1)	Monza	12,050	100
Popso Covered Bond srl	Conegliano V.	10	60
Centro delle Alpi SME srl (1)	Conegliano V.	10	-

(1) equity investments not included in the banking group
(2) held by Sinergia Seconda srl
(3) held by Banca della Nuova Terra spa

As provided by IFRS 10, the Centro delle Alpi Real Estate fund is also fully consolidated.

EQUITY INVESTMENTS MEASURED USING THE EQUITY METHOD

Company Name	Head office	Share capital (in thousands)	% Held
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
Liquid Factory Sbrl	Sondrio	84	4.559
Rajna Immobiliare srl (1)	Sondrio	20	50.000

(1) joint control

On 7 June 2024, the company Liquid Factory S.b.r.l. was established, a holding company dedicated to the development of technology start-ups, in which the Bank holds 4.6% of the capital.

For more details on how equity investments are presented in the financial statements, please refer to the notes under "Scope and methods of consolidation".

SUMMARY OF RESULTS

(in millions of euro)			
Balance sheet figures	**30/06/2024**	**31/12/2023**	**Change %**
Loans and receivables with customers	34,590	34,480	0.32
Loans and receivables with customers measured at amortised cost	34,323	34,159	0.48
Loans and receivables with customers measured at fair value through profit or loss	268	321	-16.61
Loans and receivables with banks	2,159	2,122	1.72
Financial assets that do not constitute loans	14,288	13,939	2.51
Equity investments	386	376	2.58
Total assets	56,704	57,722	-1.76
Direct funding from customers	42,783	42,393	0.92
Indirect funding from customers	48,430	46,319	4.56
Direct funding from insurance premiums	2,124	2,067	2.76
Customer assets under administration	93,337	90,778	2.82
Other direct and indirect funding	18,103	19,545	-7.37
Equity	3,824	3,809	0.37

Income statement	30/06/2024	30/06/2023	Change %
Net interest income	538	427	25.91
Total income*	813	686	18.46
Profit from continuing operations	387	302	28.23
Profit for the period	264	207	27.27

Capital ratios	30/06/2024	31/12/2023
CET1 Capital ratio	15.93%	15.37%
Total Capital ratio	18.78%	17.73%

Other information on the Banking Group	30/06/2024	31/12/2023
Number of employees	3,639	3,580
Number of branches	379	377

* Net interest and other banking income is presented as per the reclassified income statement summary

ALTERNATIVE PERFORMANCE INDICATORS

Key ratios	30/06/2024	31/12/2023
Equity/Direct funding from customers	8.94%	8.99%
Equity/ Loans to customers	11.05%	11.05%
Equity/Financial assets	26.76%	27.33%
Equity/Total assets	6.74%	6.60%

Profitability indicators	30/06/2024	30/06/2023
Cost/Income	39.10%	40.61%
Net interest income/Total income	66.19%	62.28%
Administrative expenses/Total income	37.01%	40.67%
Net interest income/Total assets	0.95%	0.79%
Net financial income/Total assets	1.25%	1.13%
Profit for the period/Total assets	0.46%	0.38%

Asset quality indicators	30/06/2024	31/12/2023
NPL ratio	3.80%	3.71%
Texas ratio	14.69%	14.91%
Net bad loans/Equity	1.55%	1.63%
Net bad loans/Loans to customers	0.17%	0.18%
Loans to customers/Direct funding from customers	80.85%	81.33%
Cost of credit	0.60%	0.65%

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 to total loans to customers.

INTERNATIONAL ASPECTS

Over the course of the year, signs of improvement for the world economy gradually emerged. The positive dynamics of the service sector were predominant, but manufacturing also showed an increase, so that for the whole of 2024 GDP is expected to increase by around 3.1%, on the same level as in 2023.

After a first quarter of modest growth, world trade seems to be on a path to recovery, although much will depend on the evolution of the geopolitical crises that are still ongoing, for which there do not seem to be any real viable solutions at the moment. In particular, international trade could be very adversely affected by the escalation of conflicts in the Middle East and the Red Sea.

Inflation, which also made progress in the US in the first quarter of the year, still seems set to fall. In June, in connection with the temporary halting of the disinflation process in the first months of the year, the Federal Reserve kept its key interest rates unchanged for the seventh consecutive meeting.

Over the period, oil prices showed great volatility, while natural gas prices highlighted an upward trend due to multiple causes, ranging from economic recovery to some technical factors also linked to production and distribution difficulties.

In the euro area, the first three months of 2024 marked an awakening of economic activity, with GDP returning to growth after five quarters of stagnation. Also for the second quarter, the most recent surveys seem to indicate moderate progress, with an estimated year-end result close to 1%, thanks, in particular, to the contribution of the service sector. Among the large countries, the best performers are Spain, whose economy has been performing well above average for some time now. Germany fell very slightly (-0.1%) in the second quarter.

The process of reducing inflation has been weakened. Among the causes were the slightly rising prices of energy products and, above all, the sharply upward pressure on services. For its part, the European Central Bank lowered its key interest rates by 25 basis points at its meeting in June, but expressed its intention to maintain a sufficiently restrictive policy for as long as necessary.

THE REFERENCE SCENARIO FOR OUR GROUP

Italy

Consistent with the more general dynamics in the euro area, GDP in Italy rose slightly in the first quarter and then, according to the most recent estimates, continued on this path over the following months. A significant contribution to this came from the services sector, particularly tourism, where the contribution of the foreign component of clientele remained prevalent. Consumption benefited from the favourable employment trend and falling inflation, whereas it was “penalised” by recovery of the propensity to save. On the business front, manufacturing activity contracted again and the construction sector was weakened by the reduction of tax benefits. Investment also slowed down, reflecting companies' negative expectations of the economic situation over coming months.

After GDP had grown by 0.3% on 30 March, the most up-to-date forecasts still point to an overall progress of close to 1% by the end of the year.

In the second quarter, price dynamics remained at a low level, so that, despite a slight increase in June, the twelve-month increase was limited to 0.9%.

The Swiss Confederation

Growth of the Swiss economy is expected to be around 1.2% for the current year, thus at a much lower rate than average. The international situation, which is full of unknowns and risks, is expected to have a dampening effect on Swiss exports, but some support for foreign trade should come from the recent depreciation of the Swiss franc. A positive contribution is expected from private consumption, boosted by several factors, including a further increase in employment and a stable inflation trend, which is expected to average around 1.4% per year in 2024. This allowed the Swiss National Bank to lower the benchmark rate by 25 basis points to 1.25%.

THE ITALIAN BANKING MARKET

Although the ECB made a first cut of 25 basis points in June, the cost of money remained higher than twelve months earlier. As a result, the funding burden - from households and non-financial companies - for Italian banks stabilised at 1.25%, which compares with 0.93% in June 2023.

With the yield on interest-bearing assets rising to 4.12%, the differential was 2.87%.

If, previously, funding volumes had only benefited from the recovery in bonds - which were nevertheless up by 14.9% - the comforting 3% progress was this time also supported by deposits (fixed term rather than sight), which had just emerged in June (+1.4%) from a recession that a year earlier had been at its worst.

On the other hand, the annual negative change in loans to households and non-financial companies worsened: -1.7%.

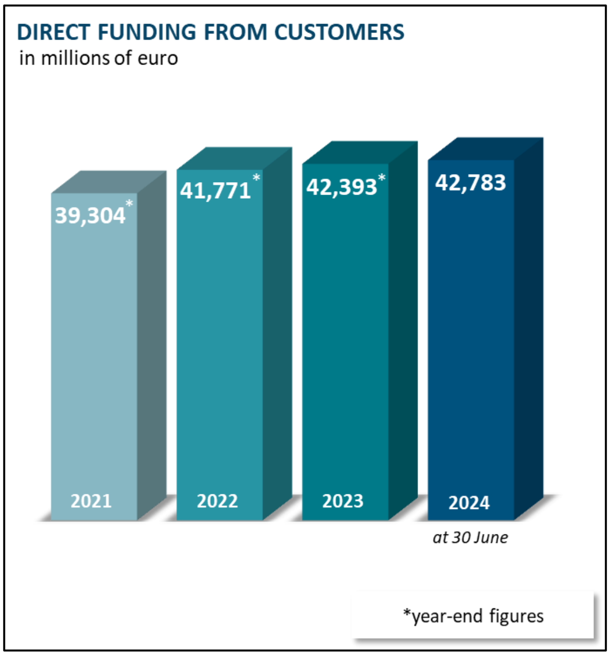
As for credit quality, the NPL ratio seems to have reversed its long downward trend, with a slight increase to 1.43% in May and growth for the end of the year, in any case still below pre-pandemic values.

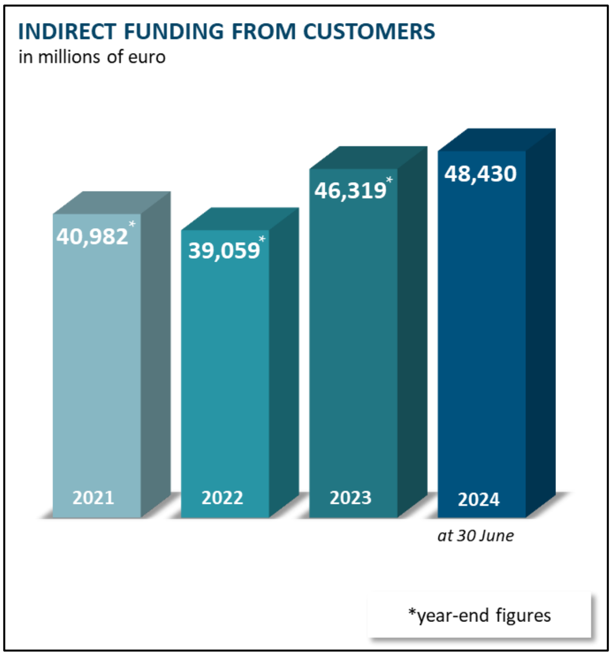
As far as economic developments are concerned, at least for this year still, the classic instrument manoeuvred by the ECB, that of interest rates, should continue to support the banks. Despite the beginning of the fall in interest rates, the return of non-ordinary items and some tightening of write-downs, ROE could again remain in double figures.

FUNDING

The period under review was again marked by a restrictive monetary policy aimed at combating inflation, resulting in rates remaining at high levels, although falling slightly. At system level, bank funding showed a slight year-on-year growth in the first half of 2024. Among the various components, customers favoured the most profitable ones, with bonds rising steadily, while TLTRO funds were gradually reimbursed.

Our Group was no stranger to this trend and recorded a positive trend in direct deposits, which, comprising balance sheet liability items 10b “due to customers” and 10c "securities issued", amounted to 42,783 million, +0.92% over the comparative period, but up 9.4% year-on-year.





Indirect funding from customers, at market values, totalled 48,430 million, +4.56%.

Direct funding from insurance premiums reached 2,124 million, +2.76%.

Total funding from customers therefore amounted to 93,337 million, +2.82%.

Deposits from banks amounted to 8,360 million, down from 9,918 million, a decrease partly related to the repayment of the TLTRO loan of 800 million that expired last March. This exposure is largely linked to longer-term refinancing operations with the European Central Bank for a total of 3,700 million.

Indirect funding from banks, mainly consisting of securities under administration lodged by banks, rose from 9,627 million to 9,744 million, +1.21%.

Total funding from customers and banks therefore amounts to 111,440 million, +1.01%.

CONSOLIDATED DIRECT FUNDING FROM CUSTOMERS

(thousands of euro)	30/06/2024	Compos. %	31/12/2023	Compos. %	Change %
Current accounts and sight deposits	30,406,365	71.07	30,553,721	72.07	-0.48
Fixed-term deposits	5,016,831	11.73	4,376,073	10.32	14.64
Repurchase agreements	1,717,497	4.01	2,241,059	5.29	-23.36
Lease liabilities	153,058	0.36	163,259	0.39	-6.25
Bonds	5,207,423	12.17	4,383,516	10.34	18.80
Bank drafts and similar	89,303	0.21	92,994	0.22	-3.97
Other payables	192,164	0.45	582,189	1.37	-66.99
Total	**42,782,641**	**100.00**	**42,392,811**	**100.00**	**0.92**

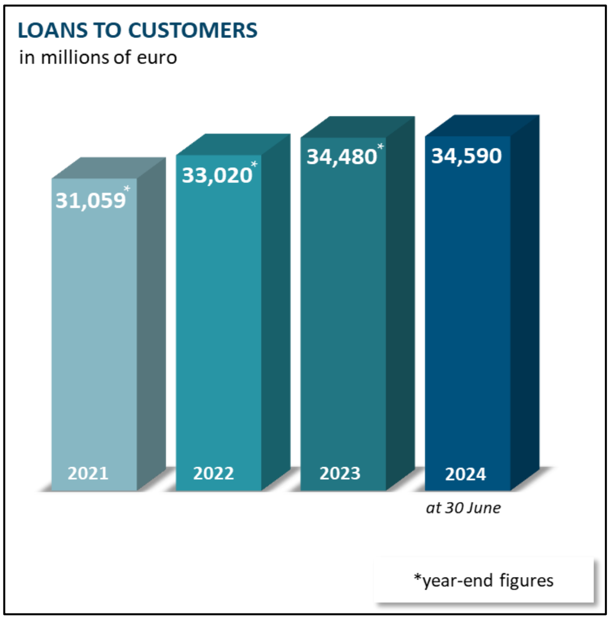
CONSOLIDATED TOTAL FUNDING

(thousands of euro)	30/06/2024	Compos. %	31/12/2023	Compos. %	Change %
Total direct funding from customers	42,782,641	38.40	42,392,811	38.43	0.92
Total direct funding from insurance premiums	2,123,624	1.91	2,066,571	1.87	2.76
Total indirect funding from customers	48,430,421	43.46	46,318,512	41.98	4.56
- Asset management	*7,829,847*	*16.17*	*7,175,926*	*15.49*	*9.11*
- Assets under administration	*40,600,574*	*83.83*	*39,142,586*	*84.51*	*3.72*
Total	**93,336,686**	**83.76**	**90,777,894**	**82.28**	**2.82**
Due to banks	8,359,700	7.50	9,917,675	8.99	-15.71
Indirect funding from banks	9,743,616	8.74	9,626,913	8.73	1.21
Grand total	**111,440,002**	**100.00**	**110,322,482**	**100.00**	**1.01**

As for the individual components, current accounts and sight deposits, down 0.48% to 30,406 million, accounted for 71.07% of all direct funding.

Bonds showed a good increase, +18.80% to 5,207 million, thanks in part to a new covered bond issue for a benchmark amount of 500 million as part of the five-billion covered bond programme, the issuance of a 300 million fixed-rate subordinated bond and a 500 million Senior Preferred Green bond. Fixed-term deposits amounted to 5,017 million, +14.64%. Repos, which were 2,241 million as at 31 December 2023, fell to 1,717 million, -23.36%. Bank drafts amounted to 89 million, -3.97%. Lease liabilities (accounted for in accordance with IFRS16) amounted to 153 million, -6.25%, while other funding fell from 582 million to 192 million, -66.99%. As regards asset management, please see the chapter on treasury and trading activities.

LOANS TO CUSTOMERS



During the period under review, a system-wide contraction in bank lending was evident, with a modest contraction in household credit, but a stronger contraction on the corporate side.

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)	30/06/2024	Compos. %	31/12/2023	Compos. %	Change %
Current accounts	3,296,314	9.53	3,595,829	10.43	-8.33
Mortgage loans	20,619,844	59.61	20,820,558	60.38	-0.96
Repurchase agreements	514,689	1.49	-	-	n.a.
Personal loans and assignments of one-fifth of salary or pension	579,841	1.68	542,180	1.57	6.95
Factoring	3,772,542	10.91	3,789,704	10.99	-0.45
Other loans	5,153,211	14.89	4,978,676	14.45	3.51
Debt securities	653,755	1.89	753,245	2.18	-13.21
Total	**34,590,196**	**100.00**	**34,480,192**	**100.00**	**0.32**

Overall, loans to customers from our Group amounted to 34,590 million, +0.32% compared to end-2023, but up 3.88% year-on-year. The ratio of loans to direct funding from customers has thus risen to 80.85%, from 81.33%. The various items have contributed to total customer loans to a different extent. The main item was mortgages and unsecured loans, which amounted to 20,620 million, down slightly, -0.96%, and accounted for 59.61% of loans. They also include transferred assets that were not derecognised because the requirements of IFRS 9 for derecognition were not met. This was followed by other loans (advances, grants, etc.), which amounted to 5,153 million, +3.51%, or 14.89% of loans. Current accounts amounted to 3,296 million, down 8.33%. Personal loans grew moderately, +6.95% to 580 million, while factoring operations declined slightly, -0.45% to 3,773 million. Debt securities amounted to 654 million, -13.21%. 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 sales of NPLs from the SPV Diana, POP NPLS 2020, POP NPLS 2021 and POP NPLS 2022 and POP NPLS 2023.

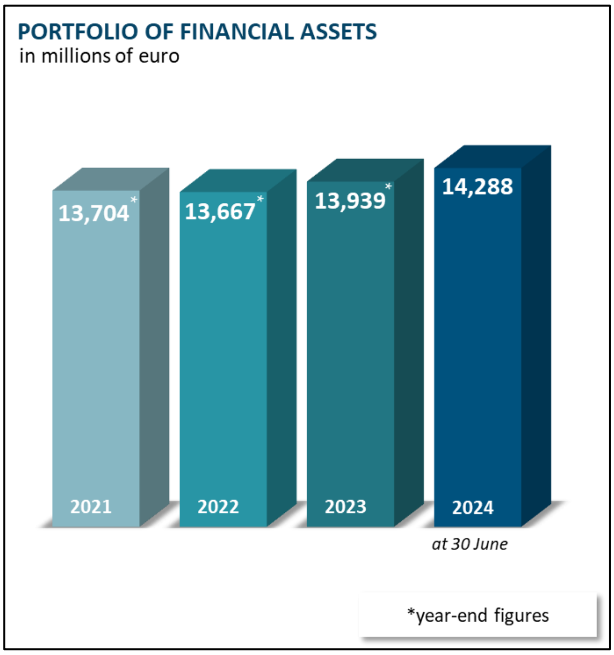
NON-PERFORMING AND PERFORMING LOANS TO CUSTOMERS

(thousands of euro)		30/06/2024	31/12/2023	Absolute changes	Changes %
Non-performing loans	Gross exposure	1,355,973	1,316,481	39,492	3.00
	Value adjustments	799,862	754,173	45,689	6.06
	Net exposure	**556,111**	**562,308**	**-6,197**	**-1.10**
Bad loans	Gross exposure	359,124	348,408	10,716	3.08
	Value adjustments	300,015	286,186	13,829	4.83
	Net exposure	**59,109**	**62,222**	**-3,113**	**-5.00**
Unlikely-to-pay	Gross exposure	891,776	894,499	-2,723	-0.30
	Value adjustments	482,488	456,493	25,995	5.69
	Net exposure	**409,288**	**438,006**	**-28,718**	**-6.56**
Past due exposures	Gross exposure	105,073	73,574	31,499	42.81
and/or non-performing overdraft	Value adjustments	17,359	11,494	5,865	51.03
	Net exposure	**87,714**	**62,080**	**25,634**	**41.29**
Performing loans	Gross exposure	34,303,782	34,167,755	136,027	0.40
	Value adjustments	269,697	249,871	19,826	7.93
	Net exposure	**34,034,085**	**33,917,884**	**116,201**	**0.34**
Total loans and receivables with customers	Gross exposure	35,659,755	35,484,236	175,519	0.49
	Value adjustments	1,069,559	1,004,044	65,515	6.53
	Net exposure	**34,590,196**	**34,480,192**	**110,004**	**0.32**

Total net non-performing loans have fallen by 1.10% to 556 million, compared with 562 million at the end of 2023; as at 31 December 2023 in the comparative period there was a decrease of 7.61%. The aggregate is 1.61% (1.63%) of loans to customers.

The total adjustments recorded for non-performing loans total 800 million, +6.06%, representing 58.99% of the gross amount compared with 57.29% last year. Adjustments for the period were higher compared with those of the previous year. Gross non-performing loans rose from 1,316 million to 1,356 million, +3%. The gross NPL ratio was 3.80%, compared to 3.71% at year-end. Net bad loans, adjusted for write-downs, amounted to 59 million, -5% (-48.93% as at 31 December 2023), and correspond to 0.17% of total loans and receivables with customers, compared to 0.18% as at 31 December 2023. The adjustments to cover estimated losses on bad loans went from 286 million to 300 million (+4.83%), representing 83.54% of the gross amount of such loans compared with 82.14% in the previous year. Unlikely to pay, net of write-downs, amounted to 409 million, (-6.56%), corresponding to 1.18% of total loans and receivables with customers, compared to 1.27% in the previous year. The related adjustments, with the current coverage ratio of 54.10%, amounted to 482 million, +5.69%; the coverage ratio was 51.03% last year. Net non-performing past due loans amounted to 88 million (+41.29%), and represent 0.25% of total loans with customers, compared to 0.18% for the comparison period. Provisions for performing loans increased adding up to 270 million, +7.93% and amounting to 0.79% of the same compared to 0.73% at the end of 2023. Adjustments totalled 1,070 million overall, +6.53%. With reference to the inspection conducted by the European Central Bank 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, please refer to the information provided in the Credit and Counterparty Risks Section.

TREASURY AND TRADING OPERATIONS



The second quarter of 2024 was characterised by the continuation of a generally favourable macroeconomic trend that supported international financial markets. Indeed, in the US, recent macro indications point to a resilient growth path in a framework in which inflation slowed its descent; in Europe, after the substantial stagnation in the latter part of 2023, the business cycle has shown signs of recovery and the disinflationary process has continued with some easing. However, on both sides of the Atlantic the pace of price declines appeared more moderate than a few months ago, surprising the central banks, which therefore moved the timing of the expected monetary softening forward.

Turning to our Group, the net interbank exposure was 6,201 million negative at 30 June 2024, compared with 7,796 million negative at the end of 2023. Cash and cash equivalents amounted to 2,871 million, compared with 4,547 million.

As at 30 June 2024, the Parent Company had a TLTRO transaction with the ECB for 3,700 million after the repayment of the 806 million tranche of 27 March 2024 taken on 24 March 2021. The operation still in force was granted on 29 September 2021 (at the same time as the early repayment of two tranches of, respectively, 1,600 million, maturing in December 2022, and 2,100 million, maturing in March 2023) with maturity on 25 September 2024.

Although liquidity declined following the repayment of the first and second tranches 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 higher than the minimum expected.

The stock of assets refinanceable at the ECB, including Abaco, net of the haircuts applied, amounts to 18.2 billion as at 30 June 2024, of which 10 billion free and 8.2 billion committed.

In the period under review, treasury operations, on the lending side, still favoured the use of the Deposit Facility at the ECB currently remunerated at 3.75% (4% until 11 June) and risk-free. After the repayment of the first and second tranches of TLTRO, 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 is also significant, including 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.

As at 30 June 2024, the portfolio of financial assets comprising financial instruments other than securitisations totalled 14,288 million euro, up by 2.51% compared to 31 December 2023.

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

(thousands of euro)	30/06/2024	31/12/2023	Change %
Financial assets held for trading	226,499	150,073	50.93
of which, derivatives	*49,190*	*22,717*	*116.53*
Other financial assets mandatorily measured at fair value	260,037	220,051	18.17
Financial assets measured at fair value through other comprehensive income	3,835,626	3,212,616	19.39
Financial assets measured at amortised cost	9,965,718	10,355,943	-3.77
Total	**14,287,880**	**13,938,683**	**2.51**

Analysing the individual segments, there was a good increase in "Other financial assets mandatorily measured at fair value" (+18.17%), financial assets measured at fair value through other comprehensive income (+19.39%) and financial assets held for trading (+50.93%). Financial assets measured at amortised cost fell slightly (-3.77%). In the first half of the year, part of the floating-rate component of Italian government bonds was sold in favour of Italian and European fixed-rate government bonds. The total amount of floating-rate and inflation-indexed government bonds is around 4.2 billion, down from 5.5 billion at the end of 2023. ESG securities, mostly green and social bonds, amount to more than 1.8 billion. The financial duration of the government bond portfolio, slightly down compared to 31 December 2023, stands at 3 years, while the modified duration stands at 1.50%. Overall, including bonds (net of securitisations), the modified duration is 1.75%, in line with the end of 2023.

Financial assets held for trading

The trading portfolio increased by 50.93% compared to 31 December 2023 and amounted to 226 million.

(thousands of euro)	30/06/2024	31/12/2023	Change %
Foreign government securities in foreign currency	37,504	-	n.a.
Equity securities	28,958	28,831	0.44
Mutual funds	110,847	98,525	12.51
Net book value of derivative contracts	49,190	22,717	116.53
Total	**226,499**	**150,073**	**50.93**

Operations mainly focused on equities and mutual funds, in addition to Italian and foreign Government bonds. Units in mutual funds, which include both ETFs and funds and SICAVs, were used as an alternative to direct equity exposure in a perspective of geographical, currency and sector diversification. Trading in US dollar-denominated government bonds took place during the period. The balance of Italian government securities is actually zero as the trading activity in this segment is rather fast, usually totally closed at the end of the day.

Other financial assets mandatorily measured at fair value

Financial assets mandatorily measured at fair value amounted to 260 million, up from 31 December 2023 (+ 18.17%).

(thousands of euro)	30/06/2024	31/12/2023	Change %
Bank bonds	27,570	20,318	35.69
Other bonds	40,880	37,252	9.74
Mutual funds in euro	189,499	160,446	18.11
Mutual funds in foreign currency (USD)	2,088	2,035	2.60
Total	**260,037**	**220,051**	**18.17**

The portfolio remains 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, this exposure, although a discrete percentage increase from the end of 2023, remains small in order to maintain a low volatility on the impact on the profit and loss account.

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 a 19.39% increase compared to the end of 2023, to 3,836 million. Expectations for a possible return to an expansive monetary policy favoured an investment choice in fixed-rate securities, albeit of low duration, even of highly rated Eurozone countries.

(thousands of euro)	30/06/2024	31/12/2023	Change %
Floating-rate Italian government securities	551,499	1,059,744	-47.96
Fixed-rate Italian government securities	794,405	420,187	89.06
Foreign government securities	1,704,664	1,028,400	65.76
Bank bonds	399,573	419,910	-4.84
Other bonds	282,144	192,534	46.54
Equity securities	103,341	91,841	12.52
Total	**3,835,626**	**3,212,616**	**19.39**

More specifically, the exposure to floating-rate Italian government securities was lightened (-47.96%), which now stands at 551 million, while the short-term fixed-rate component of Italian government securities (+89.06%) and foreign Eurozone bonds (+65.76%) increased. The overall weight of Italian government securities on the segment stands at 35.09%, a further decrease from last year (46.07%). Even if bank bonds are falling (-4.84%), the other public government (sovereign) bonds and non-bank corporate bonds show positive changes overall, +46.54% compared to last year. Equity securities changed positively due to revaluations (+12.52%).

Financial assets measured at amortised cost

Financial assets measured at amortised cost amount to 9,966 million, down 3.77% compared to 31 December 2023. With regard to the portfolio's composition, we highlight, compared to 31 December 2023, the decrease in floating-rate Italian government securities (-19.78%), the increase in fixed-rate ones (+21.50%), and the slight increase in foreign government securities (+3.23%), partly ESG.

Investments in bank bonds (+4.38% compared to the end of 2023), both Italian and foreign, and other corporate bonds (+5.66%), mainly ESG bonds, especially green bonds and social bonds, increased discreetly. Investments in public administration bonds decreased due to reimbursements (-35.72%). The contribution to the income statement from coupon flows remained strong over the period, despite the slight downward trend in interest rates.

(thousands of euro)	30/06/2024	31/12/2023	Change %
LOANS AND RECEIVABLES WITH BANKS	**1,154,998**	**1,106,533**	**4.38**
Italian bank bonds	911,366	875,468	4.10
Foreign bank bonds	243,632	231,065	5.44
LOANS AND RECEIVABLES WITH CUSTOMERS	**8,810,720**	**9,249,410**	**-4.74**
Floating-rate Italian government securities	3,213,491	4,005,761	-19.78
Fixed-rate Italian government securities	1,762,290	1,450,465	21.50
Foreign government securities	2,885,949	2,795,577	3.23
Other public administration bonds	163,277	254,003	-35.72
Other bonds	785,713	743,604	5.66
Total	**9,965,718**	**10,355,943**	**-3.77**

Asset management

After a first quarter marked by rather subdued activity for the Italian asset management industry, the following months also failed to reverse the trend. Based on the available data compiled by Assogestioni, system net funding in 2024 show a negative flow of the countervalue of assets under administration, especially with regard to the equity component.

Contrary to the general trend of the system, our Group's business shows favourable growth figures, which can be largely attributed to the start of the placement of new products as of November 2023.

The assets managed in various forms total 7,830 million compared to 7,176 million as at 31 December 2023, +9.11%, of which 5,780 million, (+9.35%), relates to mutual funds and SICAVs, including Popso (SUISSE) Investment Fund Sicav; and 2,050 million of assets managed by the Group (+8.47%).

EQUITY INVESTMENTS

As at 30 June 2024, equity investments amounted to 386 million, compared to 376 million at the end of 2023. The increase of 10 million, +2.58%, resulted from the equity measurement.

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.

Relations with related parties, 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. In the case of subsidiaries and associates, 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 - 30 June 2024, the following transactions of greater importance with related parties were approved by the competent bodies of the Parent Company:

- Banca Popolare di Sondrio (SUISSE) SA, subsidiary; revolving facility for guarantees in favour of residents ord. non-residents of 1,000,000 euro revocable; resolution of 29/03/2024;
- Factorit spa, subsidiary; revolving facility for financial advances 300,000,000 euro revocable; resolution of 03/04/2024;
- Factorit spa, subsidiary; revolving facility for guarantees in favour of euro residents 150,000,000 euro revocable; resolution of 24/05/2024.

In the period 1 January-30 June 2024, no transactions were completed with related parties, neither of greater nor lesser significance, which had a significant impact on the financial position or economic results of the Banking Group. Furthermore, there are no changes and/or developments in the transactions with related parties completed in 2023 - none, however, atypical, unusual or at non-market conditions - that had significant effects on the financial position or results of the Banking Group in the first half of 2024.

It should be noted that transactions or positions with related parties, as classified by the aforementioned IAS 24 and Consob Regulation, have a limited impact on the equity and financial situation, on the economic result and on the cash flows of the Banking Group. In the notes, in the paragraph "Related-party transactions", there is a summary table relating to transactions with related parties.

During the first half of 2024 and in the current year, no positions or transactions deriving from atypical and/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.

TRANSACTIONS WITH ASSOCIATED COMPANIES

	Associated companies of the Parent Company		Associated companies of subsidiaries	
	30/06/2024	31/12/2023	30/06/2024	31/12/2023
ASSETS	**593,307**	**589,408**	**71,678**	**71,719**
LIABILITIES	**167,685**	**89,376**	**5,359**	**13,653**
GUARANTEES AND COMMITMENTS	**114,302**	**113,287**	**1,307**	**1,423**
Guarantees given	20,433	20,392	424	418
Commitments	93,868	92,896	883	1,006

PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY AND INTANGIBLE ASSETS

Property, equipment and investment property and intangible assets amounted to 730 million compared to 715 million at the end of 2023. The former added up to a total of 691 million compared to 677 million, +2.09%, and the latter amounted to 39 million, stable. Intangible assets include 17 million related to goodwill, unchanged from December 2023. For further details in this regard, please refer to the relevant section of the notes. For the goodwill already recognised in the financial statements as at 31 December 2023, the decision was taken not to repeat the impairment tests performed at that date.

PROVISIONS

These consist of the termination indemnities (TFR), which decreased from 33 million to 32 million, and the provisions for risks and charges, which added up to 370 million, +1.89% from the end of 2023. In particular, there was a decrease in the provision for commitments and guarantees given, which fell from 96 million to 88 million, and contained growth of the provision for pensions and similar obligations, amounting to 181 million compared to 179 million at the end of 2023, while other provisions for risks and charges rose from 88 million to 101 million.

RISK MANAGEMENT

The Italian banking industry entered 2024 at the end of a very favourable year, to which our institution contributed with a record balance sheet; results that are also being confirmed in this first phase of the new financial year, going beyond the most optimistic expectations.

The analysis of the context tells us that the risks to financial stability remain contained. System profitability is at an important level, also thanks to the benefits of an exceptional market situation. The abundant stocks of liquidity in circulation curbed the rising cost of bank funding and made it possible to absorb the much-feared shocks resulting from the repayment deadlines of the funds obtained through the series of the Eurosystem's extraordinary refinancing operations ("*Targeted Longer-Term Refinancing Operations*", TLTRO III) launched in the previous years of economic crisis. Capitalisation also remains robust, with capital adequacy increasing relative to risky banking assets.

Despite the solid condition achieved, nothing should be taken for granted. The evolution of the various risk profiles is to be constantly monitored. Learning from past experience is the remedy for not being caught unprepared by the re-emergence of systemic tensions or the occurrence of new forms of risk in the future.

The constantly shifting regulatory landscape is emblematic of the upheavals taking place. At international, European and national level, the regulatory environment is changing rapidly, confronting banks with an objectively complex regulatory framework to transpose and observe. Regulatory initiatives follow to govern the epochal transformations caused by the so-called climate and digital "*twin-transition*". The growing use of technology tends to increase the use of outsourcing and the associated risks; a significant strengthening of banks' ability to cope with these factors is expected following the entry into force of the European regulation on the digital operational resilience of the financial sector. Along with technology, both cyber risks, exacerbated by geo-political conflicts that show no signs of abating, and the advent of robotics and Artificial Intelligence (AI) in their many economic and financial applications, not least in the automation of banking processes, have taken on primary importance.

There is a separate chapter for the completion of the implementation path in Europe of the final Basel 3 rules. The reform of the Union's bank capital requirements regime, known to all as “Basel 4”, finally got the green light last June at the conclusion of complex negotiations between the Member States and is destined, as never before, to have a profound impact on practices, models and procedures for managing all the main types of risk of an intermediary.

Credit and counterparty risk

The quality of assets remains satisfactory, but the trend in anticipatory indicators of riskiness is showing weak signs of deterioration, which are more pronounced in some sectors than in others. The management of new entrants in a critical state, aimed at avoiding an increase in the mass of pathological credits, remains a strategic priority.

At systemic level, the risks related to the evolution of the international geo-political situation, which could have significant repercussions on the macroeconomic framework, are not letting up. In this unclear context, abandoning prudent approaches in the policy of value adjustments and in the offer of loans would be a naive choice.

The ambition of the medium-term derisking targets of our portfolios set by the Management remains confirmed. Crucial in this regard are the repeated actions to strengthen monitoring tools on the emergence of counterparties' financial difficulties, all of which are in some way aimed at increasing performance in the timely recognition of positions that are not yet impaired, but which nonetheless present an increased risk, with a consequent and consistent need for accounting reclassification.

Also in the area of risk controls, a significant reinforcement is represented, at organisational level, by the establishment of a dedicated office for the performance of second-level credit controls, expressly provided for by banking supervisory regulations to ensure the effective performance of the main bank credit management processes (monitoring and risk classification, adequacy of provisions, adequacy of collection procedures).

With respect to the practices and models for estimating provisions developed on the basis of IFRS 9, following important changes to the methodological framework for the write-down of performing loans introduced at the end of the previous accounting period, there was also confirmation of the positions already identified as high credit risk (so-called high risk positions) in December 2023, a review of the relationships affected by the application of a specific overlay (so-called "process deficiency-related add-on") aimed at addressing the recommendations identified by the Supervisory Authority in the credit management and monitoring processes and, not least, at the incorporation of evolutions within the PD calculation model, the effects of which were previously reflected in a special "model-related overlay", calibrated to the risk parameters to compensate for specific elements of suboptimality in the quantitative models used.

Maintenance work on the models, processes and databases used in internal rating calculations continues unabated, with ongoing refinement work on the models for the Corporate and Retail customer segments. Following indications that have emerged over the years from the audits conducted by the Supervisory Authority concerning the predictive soundness of our statistical measurement systems, evolutionary adjustments are envisaged involving further significant changes to the methodologies and processes for assigning ratings, for which formal approval shall be requested from the Supervisory Authority in order to integrate them, on receipt of the authorisation, into the regulatory calculation of capital requirements for credit risk. Part of the intervention programme is also the gradual extension of the A-IRB models developed by the Parent Company to its subsidiary Factorit, in anticipation of the application of the advanced method to determine the capital requirements for credit risk of the subsidiary.

Last January, the Parent Company received the "Final Report" on the inspection, conducted by the ECB between October 2022 and April 2023, concerning credit and counterparty risk with specific reference to the Corporate & Large and SME (Small and Medium Enterprises) segments. The investigation, which forms part of the ordinary processes that the European Supervisory Authority implements on the institutions under its direct supervision, aimed, on the one hand, to carry out a survey of the quality of lending on the selected portfolios and, on the other, to investigate the soundness of internal credit risk management processes and procedures, as well as the suitability of control and governance systems, including the proper implementation of IFRS 9 and any other ancillary aspects. The Parent Company is still waiting to receive the "Final Follow-up Letter" from the Supervisor. The various project streams opened to address the recommendations for improvement made by the Authority are proceeding with the implementation of the planned measures.

Market risk

Over the half-year the monitoring of exposure to market risks continued without any particular concerns, carried out on a daily basis and performed separately, taking into account the different characteristics of the investments, for the set of instruments held for trading purposes (trading book) and for the remaining types of financial assets held on own account, not intended to be bought or sold on the market, falling within the so-called banking book, which are in turn categorised according to the accounting measurement criterion (fair value or amortised cost).

Despite the persistence of uncertain conditions, linked to ongoing conflicts and evolving geopolitical scenarios, the outcome of the European election round, and expectations on the monetary policy manoeuvres of the Central Banks, the financial markets were in good shape in the first part of this year. The main stock exchanges are up and the bond segment is strengthening, although rather volatile, especially domestically, with the sovereign risk spread fluctuating between 120 and 170 basis points.

On the whole, the new market framework favoured a containment of the risk profile of the instruments that make up the Group's financial portfolios, which always remained within the maximum tolerance levels defined by the Management, nor were there any tensions in the associated system of early warning indicators. The economic results of the financial activities and the size of the valuation reserves have also been positive overall since the beginning of the year. No critical elements also emerged from the stress analyses conducted monthly, or from measurements of the current or prospective impact of climatic and natural factors on the profile of issuers and financial investment valuations.

Interest rate and credit spread risk

The monitoring of risk profiles linked to sudden fluctuations in market interest rates is systematic, which is carried out through regular sensitivity analyses of the company's economic value to unexpected changes in interest rates and sensitivity analyses of the profits and interest income generated by the volumes of active and passive transactions, supplemented where necessary by targeted impact studies. The parallel monitoring of risks for the banking book related to instantaneous movements in market credit spreads ("credit spread risk in the banking book"), which started on 31 December last year in application of special EBA guidelines, was reinforced with the introduction of a dedicated system of internal exposure limits.

The activities of checking and updating the main behavioural models in use for determining risk exposure continued without substantial changes. The statistical parameters on which the so-called "sight items" behavioural models are based - models that quantify the persistence of assets and liabilities with no maturity date and their elasticity of adaptation to movements in market curves - and the "pre-payment" behavioural model - a model designed to simulate the repayment profile of medium- to long-term instalment loans, taking into account the phenomena of early closure of debtor relationships, of partial pre-payment of principal and modification of contractual conditions - will be recalibrated in the coming months, including the inclusion of more recent historical data. The appropriateness of all behavioural models in the interest rate risk measurement systems ("sight" and "pre-payment" models) is verified through the usual process of backtesting the effectiveness of the statistical models (so-called "backtesting").

Liquidity risk

Despite the restrictive nature of the monetary policy measures taken in the recent period, including the withdrawal of the targeted longer-term refinancing operations (so-called TLTRO, "Targeted Longer-Term Refinancing Operations") made available in the past by the European Central Bank to inject financial resources to support the real economy, the Parent Company's main liquidity risk indicators remained at levels well above the internal attention thresholds during the half year, thanks to the results of the favourable initiatives promoted on the funding front, and to the maintenance of considerable potential in terms of the available liquidity reserve, consisting of the assets of debt securities in the portfolio - especially sovereign - readily transferable on the market or transferable, as collateral in Eurosystem credit operations.

As usual, the short-term liquidity situation (so-called "operational") of the Group was monitored with the support of both daily measurements of the cash dynamics typical of treasury operations, and the reserve holdings constituted by daily funds at central banks and the income potentially obtainable from the disposal of eligible assets to offset refinancing operations. On a monthly basis, also recorded was the trend of the medium- to long-term liquidity (so-called "structural") profile, aimed at ensuring a constant balance between funding and lending items in the different maturity intervals. Intraday liquidity trends and intra-group *funding* movements were also kept under constant observation. The short-term (Liquidity Coverage Ratio) and the structural (Net Stable Funding Ratio) regulatory liquidity indicators did not show any signs of tension in the first six months of 2024, standing at absolutely stable values, significantly above the minimum levels envisaged and in line with European averages.

The ordinary information obligations towards the Supervisory Authorities, consisting in the monthly supply of a rich compendium of data and summary indicators representative of the state of the company's liquidity (so-called ALMM "Additional Liquidity Monitoring Metrics") and in the production of the annual summary statement of the results of the ILAAP (Internal Liquidity Adequacy Assessment Process), were punctually fulfilled. Finally, it is worth noting the participation of the Parent Company, on a weekly basis, in the SSM Annual Liquidity Exercise (which began in September 2023 and continued in early 2024), promoted at EU level by the ECB.

Operational and IT risk

In the wake of the review of the IT risk supervision system launched in 2023 in compliance with the new supervisory instructions (40th update of Bank of Italy Circular No. 285/2013), as well as on the basis of the final results - received in May - of the audit carried out by the ECB in January with reference to the sustainability of the business model and the ability to implement digital transformation strategies, project activities continued during the half-year period aimed at ensuring the complete implementation of the new risk management paradigm of the kind, with the completion of the reassignment of roles and responsibilities, previously allocated to the ICT area structures, to the risk control and regulatory compliance functions according to their respective powers. Over the period, there was a gradual take-over and execution by the latter of the activities of preparing and submitting periodic reports on ICT risks to the relevant corporate bodies.

In these early months of the year, the Parent Company also took part in a sensitive stress test exercise promoted by the European Banking Supervision, aimed at verifying the digital resilience of the credit system in response to the manifestation of cyber threats within corporate information systems. The preliminary results, recently received, have already stimulated the planning of specific actions to enhance business continuity and disaster recovery devices seen within the framework of an overall programme of activities to comply with the requirements of the EU Digital Operational Resilience Act (DORA) Regulation, effective from next year.

Generally speaking, with regard to the monitoring of operational risks, as part of a broader project initiative aimed at implementing the new Community prudential supervisory framework inspired by specific principles expressed by the Basel Committee, work has begun on the evolutionary refinement of the methodological approach for recognising operational losses; this is aimed at aligning it with the best sector practices, as well as the regulatory requirements connected with the adoption (starting from 2025) of the new “standardised method” for calculating the capital requirement for operational risk.

Reputational and money laundering risk

The monitoring of risks potentially arising from the deterioration of the corporate reputation by stakeholders to whom the Parent Company relates in the performance of its business activities benefited in the first half of the year from the introduction of a set of metrics designed to monitor the number of complaints, out-of-court appeals and legal disputes attributable to contested lack of or only apparent adherence to the demands of economic, social and good governance (ESG) sustainability. This evolutionary intervention was preceded by the establishment, with the contribution of the structures in charge of the operational management of complaints and litigation (legal, labour, etc.), of specific defining criteria, also inspired by the new standards introduced at EU level for corporate sustainability reporting, functional to their identification and tracking within the internal databases.

Regarding the prevention of financial crime, in the first months of 2024 the European legislators drew up a new package of measures (so-called "AML Package") designed to reinforce the attempt to prevent money laundering and terrorist financing practices. On 19 June, Regulation 2024/1620, establishing the European Anti-Money Laundering Authority of the Union (AMLA), Regulation 2024/1624, an act defining a new - single and harmonious - body of rules in the field of anti-money laundering and counter-terrorism were published in the Official Journal of the European Union, as well as the revision of EU Directive 2024/1640 (so-called "AMLD6"). The new authority will supervise cross-border credit and financial institutions exposed to the highest level of ML/TF risk; it will also draw up common standards and guidelines on the subject, ensure general supervision of all supervisory bodies involved in the prevention of money laundering and terrorist financing, and coordinate the Financial Intelligence Units (FIUs) of the Member States. In adaptation to the context, the Parent Company is deepening its analysis of the aforementioned regulatory provisions with the aim of sketching a clear and accurate overall picture in order to proactively adhere to the changes introduced.

The latest amendments to the "Provisions on the organisation, procedures and internal controls aimed at preventing the use of intermediaries for the purposes of money laundering and terrorist financing", issued by the Bank of Italy on 26 March 2019, plus other regulatory updates of particular relevance formed the basis for the revisions made to the main internal regulations governing policies and procedures for the prevention and management of the risk aspects in question.

The system of second-level control over risks related to money laundering, embargos and terrorist financing was also significantly strengthened in the first half of the year through the integration into the Risk Appetite Framework of a new range of metrics and quantitative monitoring limits aimed at ensuring an even more punctual and objective control of risk and consistency with corporate policies, reinforcing the management of these types of risks through the identification of parameters for the activation of corrective measures when necessary.

Compliance risk

The central Compliance structure is constantly engaged in promoting an ethical and responsible corporate culture based on the basic principles of honesty, fairness and compliance with laws, especially in a complex and constantly evolving regulatory framework.

Also in this first half of the year, the Compliance structure carried out a number of analyses on the possible operational, organisational and business impacts connected to the need to ensure full compliance with external- and self-regulatory standards; this commitment was applied in proportion to the increased dimensional characteristics, the broadening of the range of activities carried out, and the greater complexity and unique operational set-up achieved by the Group.

This is reflected in the achievement of constant progress, in both quantitative and qualitative terms, in the specialist consultancy activities promoted within the corporate organisation as in the Banking Group's perimeter, mainly referring to the adoption of procedures related to the correct transposition of regulatory changes, with a view to better defining all the organisational and operational profiles connected to the new parts of the regulatory perimeter being monitored. The performance of preventive analysis of regulatory non-compliance risks of new projects and operations were also improved, as well as Compliance’s participation in the review and validation processes of internal regulations and new company forms and contracts.

Ex-post control activities were aimed as always at assessing the existence, adequacy and effectiveness of the organisational procedures adopted, in order to guard against aspects of non-compliance with internal and external regulations. The most important thematic areas were examined in depth, with a focus on customer protection in relations with the Parent Company.

ESG risks (Environmental, Social and Governance)

Insufficient attention to environmental, social and good governance issues, and especially environmental issues, can result in increased risks for an intermediary. ESG risk is a special type of risk in that it does not have its own, unambiguous manifestation: it is a “driver” that exerts an influence on a bank's degree of exposure to financial and non-financial risks and, as such, is materialised in the main metrics of traditional risk measurement. Therefore, ESG risk management methods and processes need to be adapted, considering the complex cause-and-effect relationships between risk types and the mechanisms that drive their propagation.

The membership since last December of the United Nations Environmental Programme for Financial Institutions (UNEP FI) and the participation in two very important international initiatives, the Principles for Responsible Banking (PRB) and the Net-Zero Banking Alliance (NZBA), have strengthened Banca Popolare di Sondrio's commitment to be a major player in the transition towards a more sustainable economic model. At the same time, they emphasised the centrality of the consideration of ESG risks in governing these change processes.

There is no shortage of ongoing strands of activity in the sphere of sustainability risk management.

The Risk Appetite Framework has been enriched through the inclusion of a further range of indicators to monitor exposure to climate, environmental, social and governance factors, functional to supporting the adoption of correct policies for the assumption and mitigation of these sources of risk.

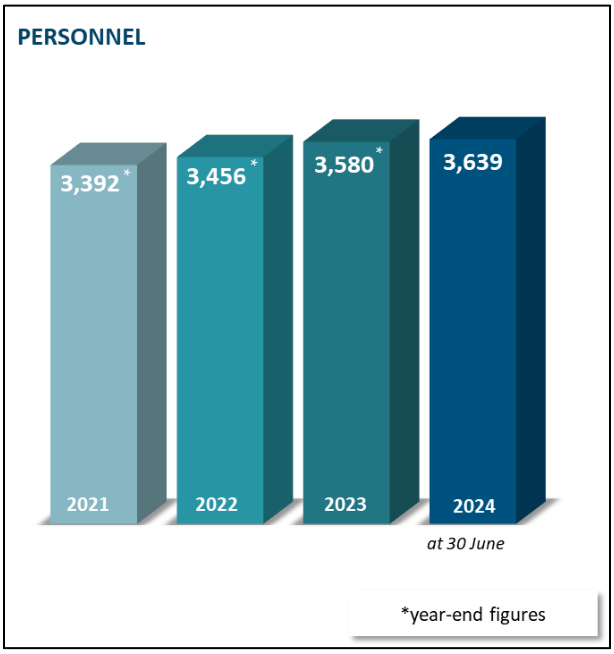
The proprietary ESG scoring tool, which had already been integrated into the information systems and has long been used to assess the climate/environmental risk of borrowers' credit files, was further enhanced by methodological advances and the inclusion of indices of exposure to Social and Governance factors in the calculation algorithm . At the same time, the coverage of the classification model was extended to all non-financial portfolio companies, as well as to the private segment.

For the most significant financed companies from the point of view of environmental impact, specific sustainability due diligence processes are underway, focused on the analysis of organisational and documentary aspects (existence of policies, procedures, attribution of responsibilities and internal control and reporting systems; energy consumption from fossil fuels, etc.) aimed at verifying - through the compilation of *ad hoc* questionnaires and the engagement of clients to find missing information - the commitment of counterparties with respect to sustainability issues and adherence to the main regulatory frameworks on the subject.

Also within the procurement cycle, the application of a methodology for assessing the sustainability performance of suppliers was initiated, aimed at integrating the processes and criteria for selecting service providers with assessments of their sensitivity to ESG issues. Of strategic importance, then, is the adoption of an ESG Investment Policy, in which objectives are defined to incorporate ESG factors in the selection of its own and third-party financial investments, in line with European "sustainable finance" regulations and market trends.

The set of tools and methodologies for simulating the impacts of environmental and climate change risks on traditional risk exposures was also further strengthened by conducting more advanced stress and scenario analyses as part of the internal capital adequacy assessment (ICAAP) and liquidity profile (ILAAP) processes.

HUMAN RESOURCES



At the end of the first half of the year, the banking Group had 3,639 employees, of which 3,085 were employed by the Parent Company, 379 by Banca Popolare di Sondrio (SUISSE) SA, 150 by Factorit spa and 25 by BNT spa. Compared to 30 June 2023, the increase was 135 employees, +3.85%. They are significant data in light of the industry dynamics in the opposite direction.

As at 30 June 2024, 65% of the banking Group's personnel worked in the distribution network and the remainder were employed in the central services of the respective companies. The average age of the employees was 42 years and 11 months, with an average length of service of 16 years and 6 months.

In addition to the personnel of the banking Group, there are also those of the subsidiary Pirovano Stelvio spa, 22 staff as at 30 June 2024, 19 of which are employed on a seasonal basis, and of the subsidiary Rent2Go srl, 13 members of staff.

PROMOTIONAL AND CULTURAL ACTIVITIES

We have dedicated perseverance and commitment to cultural activities, starting with the more than 50-year-old corporate magazine Notiziario, which, as always, has caught the interest of its many readers, attracted by the many stimulating topics covered, including those of great topical interest in the "Changing Planet" window.

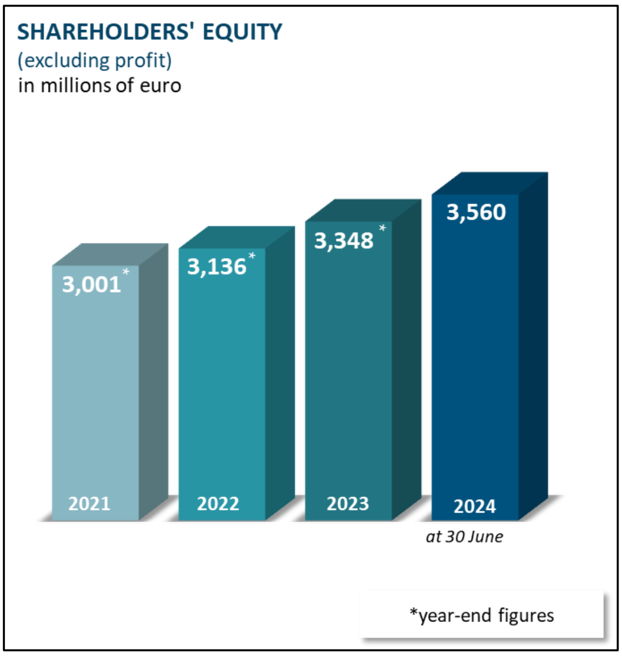
The cultural section of the 2023 Annual Report of Banca Popolare di Sondrio (SUISSE) SA was dedicated to a comprehensive monograph on Audrey Hepburn, a famous actress of the second half of the last century and a tenacious, sensitive worker on behalf of Unicef in various developing countries.

In February, a conference was held in the conference hall in Sondrio on "Development and the Banking System. Guidelines for new progress", organised by the parent company with the collaboration of the "Società Vitale Zane & Co" of Milan, based on an idea by Professor Marco Vitale, an event that, among other things, highlighted the commendable work of medium, small and very small banks, which in the territories they cover experience the problems of entrepreneurs and communities at close quarters, working constructively.

Our library, named after Luigi Credaro (which, among other things, includes the Vilfredo Pareto Fund, consisting of 20 original letter-books of the economist and sociologist of the past, plus other correspondence, for a total of about nine thousand documents, almost all of which are unpublished), has also been enriched by an antique cabinet with a letterpress and a letter-book from 1961 of the firm Alessandro Gerli di Gerli Antonio of Milan. We are pleased for the unique and significant donation made by Alessandro, Giorgio and Paolo Gerli.

We have contributed to the success of artistic and cultural initiatives held in the cities where we have a presence, often even contributing as sponsors alongside various organisations and bodies. Events of this kind include La Milanesiana by Elisabetta Sgarbi, an event that, as in the past, attracted wide interest in the province, from Sondrio to Livigno and also in St. Moritz. In July, it made a stop in Bormio, where, among other things, the exhibition "Alice in Wonderland" by the painter and illustrator Sergio Romano Rizzato was set up at branch No. 1 in there.

EQUITY



Equity as at 30 June 2024, inclusive of valuation reserves and the profit for the year, amounts to 3,823.505 million. Compared with the total as at 31 December 2023 of 3,809.274 million, it shows an increase of 14 million (+0.37%). The change resulted mainly from the allocation of the 2023 profit, the recognition of the profit for the period and the change in reserves. The Shareholders' Meeting of the Parent Company held on 27 April 2024, called to approve the financial statements for the year 2023 and the allocation of profit, resolved to distribute a dividend paid from 22 May 2024 of 0.56 euro for each of the 453,385,777 shares outstanding as at 31 December 2023.

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.

There was a slight change in issue premiums, amounting to 78.934 million, due to negative differences between the discharge price and the corresponding book value of the shares sold.

The item reserves rose to 2,157.430 million (+10.60%); the increase of 206.784 million resulted mainly from the allocation of part of the profit for the financial year 2023.

The item valuation reserves, representing primarily the net unrealised gains and losses recorded on financial assets measured at fair value through other comprehensive income (FVOCI), on properties at fair value and the net actuarial gains and losses on the defined benefit plans arranged for employees, remained negative with a balance of 11.403 million, an improvement compared to the end of 2023, when it was negative for 16.222 million. Treasury shares in portfolio changed slightly to 25.175 million.

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 1 December 2023 at the conclusion of the annual Supervisory Review and Evaluation Process (SREP) conducted in 2023, 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 2024.

The minimum capital levels required of our banking Group are:

- a minimum requirement of Common Equity Tier 1 Ratio of 8.57%, 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 (1.57%);
- a minimum requirement of Tier 1 Capital Ratio of 10.59%, calculated as the sum of the Pillar 1 regulatory minimum requirement (6%), the Capital Conservation Buffer (2.50%) and an additional Pillar 2 requirement (2.09%);
- a minimum requirement of Total Capital Ratio of 13.29%, calculated as the sum of the Pillar 1 regulatory minimum requirement (8%), the Capital Conservation Buffer (2.50%) and an additional Pillar 2 requirement (2.79%).

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 2.79% (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. Since 2017, the ECB has been providing the Parent Company with "Pillar 2 Guidance", which acts as 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, which include a portion of the profit as at 30 June 2024, amounted to 4,268 million (Phased-in) and 4,238 million (Fully Phased), while consolidated risk-weighted assets amounted to 22,732 million. For completeness of information, it is noted that the Group has decided to make use of the transitional regime provided for by Regulation 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 30 June 2024 are reported below:

Group's capital ratios	Phased-in	Fully phased
CET1 Ratio	15.93%	15.80%
Tier1 Capital Ratio	15.93%	15.80%
Total Capital Ratio	18.78%	18.64%

The consolidated Leverage Ratio was 5.81% applying the transitional criteria (phased-in) and 5.76% according to the criteria to be applied at the end of the transition (fully phased).

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 2023:

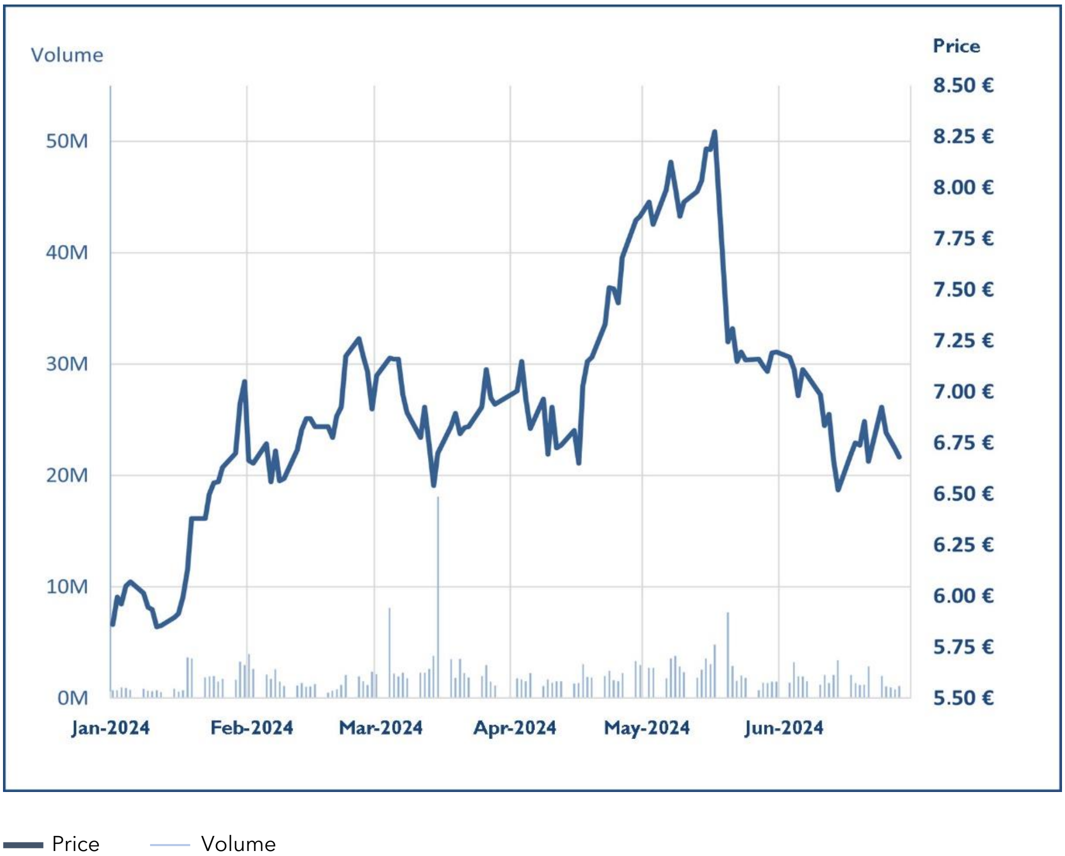
- capital/direct funding from customers 8.94% vs. 8.99%;
- capital/customer loans 11.05% vs. 11.05%;
- capital/financial assets 26.76% vs. 27.33%;
- capital/total assets 6.74% vs. 6.60%;
- net bad loans/capital 1.55% vs. 1.63%.

BANCA POPOLARE DI SONDRIO SHARE

The Banca Popolare di Sondrio share, traded on the Euronext Milan market of Borsa Italiana, part of the FTSE MIB index starting from 18 March 2024, closed H1 2024 with a positive performance of 13.99%, marking a reference price on 28 June 2024 of 6.68 euro, compared to 5.86 euro at the end of 2023. During the half-year, the share marked an intraday low and high of 5.77 euro on 15 January and 8.285 euro on 17 May, respectively. The FTSE MIB index in the same period recorded an increase equal to 9.23%, while the sectoral index Ftse Italia All-Share Banks was up by 32.63%.

The average daily volume of securities traded on Borsa Italiana's Euronext Milan market in the first six months of the year was 2.128 million, up greatly from 0.92 million in the same period of 2023. The shareholder structure as at 30 June 2024 consisted of 145,152 shareholders.

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



With regard to treasury shares, whose operations are carried out in compliance with the specific shareholders' resolution, it should be noted that as at 30 June 2024, the Parent Company held 3,597,215 shares in its portfolio, a decrease of 35,418 shares compared to the end of 2023 as a result of the activities carried out to implement the remuneration policies of the Banca Popolare di Sondrio Banking Group. In addition are the 32,901 shares held by Banca Popolare di Sondrio (SUISSE) SA, as part of the share-based compensation plan provided for in the Group's Remuneration Policies. The book value is 25.175 million.

RATINGS

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

The ratings shown here refer to S&P Global Ratings' decision of 26 February 2024, as well as the assessments expressed by Fitch Ratings, Morningstar DBRS and Scope Ratings on 24 April 2024, 13 November 2023 and 17 April 2024, respectively.

S&P GLOBAL RATINGS – issued on 26/02/2024

	RATING
STAND ALONE CREDIT PROFILE It measures the stand-alone creditworthiness of a company based on the analysis of financial fundamentals. It is expressed on a scale from AAA to D.	**BBB-**
LONG-TERM ISSUER CREDIT 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-**
SHORT-TERM ISSUER CREDIT RATING It measures the ability of the organisation to which the rating is assigned to meet financial commitments due in the short term. The assessment scale includes six levels (A-1, A-2, A-3, B, C, and D).	**A-3**
LONG-TERM RESOLUTION COUNTERPARTY RATING It reflects S&P Global Ratings' opinion on the bank's creditworthiness with regard to the timely fulfilment of certain medium- to long-term financial liabilities that may be protected as part of a possible resolution process (bail-in). It is expressed on a scale from AAA to CC.	**BBB**
SHORT-TERM RESOLUTION COUNTERPARTY RATING It reflects S&P Global Ratings' opinion on the bank's creditworthiness with regard to the timely fulfilment of certain short-term financial liabilities that may be protected as part of a possible resolution process (bail-in). The measurement scale includes six levels from A-1 to SD and D.	**A-2**
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.	**BBB-**
TIER 2 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 long-term rating assigned over a future period, generally over 2 years. Any changes in economic and financial conditions are taken into account when determining the outlook.	**Stable**

FITCH RATINGS – issued on 24/04/2024

	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 obligations. It is expressed on a scale from AAA to D, for a total of 11 levels.	**BBB-**
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).	**F3**
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 F, for a total of 11 levels.	**BBB-**
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.	**BBB-**
TIER 2 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**

Morningstar DBRS - released 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 obligations. 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 to SA4.	**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 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 17/04/2024

	RATING
ISSUER RATING It is a rating on the Bank's ability to meet its contractual 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**

RECONCILIATION OF THE EQUITY AND PROFIT FOR THE YEAR REPORTED BY THE PARENT COMPANY WITH 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.

(thousands of euro)	Equity	of which: Profit for the period
Equity of the Parent Company at 30.06.2024	3,196,695	265,340
Consolidation adjustments	-54,230	-54,230
Difference with respect to the carrying amounts of equity investments in:		
- companies consolidated on a line-by-line basis	495,206	33,954
- companies valued using the equity method	185,834	18,498
Balance at 30.06.2024, as reported in the consolidated financial statements	3,823,505	263,562

INCOME STATEMENT

In the macroeconomic context outlined, our Group achieved a profit for the period of 263.562 million, compared to a positive result of 207.086 million in the first six months of 2023.

The result was linked to the solid performance of all revenue components, in particular net interest income and commission, but also from securities transactions, even though adjustments to loans and receivables with customers increased.

The comments below refer to the data shown in the "Summary of Consolidated Income statement", which constitutes a reclassification of the schemes provided for by the Bank of Italy provision No. 262/2005. The notes to the table show the reclassifications. A table showing quarterly changes in the reclassified consolidated income statement is also provided, highlighting changes in the income statement during the half-year.

Net interest income amounted to 538.058 million, +25.91%. Interest from customers rose sharply, as did interest earned on the securities portfolio. Net interest income also still benefited from a significant increase in income from tax credits related to the D.L. "*Cura Italia*" and "*Rilancio*" amounting to over 55 million compared to over 35 million. The cost of funding, both from customers and from banks, also increased, despite the reduction in the TLTRO III funding component following the repayments made in June 2023 and March 2024.

Net fee and commission income of 212.664 million, +9.32%, increased significantly, particularly on guarantees given, placement of insurance products, securities brokerage, abroad and current accounts.

Dividends totalling 3.222 million were collected, compared with 2.308 million.

SUMMARY OF CONSOLIDATED INCOME STATEMENT

(thousands of euro)	30/06/2024	30/06/2023	Absolute changes	Changes %
Net interest income	538,058	427,337	110,721	25.91
Dividends	3,222	2,308	914	39.60
Net fee and commission income	212,664	194,540	18,124	9.32
Result of financial activities [a]	66,311	58,117	8,194	14.10
Result of other financial assets and liabilities measured at FVTPL [b]	-7,389	3,885	-11,274	n.a.
of which LOANS	*-6,781*	*1,082*	*-7,863*	n.a.
of which OTHER	*-608*	*2,803*	*-3,411*	n.a.
Total income	**812,866**	**686,187**	**126,679**	**18.46**
Net adjustments [c]	-103,334	-78,935	-24,399	30.91
Net financial income	**709,532**	**607,252**	**102,280**	**16.84**
Personnel expenses [d]	-151,567	-141,874	-9,693	6.83
Other administrative expenses [e]	-149,243	-137,183	-12,060	8.79
Other operating income/expense [d]	39,906	44,875	-4,969	-11.07
Net accruals to provisions for risks and charges [f]	-22,507	-12,576	-9,931	78.97
Adjustments to property, equipment and investment property and intangible assets	-34,424	-31,910	-2,514	7.88
Operating costs	**-317,835**	**-278,668**	**-39,167**	**14.06**
Operating profit (loss)	**391,697**	**328,584**	**63,113**	**19.21**
Charges for stabilising the banking system [e]	-21,295	-40,857	19,562	-47.88
Net gains (losses) on equity investments and other investments	16,750	14,190	2,560	n.a.
Profit (loss) before tax	**387,152**	**301,917**	**85,235**	**28.23**
Income taxes	-123,590	-94,831	-28,759	n.a.
Profit (loss)	**263,562**	**207,086**	**56,476**	**27.27**
Profit (loss) attributable to the Parent Company	**263,562**	**207,086**	**56,476**	**27.27**

Notes:

[a] The result of financial activities is made up of the sum of items 80 - 90 - 100 in the income statement net of gains from the sale of receivables in the amount of 2.531 million euro.

[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 sale of receivables for 2.531 million euro.

[d] Personnel expenses and other operating income have been stated net of the income generated by the post-employment benefits fund of 4.539 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 overall result of financial activities (the sum of items 80, 90 and 100 of the reclassified income statement net of profits from the sale of receivables) was a positive 66.311 million compared to 58.117 million in the comparative period, +14.10%. Trading profit decreased, but remained positive. The imbalance between capital gains and losses on securities in the trading portfolio was still positive, albeit declining. The result from foreign exchange and currency business increased. The result from trading activities - item 80 - amounted to 56.484 million, compared to 54.928 million in the first half of 2023. Gains on disposal or repurchase amounted to 9.825 million. This includes profits of 5.137 million from financial assets measured at amortised cost, profits of 4.012 million from assets measured at fair value through other comprehensive income and profits of 676 thousand euro from financial liabilities.

The result of other financial assets mandatorily valued at fair value, item 110b), was a negative 7.389 million, compared to a positive 3.885 million. The total income therefore came to 812.866 million, up 18.46%. Within this aggregate, the weighting of net interest income was 66.19% compared with 62.28%.

Adjustments/write-backs for credit risk showed an increase in overall impairment, amounting to 103.334 million, +30.91%. The figure includes the combined effect of adjustments on non-performing positions and the evolutionary dynamics of risk parameters and the updating of parameterisations of new macroeconomic scenarios. Among its components, the sub-item Adjustments to financial assets measured at amortised cost, comprising exposure to customers and banks in the form of both loans and securities, increased by +52.76%. This sub-item amounted to 111.833 million and refers mainly to loans to customers.

Sub-item 130b), relating to financial assets measured at fair value through other comprehensive income was negative for 116 thousand compared with a negative figure of 498 thousand euro.

Line item 140, gains/losses from contractual amendments not resulting in derecognition, comprising the gains/losses from contractual amendments to cash flows without derecognition, shows losses for the reporting period of 1.974 million compared with gains of 4.509 million in the first half of 2023. Provisions for commitments and guarantees given showed a release of 8.058 million compared to allocations of 10.847 million. The ratio of net adjustments on loans to customers/loans to customers (cost of credit) was 0.60%, compared to 0.65% at year-end.

Financial income went therefore from 607.252 to 709.532 million, +16.84%.

Operating costs amounted to 317.835 million, +14.06%. The cost/income ratio decreased from 40.61% to 39.10%.

With regard to the individual components, administrative expenses amounted to 300.810 million, +7.80%; of this, personnel expenses rose from 141.874 million to 151.567 million, +6.83%, impacted by the effects of the collective labour agreement signed in December 2023 and new hires, while other administrative expenses rose from 137.183 million to 149.243 million, +8.79%. IT costs and those related to the Group's growth in size also continued to be significant.

Other income, net of other operating expenses, amounted to 39.906 million, -11.07%. The item "Net provisions for risks and charges" reflects releases of 22.507 million compared with 12.576 million.

The depreciation of property, equipment and investment property and the amortisation of software amounted to 34.424 million, +7.88%.

With regard to charges for stabilising the banking system, contributions to the National Resolution Fund and the FITD, allocations of 21.295 million were made, compared to 40.857 million, a decrease related to the absence of the contribution to the Single Resolution Fund (SRF) for the year under review.

RECLASSIFIED CONSOLIDATED INCOME STATEMENT QUARTER BY QUARTER

	2024		2023			
(thousands of euro)	II Quarter	I Quarter	IV Quarter	III Quarter	II Quarter	I Quarter
Net interest income	271,043	267,015	268,513	241,105	235,290	192,047
Dividends	2,239	983	3,073	2,271	1,645	663
Net fee and commission income	105,795	106,869	112,466	95,554	98,058	96,482
Result of financial activities [a]	30,820	35,491	35,643	21,553	28,306	29,811
Result of other financial assets and liabilities measured at FVTPL [b]	-6,200	-1,189	2,406	-1,083	-8,792	12,677
of which LOANS	*-4,770*	*-2,011*	*-1,069*	*-695*	*-1,836*	*2,918*
of which OTHER	*-1,430*	*822*	*3,475*	*-388*	*-6,956*	*9,759*
Total income	**403,697**	**409,169**	**422,101**	**359,400**	**354,507**	**331,680**
Net adjustments [c]	-60,520	-42,814	-124,435	-21,172	-39,116	-39,819
Net financial income	**343,177**	**366,355**	**297,666**	**338,228**	**315,391**	**291,861**
Personnel expenses [d]	-74,934	-76,633	-77,053	-74,115	-72,920	-68,954
Other administrative expenses [e]	-75,431	-73,812	-78,915	-66,918	-69,210	-67,973
Other operating income/expense [d]	22,578	17,328	27,388	22,073	22,875	22,000
Net accruals to provisions for risks and charges [f]	-21,424	-1,083	-7,459	-6,453	-7,193	-5,383
Adjustments to property, equipment and investment property and intangible assets	-17,834	-16,590	-22,829	-17,744	-16,499	-15,411
Operating costs	**-167,045**	**-150,790**	**-158,868**	**-143,157**	**-142,947**	**-135,721**
Operating profit (loss)	**176,132**	**215,565**	**138,798**	**195,071**	**172,444**	**156,140**
Charges for stabilising the banking system [e]	-1,294	-20,001	1,983	0	-5,852	-35,005
Net gains (losses) on equity investments and other investments	2,471	14,279	12,520	9,995	1,204	12,986
Profit (loss) before tax	**177,309**	**209,843**	**153,301**	**205,066**	**167,796**	**134,121**
Income taxes	-58,975	-64,615	-40,728	-63,563	-55,117	-39,714
Profit (loss)	**118,334**	**145,228**	**112,573**	**141,503**	**112,679**	**94,407**
Profit (loss) attributable to the Parent Company	**118,334**	**145,228**	**112,573**	**141,503**	**112,679**	**94,407**

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.

The aggregate net gains (losses) on equity investments and other investments was 16.750 million, +18.04%.

The overall result before taxes therefore marked an increase from 301.917 million to 387.152 million. Finally, after deducting income taxes of 123.590 million, the net profit for the period was 263.562 million, compared to 207.086 million of the first half of 2023, +27.27%. The effective tax rate, i.e. the ratio between income taxes and the gross result of current operations, is 31.92% compared with 31.41% in the comparative period.

SUSTAINABILITY REPORTING

In December 2022, the text of Directive 2022/2464 called the Corporate Sustainability Reporting Directive (CSRD) was published in the Official Journal of the European Union. This updates the previous Non-Financial Reporting Directive (NFRD) and introduces significant novelties with regard to corporate sustainability reporting. At national level, the draft of the Delegated Decree for the transposition of the Directive, prepared by the Ministry of Economy and Finance, was subject to public consultation until 18 March 2024, and the transposition of the Directive, initially scheduled for 6 July 2024, must take place by 10 September 2024.

The CSRD requires large companies, already subject to NFRD, to report on sustainability issues on the basis of the requirements of the new directive in a new, clearly identifiable section of the Management Report from 2024 onwards.

Banca Popolare di Sondrio has launched a project aimed at implementing the provisions of the new directive and the new common European standards on sustainability reporting known as ESRS (European Sustainability Reporting Standard).

Specifically, with the support of an external advisor, among the various activities carried out, an analysis was conducted on the new regulatory requirements demanded by the Directive aimed at identifying any gaps inherent in the missing information of both quantitative and qualitative nature and/or the relative methodology of determination. The current project has also defined a new reporting macro-process concerning sustainability reporting with the aim of improving and strengthening processes, structures and internal control systems relating to sustainability information, all with a view to increasing synergy between financial reporting and sustainability reporting.

SIGNIFICANT EVENTS AFTER 30 JUNE 2024

There are no significant events to report after the end of the half year.

OUTLOOK

As regards the outlook for operations, in the eurozone, the moderate expansion of economic activity and the containment of inflationary tensions should allow the European Central Bank to continue loosening monetary policy, along a path that is expected to be gradual and influenced by macroeconomic data as they become available. In this context, our Group, being able to count on a high equity solidity and excellent operating efficiency, will continue to adopt prudent management choices with the expectation of being able to achieve positive results for the entire financial year, at least in line with what was achieved in 2023.

Sondrio, 6 August 2024

THE BOARD OF DIRECTORS

CONDENSED CONSOLIDATED

HALF-YEAR FINANCIAL STATEMENTS

AS AT 30 JUNE 2024

CONSOLIDATED BALANCE SHEET

(thousands of euro)

	ASSET ITEMS	30/06/2024	31/12/2023
10.	**Cash and cash equivalents**	**2,871,369**	**4,546,559**
20.	**Financial assets measured at fair value through profit or loss**	**754,104**	**690,970**
	a) financial assets held for trading	226,499	150,073
	c) other financial assets mandatorily measured at fair value	527,605	540,897
30.	**Financial assets measured at fair value through other comprehensive income**	**3,835,626**	**3,212,616**
40.	**Financial assets measured at amortised cost**	**45,291,855**	**45,530,807**
	a) Loans and receivables with banks	2,158,507	2,122,051
	b) Loans and receivables with customers	43,133,348	43,408,756
50.	**Hedging derivatives**	**85**	**1**
60.	**Change in value of macro-hedged financial assets (+/-)**	**562**	**1,775**
70.	**Equity investments**	**386,063**	**376,357**
90.	**Property, equipment and investment property**	**691,208**	**677,074**
100.	**Intangible assets**	**39,390**	**37,756**
	of which:		
	- goodwill	16,997	16,997
110.	**Tax assets**	**237,504**	**260,813**
	a) current	1,208	1,375
	b) deferred	236,296	259,438
130.	**Other assets**	**2,596,332**	**2,387,037**
	TOTAL ASSETS	**56,704,098**	**57,721,765**

	LIABILITIES AND EQUITY	30/06/2024	31/12/2023
10.	**Financial liabilities measured at amortised cost**	**51,142,341**	**52,310,486**
	a) Due to banks	8,359,700	9,917,675
	b) Due to customers	37,485,915	37,916,301
	c) Securities issued	5,296,726	4,476,510
20.	**Financial liabilities held for trading**	**13,512**	**69,577**
40.	**Hedging derivatives**	**814**	**1,924**
60.	**Tax liabilities**	**58,046**	**71,354**
	a) current	31,790	41,999
	b) deferred	26,256	29,355
80.	**Other liabilities**	**1,263,483**	**1,062,057**
90.	**Employee termination indemnities**	**31,899**	**33,459**
100.	**Provisions for risks and charges**	**370,484**	**363,620**
	a) commitments and guarantees given	88,123	96,237
	b) pension and similar obligations	181,040	178,950
	c) other provisions for risks and charges	101,321	88,433
120.	**Valuation reserves**	**(11,403)**	**(16,222)**
150.	**Reserves**	**2,157,430**	**1,950,646**
160.	**Share premium reserve**	**78,934**	**78,949**
170.	**Share capital**	**1,360,157**	**1,360,157**
180.	**Treasury shares (-)**	**(25,175)**	**(25,418)**
190.	**Non-controlling interests (+/-)**	**14**	**14**
200.	**Profit (loss) for the year (+/-)**	**263,562**	**461,162**
	TOTAL LIABILITIES AND EQUITY	**56,704,098**	**57,721,765**

CONSOLIDATED INCOME STATEMENT

(thousands of euro)

ITEMS		30/06/2024	30/06/2023
10.	INTEREST AND SIMILAR INCOME	1,087,047	812,689
	of which: interest income calculated using the effective interest rate method	1,068,007	804,986
20.	INTEREST AND SIMILAR EXPENSES	(548,989)	(385,352)
30.	**NET INTEREST INCOME**	**538,058**	**427,337**
40.	FEE AND COMMISSION INCOME	223,695	205,428
50.	FEE AND COMMISSION EXPENSE	(11,031)	(10,888)
60.	**NET FEE AND COMMISSION INCOME**	**212,664**	**194,540**
70.	DIVIDENDS AND SIMILAR INCOME	3,222	2,308
80.	NET TRADING INCOME	56,484	54,928
90.	NET HEDGING GAIN (LOSS)	2	(32)
100.	GAINS (LOSSES) FROM SALES OR REPURCHASES OF:	12,356	4,330
	a) financial assets measured at amortised cost	7,668	4,113
	b) financial assets measured at fair value through other comprehensive income	4,012	131
	c) financial liabilities	676	86
110.	NET GAINS/LOSSES ON OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	(7,389)	3,885
	b) other financial assets mandatorily measured at fair value	(7,389)	3,885
120.	**TOTAL INCOME**	**815,397**	**687,296**
130.	NET ADJUSTMENTS/WRITE-BACKS FOR CREDIT RISK RELATED TO:	(111,949)	(73,706)
	a) financial assets measured at amortised cost	(111,833)	(73,208)
	b) financial assets measured at fair value through other comprehensive income	(116)	(498)
140.	GAINS/LOSSES FROM CONTRACTUAL AMENDMENTS NOT RESULTING IN DERECOGNITION	(1,974)	4,509
150.	**NET FINANCIAL INCOME**	**701,474**	**618,099**
180.	**NET FINANCIAL AND INSURANCE INCOME**	**701,474**	**618,099**
190.	ADMINISTRATIVE EXPENSES:	(326,644)	(323,860)
	a) personnel expenses	(156,106)	(145,820)
	b) other administrative expenses	(170,538)	(178,040)
200.	NET ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES	(14,449)	(23,423)
	a) commitments for guarantees given	8,058	(10,847)
	b) other net provisions	(22,507)	(12,576)
210.	DEPRECIATION AND NET IMPAIRMENT LOSSES ON PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY	(26,487)	(24,265)
220.	AMORTISATION AND NET IMPAIRMENT LOSSES ON INTANGIBLE ASSETS	(7,937)	(7,645)
230.	OTHER OPERATING INCOME/EXPENSE	44,445	48,821
240.	**OPERATING COSTS**	**(331,072)**	**(330,372)**
250.	GAINS (LOSSES) ON EQUITY INVESTMENTS	18,257	15,522
260.	NET RESULT OF FAIR VALUE MEASUREMENT OF PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY AND INTANGIBLE ASSETS	(1,640)	(1,490)
280.	GAINS (LOSSES) ON SALES OF INVESTMENTS	133	158
290.	**PRE-TAX PROFIT (LOSS) FROM CONTINUING OPERATIONS**	**387,152**	**301,917**
300.	INCOME TAXES FOR THE YEAR FROM CURRENT OPERATIONS	(123,590)	(94,831)
310.	**POST-TAX PROFIT (LOSS) FROM CONTINUING OPERATIONS**	**263,562**	**207,086**
330.	**PROFIT (LOSS) FOR THE YEAR**	**263,562**	**207,086**
340.	(PROFIT) LOSS FOR THE YEAR ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	-	-
350.	**PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE PARENT COMPANY**	**263,562**	**207,086**

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(thousands of euro)

ITEMS		30/06/2024	30/06/2023
10.	**Profit (loss) for the year**	**263,562**	**207,086**
	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	11,618	(159)
40.	Property, equipment and investment property	-	-
70.	Defined-benefit plans	1,318	2,909
90.	Share of valuation reserves of equity investments measured at equity	-	80
	Other income items net of income taxes that may be reclassified subsequently to profit or loss		
120.	Exchange rate differences	(1,485)	(249)
150.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	(8,834)	513
170.	Share of valuation reserves of equity investments measured at equity	2,202	24,164
200.	**Total other income items net of income taxes**	**4,819**	**27,528**
210.	**Other comprehensive income (Item 10+200)**	**268,381**	**234,344**
220.	Consolidated other comprehensive income attributable to non-controlling interests	-	-
230.	**Consolidated other comprehensive income attributable to the parent company**	**268,381**	**234,344**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(thousands of euro)

				Allocation of prior year result		Changes during the year										
							Equity transactions									
	Balance at 31.12.2023	Changes in opening balances	Balance at 1.1.2024	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 30.06.2024	**Equity attributable to the Group at 30.06.2024**	**Equity attributable to non-controlling interests at 30.06.2024**
Share capital																
a) ordinary shares	1,360,171		1,360,171	-	-	-	-	-	-	-	-	-	-	-	1,360,157	14
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium accounts	**78,949**	**-**	**78,949**	**-**	**-**	**-**	**(15)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**78,934**	**-**
Reserves																
a) from earnings	1,914,752	-	1,914,752	208,800	-	(2,016)	-	-	-	-	-	-	-	-	2,121,536	-
b) other	35,894	-	35,894	-	-	-	-	-	-	-	-	-	-	-	35,894	-
Valuation reserves	**(16,222)**	**-**	**(16,222)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,819**	**(11,403)**	**-**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**(25,418)**	**-**	**(25,418)**	**-**	**-**	**-**	**292**	**(49)**	**-**	**-**	**-**	**-**	**-**	**-**	**(25,175)**	**-**
Profit for the year	**461,162**	**-**	**461,162**	**(208,800)**	**(252,362)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**263,562**	**263,562**	**-**
Equity attributable to the Group	**3,809,274**	**-**	**3,809,274**	**-**	**(252,362)**	**(2,016)**	**277**	**(49)**	**-**	**-**	**-**	**-**	**-**	**268,381**	**3,823,505**	**-**
Equity attributable to non-controlling interests	**14**	**-**	**14**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**14**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(thousands of euro)

				Allocation of prior year result		Changes during the year										
							Equity transactions									
	Balance at 31.12.2022	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 30.06.2023	**Equity attributable to the Group at 30.06.2023**	**Equity attributable to non-controlling interests at 30.06.2023**
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	-	14,826	-	-	-	-	-	-	-	-	1,894,493	-
b) other	35,894	-	35,894	-	-	-	-	-	-	-	-	-	-	-	35,894	-
Valuation reserves	**(68,086)**	**-**	**(68,086)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**27,258**	**(40,828)**	**-**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**(25,402)**	**-**	**(25,402)**	**-**	**-**	**-**	**63**	**(3)**	**-**	**-**	**-**	**-**	**-**	**-**	**(25,342)**	**-**
Profit for the year	**251,321**	**-**	**251,321**	**(125,093)**	**(126,228)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**207,086**	**207,086**	**-**
Equity attributable to the Group	**3,387,436**	**-**	**3,387,436**	**-**	**(126,228)**	**14,826**	**34**	**(3)**	**-**	**-**	**-**	**-**	**-**	**234,344**	**3,510,409**	**-**
Equity attributable to non-controlling interests	**4**	**-**	**4**	**-**	**-**	**-**	**10**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**14**

CONSOLIDATED CASH FLOW STATEMENT (indirect method)

(thousands of euro)

	30/06/2024	30/06/2023
A. OPERATING ACTIVITIES		
1. Operations	**712,675**	**456,944**
- result for the period (+/-)	263,562	207,086
- gains/losses on financial assets held for trading and financial assets/liabilities measured at fair value through profit or loss (-/+)	(28,819)	(25,352)
- gains (losses) on hedging (-/+)	(2)	32
- net adjustments/write-backs for credit risk (+/-)	114,461	83,261
- net adjustments/write-backs for property, equipment and investment property and intangible assets (+/-)	36,061	33,402
- provisions for risks and charges and other costs/revenues (+/-)	51,186	64,436
- unpaid taxes, duties and tax credits (+)	123,592	94,831
- other adjustments (+/-)	152,634	(752)
2. Cash generated/absorbed by financial assets	**(1,019,184)**	**(333,577)**
- financial assets held for trading	(36,215)	26,083
- financial assets designated at fair value	-	-
- financial assets mandatorily measured at fair value	1,123	514,697
- financial assets measured at fair value through other comprehensive income	(610,510)	(154,824)
- financial assets measured at amortised cost	(30,121)	(243,339)
- other assets	(343,461)	(476,194)
3. Cash generated/absorbed by financial liabilities	**(1,058,712)**	**(4,241,086)**
- financial liabilities measured at amortised cost	(1,117,599)	(5,115,494)
- financial liabilities held for trading	(57,858)	(79,351)
- financial liabilities measured at fair value	-	-
- other liabilities	116,745	953,759
Net cash generated/absorbed by operating activities	**(1,365,221)**	**(4,117,719)**
B. INVESTING ACTIVITIES		
1. Cash generated by	**49,613**	**16,487**
- sales of equity investments	-	-
- dividends collected from equity investments	27,843	15,664
- sales of property, equipment and investment property	21,770	823
- sales of intangible assets	-	-
- sales of subsidiaries and business units	-	-
2. Cash absorbed by	**(75,144)**	**(65,463)**
- purchases of equity investments	(940)	-
- purchases of property, equipment and investment property	(64,535)	(57,501)
- purchases of intangible assets	(9,669)	(7,962)
- purchase of subsidiaries and business units	**-**	-
Net cash generated/absorbed by investing activities	**(25,531)**	**(48,976)**
C. FUNDING ACTIVITIES		
- issues/purchases of treasury shares	(243)	(50)
- issues/purchases of equity instruments	-	-
- distribution of dividends and other uses	(253,896)	(126,948)
- sale/purchase of third party control	-	-
Net cash generated/absorbed by financing activities	**(254,139)**	**(126,998)**
NET CASH GENERATED/ABSORBED IN THE YEAR	**(1,644,891)**	**(4,293,693)**

Key:
(+) generated (-) absorbed

RECONCILIATION

(thousands of euro)

Items	30/06/2024	30/06/2023
Cash and cash equivalents at the beginning of the year	4,546,559	6,990,688
Total net liquidity generated/absorbed during the year	(1,644,891)	(4,293,693)
Cash and cash equivalents: effect of exchange rate fluctuations	(30,299)	5,634
Cash and cash equivalents - closing balance	**2,871,369**	**2,702,629**

CONSOLIDATED NOTES

Accounting Policies

Structure and content of the report for the first half of 2024

The report for the first half of 2024 was prepared pursuant to article 154-ter of Legislative Decree No. 58 of 24 February 1998 "Consolidated Law on Financial Intermediation pursuant to articles 8 and 21 of Law No. 52 of 6/2/1996" and the provisions issued by Consob on the subject.

The condensed consolidated half-year report as at 30 June 2024 has been prepared in accordance with International Accounting Standard No. 34 and consists of:

- the directors' half-year report on operations;
- balance sheet, income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement;
- notes, whose function is to comment on the figures in the consolidated half-year report and to contain the information required by the regulations in force.

General information

Declaration of compliance with international accounting standards

Banca Popolare di Sondrio, società per azioni (joint-stock company) declares that these condensed consolidated half-year financial statements have been prepared in accordance with IAS 34.

Basis of preparation

The consolidated half-year financial statements have been prepared in accordance with the following general criteria described in IAS 1:

1) Going concern. The condensed consolidated half-year 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 boards of directors and 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. The financial statements, and, where compatible, the tables of the Notes have been prepared in compliance with the provisions of the Bank of Italy's Provision of 22 December 2005 and subsequent amendments.
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/IFRS. Accordingly, the financial statements incorporate the requirements of Legislative Decree 136/2015, the articles of the Italian Civil Code and the corresponding provisions of Legislative Decree 58/1998 ("Consolidated Finance Act"). All figures reported in the financial statements and notes are stated in thousands of euro, unless specified otherwise.

Consolidation scope and methodology

Investments in wholly-owned companies

Investments in wholly-owned 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 Investing company	Investment relationship % share	% of votes (2)
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)	Milan	Milan	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)	Monza	Monza	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.
(4) Special purpose vehicle for securitisations originated by the Group.

On 22 April 2024, the 100% interest in the company Residence Nuova Dogana Srl, established on 22 March 2024 through the demerger by Immobiliare Borgo Palazzo Srl of a portion of its assets, was sold.

Ratings and significant assumptions to determine the scope of consolidation

The condensed consolidated half-year financial statements of the Banca Popolare di Sondrio Group include the balance sheet and income statement results of the Parent Company and the directly and indirectly controlled entities.

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.

The assets, liabilities, revenues and costs of the subsidiary acquired or sold during the period 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 the investment in a subsidiary that do not involve the loss of control are recognized 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

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 companies are valued at equity method.

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
Liquid Factory S.b.r.l.	Sondrio	84	4.559
Sifas S.p.a. (1)	Bolzano	1,209	21.614

(1) held by Pirovano Stelvio S.p.a.

In June 2024, the company Liquid Factory S.b.r.l. was established, a holding company dedicated to the development of technology start-ups, in which the Bank currently holds 4.559% of the capital. Significant influence arises by virtue of existing agreements.

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.

In this regard, please refer to the relevant section of the notes to the financial statements as at 31 December 2023.

Equity investments in wholly-owned subsidiaries with significant non-controlling interests

As at 30 June 2024, there were no wholly-owned subsidiaries with significant non-controlling interests considered significant for the Group.

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.

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.

Subsequent events of the consolidated half-year report

No events have taken place between the reference date for these condensed consolidated half-year financial statements and the date of their approval by the Board of Directors on 6 August 2024 that would require the adjustment of such approved information, and nothing of significance has occurred that would require additional disclosures.

Other aspects

New International Accounting Standards endorsed and applied in the preparation of the condensed consolidated half-year financial statements as at 30 June 2024

New documents issued by the IASB and endorsed by the EU to be mandatorily adopted from the 2024 financial year:

- *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 implementation of the amendments under review had no impact on the Group.

- *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 to IAS 1 are not relevant for the Group.

- *Regulation (EU) 2024/1317 of 15 May 2024* amending Regulation (EU) No. 2023/1803 as regards IAS 7 and IFRS 7. The amendments introduced disclosure requirements on financing agreements for a company's supplies. The implementation of the amendments under review had no impact on the Group.

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. Based on the analyses carried out, there is no exposure of the Banca Popolare di Sondrio Group to second-pillar income taxes in the three jurisdictions in which it is present (Italy, Switzerland and the Principality of Monaco) as, in the jurisdictions in which it is present, the CbCR Safe harbour Tests (applied taking into account the OECD clarifications available to date) are passed.

New accounting standards, amendments and interpretations, whose application will become mandatory after 31 December 2024.

- 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.

- In April 2024, the International Accounting Standards Board (IASB) issued a new accounting standard IFRS 18 Presentation and Disclosure in Financial Statements that will replace IAS 1 Presentation of Financial Statements. The new standard aims to improve financial performance reporting. IFRS 18 will come into force on 1 January 2027, but earlier application is permitted. In view of the content of the amendment and given the obligation to apply the Bank of Italy's layouts, application will be subject to any updates to Bank of Italy Circular Letter No. 262/05.

- In May 2024, the International Accounting Standards Board (IASB) issued a new accounting standard IFRS 19 Subsidiaries without Public Accountability: *Disclosures*. The new standard allows eligible subsidiaries to use IFRS accounting standards with reduced disclosure. The new standard will enter into force on 1 January 2027.

- On 30 May 2024, the IASB published "Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7". The paper clarifies a number of problematic issues that emerged from the post-implementation review of IFRS 9, including the accounting treatment of financial assets whose returns vary when ESG objectives are met (i.e. green bonds). The amendments shall apply as of the financial statements for financial years beginning on or after 1 January 2026.

- 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". Since the Group is not a first-time adopter, this principle is not applicable.

- 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

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). In 2022, the ECB also intervened by changing the way the final rate applicable to transactions is counted. 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).

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 June 2024 amounted to 71 million euro.

Risks and uncertainties related to estimates

The preparation of the condensed consolidated half-year 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 condensed consolidated half-year financial statements at 30 June 2024, 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 the subsequent Section “Part relating to the main items in the financial statements” of these consolidated notes.

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 30 June 2024.

External audit

The condensed consolidated half-year financial statements as at 30 June 2024 are subject to audit by EY S.p.A. in accordance with the shareholders' resolution of 29 April 2017, pursuant to Legislative Decree No. 39 of 27 January 2010, which appointed them as auditors for the nine-year period from 2017 to 2025.

Part relating to the main items in the financial statements

Below are the accounting policies, detailed by item, that have been adopted for the preparation of the condensed consolidated half-year financial statements as at 30 June 2024, 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 by the contractual characteristics of the instrument's cash flows related to the generation of cash flows represented solely by payments of principal and interest on the principal to be repaid (i.e., passing the so-called "SPPI test" - "Solely Payment of Principal and Interest test") and the company's business model adopted, which determines whether cash flows will arise from the collection of contractual cash flows, from the sale of financial assets, or from 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, 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.

Banca Popolare di Sondrio Group holds the following within an HTC business model:

- Almost the entire portfolio of loans and receivables with 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 uses the HTC&S business model 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.

For the securities area, ex-post monitoring is provided to verify the consistency of the securities portfolio with the HTC and associated HTC&S business model.

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), 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, tested 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, changes in the 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, 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.

At each year-end or interim reporting date, debt securities classified in this item are subject to adjustments and write-backs connected to changes in credit risk calculated on the basis of a methodological 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 adjustments and write-backs connected to changes in credit risk 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 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 a collective 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 bad debts assessed collectively for which no specific estimate of the loss attributable to each individual relationship has been made.

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		Expected Loss - Disposal Scenario/settlement agreement*		Expected Loss - Internal Management
Single Position	=	Probability of occurrence of Disposal/settlement agreement*	+	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 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 equity investment portfolio includes equity interests for which a situation of joint control or connection exists.

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.

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.

With reference to leasing, the IFRS 16 establishes that at the initial date, leases are accounted for on the basis of the right of use model which states that 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, the above real estate is not subject to depreciation.

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 "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.

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 - Business Combinations, 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.

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.

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. These deferred tax assets are therefore not subject to a "probability test" as their recoverability is certain.

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 which are subject to the rules for determining losses of value due to credit risk provided for by IFRS 9 and provisions for other commitments and other guarantees that are not subject to these 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, for group companies based in Italy and with a workforce of more than 50 units, 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

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 compensation 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.

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 the income statement 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 the income statement based on the timing of the satisfaction of performance obligations. More specifically, revenue is recognised in the income statement 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 the income statement 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.

Recognition of costs

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.

Revenues and costs related 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 amount of the instruments.

Accounting treatment of tax credits connected with the "*Cura Italia*" ("Cure Italy") and "*Rilancio*" ("Relaunch") Decrees.

Law Decrees No. 18/2020 ("*Cura Italia* Decree") and No. 34/2020 (so-called "*Rilancio* 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 "*Rilancio*" 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 and the Trading one.

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. The Trading business model, on the other hand, envisages that the measurement following the initial recognition of the loan takes place at fair value through the income statement. 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.

In order to reflect in the financial statements the risks arising from potential fraud perpetrated against the bank and, therefore, to determine the accounting impacts related to the potential risk on tax credits, it was deemed appropriate to refer to the provisions of IAS 37 - Provisions, Contingent Assets and Contingent Liabilities, with regard to the measurement and recognition of these risks. Specific provisions have therefore been made under the liability item "Provisions for risks and charges".

On 10 May 2024, the Government introduced measures for the rationalisation and coordination of tax benefits in the construction sector through the introduction of Article 4-bis to Law-Decree 39/2024.

In particular:

1. paragraphs 1, 2 and 3 define, as of 1 January 2025, the prohibition of offsetting tax credits from building bonuses against social security/assistance contributions and insurance premiums owed by banks;
2. paragraphs 4 and 5 impose the 10-year deduction for expenses incurred on or after 1 January 2024. This allocation will not be applicable in the case of an invoice discount/credit transfer option;
3. it is further stipulated that for banks and financial intermediaries that have purchased instalments of tax credits arising from Superbonus, Sismabonus and Architectural Barrier Bonus subsidised expenses at a price of less than 75% of the amount of the corresponding deductions, the annual instalments usable from 2025 of the credits to which the unique identification code (traceable credits) has been attributed are to be divided into 6 equal annual instalments instead of the original instalment arrangement provided for such credits. The instalments of tax credits resulting from the new apportionment may not be assigned to other parties, or further apportioned. Persons who do not fall into this category will have to send appropriate documentation to the Tax Agency by 31 December 2024;
4. paragraph 7 prohibits recipients of deductions from exercising the option to assign the remaining instalments of tax credits if they have already deducted one or more instalments.

The changes referred to in points 1) and 3) above do not entail any significant effects for the Group as the reduction in tax capacity is covered by sale agreements already entered into, while there are no cases falling under the categories highlighted in point 3. The other changes do not affect the tax credits in the portfolio.

Accounting treatment of financial instruments with ESG clauses

With reference to 30 June 2024, 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;

– 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 as its inclusion in the measurement, monitoring and mitigation processes is not complete. In this case, therefore, it can be said that no remuneration/risk is introduced that is not typical of an ordinary credit granting instrument.

Treasury shares

Any treasury shares held are deducted from equity. Any gains or losses from transactions in treasury shares are also reflected in equity.

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".

Repurchase agreements, securities lending and carry-overs

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".

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.

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 models and/or parameters not observable in the market. These measurements are highlighted by their classification in the fair value hierarchy.

Refer to as outlined in these notes to the financial statements, in the section "Information on fair value", 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.

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.

Taking into account the updated macroeconomic projections with respect to the provisions of the business plan approved in June 2022, the conclusions of the probability test performed as at 31 December 2023, which did not reveal any critical issues concerning the recoverability of deferred tax assets, can be considered confirmed.

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.

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.

In the first half of 2024, there were no regulatory changes, so the classifications and valuations were made in continuity with the 2023 Annual Report, to which reference should be made.

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 the first half of 2024, 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 2024:

- 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. first quarter of 2024);
- 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. first quarter of 2024);
- 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. first quarter of 2024);

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%.

With reference to the management overlays applied in the calculation of value adjustments on performing loans, steps have been taken to confirm 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 of specific add-ons (so-called model-related overlay).

The method of calculating the ECL on a portfolio of monitored exposures considered to have a high risk detected through the application of a specific overlay (process deficiency-related add-on) was also confirmed.

In any case, it cannot be excluded that the introduction of different methodologies, parameters and assumptions in determining the recoverable amount of the Group's performing credit exposures – also influenced by the evolution of the economic-financial and regulatory context of reference – could lead to valuations that are different from those carried out for the purpose of the drafting of the financial statements at 30 June 2024.

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 first half of 2024, as in the previous years, there were no changes to the Banca Popolare di Sondrio Group's 'business model', i.e. the way in which the Group manages financial instruments.

Information on fair value

Qualitative information

The IFRS 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.

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, 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.

UCI 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 euro, 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.

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 0.12% under the adverse scenario and lower by 0.22% 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 0.21% under the adverse scenario and lower by 0.38% 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 -1.84% following an increase in the rate curves and, conversely, increased by +2.52% 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 +1.25%; conversely, if a parallel shock to the rate curves of +/-50 basis points is applied, the change in fair value is -2.36% if the rate curves are shifted up, and +2.46% if they are shifted down.

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.

QUANTITATIVE INFORMATION

Fair value hierarchy

Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value levels

	30/06/2024			31/12/2023		
Financial assets/liabilities measured at fair value	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss	174,542	158,222	421,341	115,305	128,809	446,857
a) financial assets held for trading	106,091	120,408	-	57,735	91,758	580
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	68,451	37,814	421,341	57,570	37,051	446,277
2. Financial assets measured at fair value through other comprehensive income	3,735,277	-	100,347	3,106,079	-	106,537
3. Hedging derivatives	-	85	-	-	1	-
4. Property, equipment and investment property	-	-	78,302	-	-	82,188
5. Intangible assets	-	-	-	-	-	-
Total	**3,909,819**	**158,307**	**599,990**	**3,221,384**	**128,810**	**635,582**
1. Financial liabilities held for trading	462	13,050	-	68	69,509	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	814	-	-	1,924	-
Total	**462**	**13,864**	**-**	**68**	**71,433**	**-**

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).

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	**446,857**	**580**	**-**	**446,277**	**106,537**	**-**	**82,188**	**-**
2. Increases	**69,267**	**19,002**	**-**	**50,265**	**12,480**	**-**	**-**	**-**
2.1. Purchases	60,047	19,002	-	41,045	-	-	-	-
2.2. Profits recognised in:	5,669	-	-	5,669	12,476	-	-	-
2.2.1. Income Statement	5,669	-	-	5,669	39	-	-	-
- of which gains	5,496	-	-	5,496	-	-	-	-
2.2.2. Equity	-	-	-	-	12,437	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	3,551	-	-	3,551	4	-	-	-
3. Decreases	**94,783**	**19,582**	**-**	**75,201**	**18,670**	**-**	**3,886**	**-**
3.1. Sales	19,734	19,482	-	252	101	-	-	-
3.2. Reimbursements	33,299	-	-	33,299	-	-	-	-
3.3. Losses recognised in:	13,962	100	-	13,862	638	-	1,640	-
3.3.1. Income Statement	13,962	100	-	13,862	-	-	1,640	-
- of which losses	13,938	100	-	13,838	-	-	1,640	-
3.3.2. Equity	-	-	-	-	638	-	-	-
3.4. Transfers from other levels	-	-	-	-	17,610	-	-	-
3.5. Other decreases	27,788	-	-	27,788	321	-	2,246	-
4. Closing balance	**421,341**	**-**	**-**	**421,341**	**100,347**	**-**	**78,302**	**-**

The decrease during the period 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.

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.

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	30/06/2024				31/12/2023			
	Book value	Level 1	Level 2	Level 3	Book value	Level 1	Level 2	Level 3
1. Financial assets measured at amortised cost	45,291,855	9,561,960	-	36,541,381	45,530,807	9,937,520	-	36,424,182
2. Investment property	-	-	-	-	-	-	-	-
3. Non-current assets and groups of assets held for sale	-	-	-	-	-	-	-	-
Total	**45,291,855**	**9,561,960**	**-**	**36,541,381**	**45,530,807**	**9,937,520**	**-**	**36,424,182**
1. Financial liabilities measured at amortised cost	51,142,341	4,931,560	371,590	45,845,614	52,310,486	4,097,785	381,795	47,833,989
2. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Total	**51,142,341**	**4,931,560**	**371,590**	**45,845,614**	**52,310,486**	**4,097,785**	**381,795**	**47,833,989**

Information on the so-called "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".

Information on the consolidated balance sheet

Assets

Financial assets measured at fair value through profit or loss - item 20

Financial assets held for trading: breakdown

	30/06/2024			31/12/2023		
Items/Values	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	37,504	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	37,504	-	-	-	-	-
2. Equity securities	28,957	-	-	28,251	-	580
3. Mutual funds	39,075	71,772	-	28,823	69,702	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total (A)	**105,536**	**71,772**	**-**	**57,074**	**69,702**	**580**
B. Derivative instruments	-	-	-	-	-	-
1. Financial derivatives	555	48,636	-	661	22,056	-
1.1 for trading	555	48,636	-	661	22,056	-
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)	**555**	**48,636**	**-**	**661**	**22,056**	**-**
Total (A+B)	**106,091**	**120,408**	**-**	**57,735**	**91,758**	**580**

Other financial assets mandatorily measured at fair value: breakdown

	30/06/2024			31/12/2023		
Items/Values	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**68,451**	**-**	**15,647**	**57,570**	**-**	**17,139**
1.1 Structured securities	10,818	-	15,647	6,479	-	17,139
1.2 Other debt securities	57,633	-	-	51,091	-	-
2. Equity securities	**-**	**-**	**-**	**-**	**-**	**-**
3. Mutual funds	**-**	**37,814**	**153,773**	**-**	**37,051**	**125,431**
4. Loans	**-**	**-**	**251,920**	**-**	**-**	**303,706**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	251,920	-	-	303,706
Total	**68,451**	**37,814**	**421,340**	**57,570**	**37,051**	**446,276**

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 sicavs for 48.868 million euro, bond funds for 110.995 million euro, balanced and flexible funds for 18.161 million euro and real estate funds for 13.563 million euro. With regard to mutual funds acquired as part of transactions for the sale of receivables including among bond fund and real estate fund, please refer to the specific paragraph in the notes to the financial statements Section "Information on risks and related hedging policies", subsection "Securitisation transactions and sale of assets".

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

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

	30/06/2024			31/12/2023		
Items/Values	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**3,732,084**	**-**	**201**	**3,102,919**	**-**	**17,857**
1.1 Structured securities	350,343	-	-	334,190	-	2,906
1.2 Other debt securities	3,381,741	-	201	2,768,729	-	14,951
2. Equity securities	**3,194**	**-**	**100,147**	**3,159**	**-**	**88,681**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**3,735,278**	**-**	**100,348**	**3,106,078**	**-**	**106,538**

The debt securities portfolio is made up mostly of Italian government securities held with the intent on receiving cash flows and benefiting from any earnings deriving from their sale. 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.

Financial assets measured at amortised cost - item 40

Financial assets measured at amortised cost: breakdown of loans to banks

	30/06/2024						31/12/2023					
	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	**315,631**	**-**	**-**	**-**	**-**	**315,631**	**322,403**	**-**	**-**	**-**	**-**	**322,403**
1. Fixed-term deposits	-	-	-	-	-	-	-	-	-	-	-	-
2. Compulsory reserve	315,631	-	-	-	-	-	322,403	-	-	-	-	-
3. Repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
B. Loans and receivables with banks	**1,842,876**	**-**	**-**	**1,119,618**	**-**	**704,413**	**1,799,648**	**-**	**-**	**1,052,148**	**-**	**726,905**
1. Loans	687,879	-	-	-	-	692,888	693,116	-	-	-	-	698,622
1.1 Current accounts	-	-	-	-	-	-	-	-	-	-	-	-
1.2. Fixed-term deposits	612,600	-	-	-	-	-	620,286	-	-	-	-	-
1.3. Other loans:	75,279	-	-	-	-	-	72,830	-	-	-	-	-
- Reverse repurchase agreements	-	-	-	-	-	-	-	-	-	-	-	-
- Lease financing	-	-	-	-	-	-	-	-	-	-	-	-
- Others	75,279	-	-	-	-	-	72,830	-	-	-	-	-
2. Debt securities	1,154,997	-	-	1,119,618	-	11,525	1,106,532	-	-	1,052,148	-	28,283
2.1 Structured securities	745,899	-	-	739,249	-	9,457	683,752	-	-	675,721	-	8,406
2.2 Other debt securities	409,098	-	-	380,369	-	2,068	422,780	-	-	376,427	-	19,877
Total	**2,158,507**	**-**	**-**	**1,119,618**	**-**	**1,020,044**	**2,122,051**	**-**	**-**	**1,052,148**	**-**	**1,049,308**

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.

Financial assets measured at amortised cost: breakdown of loans to customers

	30/06/2024					
	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	**33,079,883**	**514,143**	**90,491**	**-**	**-**	**34,853,901**
1. Current accounts	3,134,667	122,372	21,501	-	-	-
2. Reverse repurchase agreements	514,689	-	-	-	-	-
3. Mortgages	19,996,178	344,401	64,405	-	-	-
4. Credit cards, personal loans and salary-backed loans	570,678	6,434	369	-	-	-
5. Lease financing	-	-	-	-	-	-
6. Factoring	3,771,898	644	-	-	-	-
7. Other loans	5,091,773	40,292	4,216	-	-	-
2. Debt securities	**9,448,831**	**-**	**-**	**8,442,342**	**-**	**667,436**
1. Structured securities	1,510,512	-	-	826,953	-	667,436
2. Other debt securities	7,938,319	-	-	7,615,389	-	-
Total	**42,528,714**	**514,143**	**90,491**	**8,442,342**	**-**	**35,521,337**

	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. Lease financing	-	-	-	-	-	-
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**

Loans for an insignificant portion are specifically and generically hedged.

Mortgage loans include 1,725 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. Given that the Parent Company maintained all of the risks and benefits of these loans, they have not been cancelled from the accounting records and have therefore been retained on the balance sheet.

Following the self-securitisation transaction put in place by the Parent Company in June 2023, loans include 2,544 million euro of performing loans granted to SMEs, secured or unsecured, which formed the object of the transaction. Similar to the covered bond transaction, the Parent Company retained all risks and rewards of the securitised loans, so they were not derecognised.

Item 2. Debt securities, include for 227.190 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.

Financial assets measured at amortised cost: gross value and total write-downs

		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		10,403,823	100,402	208,971	-	-	4,607	4,358	-	-	-
Loans		29,822,835	-	4,523,898	1,235,074	157,789	57,755	205,585	720,932	67,298	113,766
Total	**30/06/2024**	**40,226,658**	**100,402**	**4,732,869**	**1,235,074**	**157,789**	**62,362**	**209,943**	**720,932**	**67,298**	**113,766**
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**

Hedging derivatives - item 50

	Fair Value 30/06/2024			Nominal value	**Fair Value 31/12/2023**			Nominal value
	Level 1	Level 2	Level 3	30/06/2024	Level 1	Level 2	Level 3	31/12/2023
A. Financial derivatives								
1) Fair value	-	85	-	24,678	-	1	-	208
2) Financial flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives								
1) Fair value	-	-	-	-	-	-	-	-
2) Financial flows	-	-	-	-	-	-	-	-
Total	**-**	**85**	**-**	**24,678**	**-**	**1**	**-**	**208**

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 30 June 2024, the Group had four macro-hedging transactions in place against interest rate risk on an amount of loans classified in the amortised cost portfolio.

Value adjustment of macro-hedged financial assets - item 60

Value adjustment of hedged assets/Group components	**30/06/2024**	**31/12/2023**
1. Positive adjustment	**594**	**1,776**
1.1 of specific portfolios:	594	1,776
a) financial assets measured at amortised cost	594	1,776
b) financial assets measured at fair value through other comprehensive income	-	-
1.2 overall	-	-
2. Negative adjustment	**(32)**	**(1)**
2.1 of specific portfolios:	(32)	(1)
a) financial assets measured at amortised cost	(32)	(1)
b) financial assets measured at fair value through other comprehensive income	-	-
2.2 overall	-	-
Total	**562**	**1,775**

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.

Equity investments – item 70

Investments: changes in the year

	30/06/2024	31/12/2023
A. Opening balance	**376,357**	**322,632**
B. Increases	**15,856**	**54,256**
B.1 Purchases	940	-
B.2 Write-backs	-	-
B.3 Revaluations	-	-
B.4 Other changes	14,916	54,256
C. Decreases	**6,150**	**531**
C.1 Sales	-	-
C.2 Impairment	-	-
C.3 Write-downs	241	34
C.4 Other changes	5,909	497
D. Closing balance	**386,063**	**376,357**
E. Total revaluations	**-**	**-**
F. Total write-downs	**(447)**	**(447)**

Other increases and decreases mainly derive from the measurement of investees under the equity method.

Property, equipment and investment property - item 90

Property, equipment and investment property used for business purposes: breakdown

Assets/Amounts	30/06/2024	31/12/2023
1. Owned assets	**385,199**	**347,774**
a) land	76,234	75,316
b) buildings	196,864	182,508
c) furniture	8,658	6,495
d) electronic equipment	5,619	4,912
e) others	97,824	78,543
2. Rights of use acquired through leases	**148,533**	**158,882**
a) land	-	-
b) buildings	148,332	158,593
c) furniture	-	-
d) electronic equipment	132	161
e) others	69	128
Total	**533,732**	**506,656**
of which: obtained through enforcement of guarantees received	-	-

Property, equipment and investment property held for investment purposes: breakdown of assets measured at fair value

	30/06/2024			31/12/2023		
Assets/Amounts	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Owned assets	**-**	**-**	**78,302**	**-**	**-**	**82,188**
a) land	-	-	-	-	-	-
b) buildings	-	-	78,302	-	-	82,188
2. Rights of use acquired through leases	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
Total	**-**	**-**	**78,302**	**-**	**-**	**82,188**
of which: obtained through enforcement of guarantees received	-	-	-	-	-	-

Inventories of property, equipment and investment property governed by IAS 2: breakdown

Assets/Amounts	30/06/2024	31/12/2023
1. Inventories of property, equipment and investment property obtained through enforcement of guarantees received	**58,770**	**61,929**
a) land	2,061	2,128
b) buildings	56,709	59,801
c) furniture	-	-
d) electronic equipment	-	-
e) others	-	-
2. Other inventories of property, equipment and investment property	**20,403**	**26,301**
Total	**79,173**	**88,230**
of which: measured at fair value less costs to sell	-	-

Intangible assets - item 100

Intangible assets: breakdown by type of asset

	30/06/2024		31/12/2023	
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	**22,393**	**-**	**20,759**	**-**
of which: software	22,001	**-**	20,116	**-**
A.2.1 Assets measured at cost:	22,393	-	20,759	-
a) Intangible assets generated internally	16	-	15	-
b) Other assets	22,377	-	20,744	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**22,393**	**16,997**	**20,759**	**16,997**

Intangible assets with indefinite useful life recognised in the consolidated half-year 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 euro; 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.*, of which the Parent Company acquired the entire share capital on 1 April 2022. The acquisition cost allocation process ended in the financial year 2022 with the recognition of goodwill in the amount of 4.365 million euro. The company operates in the long-term car rental sector for professionals, VAT holders and small businesses.

In addition, the item also includes a component of about 0.4 million euro related to the customer lists of Rent2Go S.r.l..

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. No impairment test was deemed necessary.

Other assets - item 130

Other assets: breakdown

	30/06/2024	31/12/2023
Advances paid to tax authorities	91,702	55,095
Tax credits "Cura Italia" and "Rilancio" Law Decrees	2,109,236	1,964,684
Tax credits and related interest	14,163	13,978
Current account cheques drawn on third parties	11,175	16,897
Current account cheques drawn on Group banks	-	604
Transactions in customers' securities	59,814	24,821
Advances to suppliers	1,138	1,191
Advances to customers awaiting collections	28,072	31,946
Miscellaneous debits in transit	29,581	33,714
Liquid assets serving pension and similar obligations	22,084	18,553
Accrued income not allocated	38,556	53,489
Prepayments not allocated	49,825	41,886
Differences on elimination	4,978	3,930
Residual items	136,008	126,249
Total	**2,596,332**	**2,387,037**

The increase in item 130 "Other assets" is due to the tax credits connected with the "Cura Italia" and "Rilancio" Law Decrees, amounting to 2,109.236 million euro. For further details, reference should be made to Section 16 of these Notes. Other information.

Liabilities

Financial liabilities measured at amortised cost - item 10

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

Type of transaction/Amounts	30/06/2024				31/12/2023			
	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	**3,877,531**	-	-	-	**4,653,679**	-	-	-
2. Due to banks	**4,482,169**	-	-	-	**5,263,996**	-	-	-
2.1 Current accounts and sight deposits	469,033	-	-	-	538,811	-	-	-
2.2 Fixed-term deposits	1,063,376	-	-	-	1,036,843	-	-	-
2.3 Loans	2,933,820	-	-	-	3,660,258	-	-	-
2.3.1 Repurchase agreements	2,471,927	-	-	-	3,239,952	-	-	-
2.3.2 Others	461,893	-	-	-	420,306	-	-	-
2.4 Payables for commitments to repurchase own equity instruments	-	-	-	-	-	-	-	-
2.5 Payables for leases	3	-	-	-	11	-	-	-
2.6 Other payables	15,937	-	-	-	28,073	-	-	-
Total	**8,359,700**	**-**	**-**	**8,359,700**	**9,917,675**	**-**	**-**	**9,917,675**

These payables are not specifically hedged.

Payables to central banks comprise a loan from the ECB totalling 3,700 million euro as part of its "Targeted Longer-Term refinancing operations" (TLTRO III) maturing on 25 September 2024.

On 28 June 2023, the loan of 4,368 million euro taken out in June 2020 was repaid, and on 27 March 2024, the loan of 806 million euro was repaid.

"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.

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

Type of transaction/Amounts	30/06/2024				31/12/2023			
	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	30,406,365	-	-	-	30,553,720	-	-	-
2. Fixed-term deposits	5,016,831	-	-	-	4,376,073	-	-	-
3. Loans	1,717,497	-	-	-	2,241,059	-	-	-
3.1 Repurchase agreements	1,717,497	-	-	-	2,241,059	-	-	-
3.2 Other	-	-	-	-	-	-	-	-
4. Payables for commitments to repurchase own equity instruments	-	-	-	-	-	-	-	-
5. Payables for leases	153,058	-	-	-	163,259	-	-	-
6. Other payables	192,164	-	-	-	582,190	-	-	-
Total	**37,485,915**	**-**	**-**	**37,485,915**	**37,916,301**	**-**	**-**	**37,916,301**

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.

Financial liabilities measured at amortised cost: breakdown of issued securities

Type of securities/Amounts	30/06/2024				31/12/2023			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. bonds	5,207,423	4,931,560	282,287	-	4,383,516	4,097,785	288,801	-
1.1 structured	2,418,441	2,223,674	196,354	-	2,239,535	2,014,669	212,679	-
1.2 others	2,788,982	2,707,886	85,933	-	2,143,981	2,083,116	76,122	-
2. other securities	89,303	-	89,303	-	92,994	-	92,994	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 others	89,303	-	89,303	-	92,994	-	92,994	-
Total	**5,296,726**	**4,931,560**	**371,590**	**-**	**4,476,510**	**4,097,785**	**381,795**	**-**

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).

Financial liabilities held for trading - item 20

Financial liabilities held for trading: breakdown

Type of transaction/Amounts	30/06/2024					31/12/2023				
	NV	Fair Value			FV*	NV	Fair Value			FV*
		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	-	462	13,050	-	-	-	68	69,509	-	-
1.1 For trading	-	462	13,050	-	-	-	68	69,509	-	-
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)	**-**	**462**	**13,050**	**-**	**-**	**-**	**68**	**69,509**	**-**	**-**
Total (A+B)	**-**	**462**	**13,050**	**-**	**-**	**-**	**68**	**69,509**	**-**	**-**

FV* = Fair Value calculated excluding the differences in value due to changes in the issuer's credit rating since the issue date

NV = Nominal or notional value

Hedging derivatives - item 40

Hedge derivatives: breakdown by hedge type and levels

	Fair value 30/06/2024			NV 30/06/2024	Fair value 31/12/2023			NV 31/12/2023
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	**-**	**814**	**-**	**36,738**	**-**	**1,924**	**-**	**63,794**
1) Fair value	-	814	-	36,738	-	1,924	-	63,794
2) Financial flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Financial flows	-	-	-	-	-	-	-	-
Total	**-**	**814**	**-**	**36,738**	**-**	**1,924**	**-**	**63,794**

NV = Nominal Value

Other liabilities - item 80

Other liabilities: breakdown

	30/06/2024	31/12/2023
Amounts at the disposal of third parties	530,159	549,629
Taxes to be paid on behalf of third parties	120,646	156,976
Taxes to be paid	1,985	7,447
Employee salaries and contributions	24,747	19,714
Suppliers	30,645	42,462
Transit accounts for sundry entities	9,934	4,862
Invoices to be received	20,577	23,559
Credits in transit for financial transactions	28	154
Value date differentials on portfolio transactions	16,728	18,156
Directors' and statutory auditors' emoluments	184	98
Loans granted to customers to be finalised	8,760	7,621
Miscellaneous credit items being settled	119,655	47,455
Accrued expenses not allocated	51,432	25,634
Deferred income not allocated	18,172	15,725
Differences on elimination	78,974	46,576
Residual items	230,857	95,989
Total	**1,263,483**	**1,062,057**

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.

Termination indemnities - item 90

Termination indemnities: changes in the year

	30/06/2024	31/12/2023
A. Opening balance	**33,459**	**35,597**
B. Increases	**5,140**	**10,900**
B.1 Provisions for the year	5,124	10,890
B.2 Other changes	16	10
C. Decreases	**6,700**	**13,038**
C.1 Payments made	959	2,078
C.2 Other changes	5,741	10,960
D. Closing balance	**31,899**	**33,459**
Total	**31,899**	**33,459**

Provisions for risk and charges - item 100

Provisions for risks and charges: breakdown

Items/Components	30/06/2024	31/12/2023
1. Provisions for credit risk related to commitments and financial guarantees given	**45,167**	**47,302**
2. Provisions on other commitments and other guarantees given	**42,956**	**48,935**
3. Pension and similar obligations	**181,040**	**178,950**
4. Other provisions for risks and charges	**101,321**	**88,433**
4.1 legal and tax disputes	84,190	63,626
4.2 personnel expenses	14,617	22,237
4.3 others	2,514	2,570
Total	**370,484**	**363,620**

Pension and similar obligations, as of June 30, 2024 amounting to 181.040 million euro, consist of the retirement fund for the employees of the Parent Company for 161.362 million euro and the actuarial liabilities related to the supplementary pension plan for employees of BPS Suisse SA for 19.678 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 Parent Company 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 281 employees and 338 pensioners. Pursuant to current internal agreements, employees hired after 28/04/1993 have been given the chance to enrol in an open-ended supplementary pension fund, for which Arca Previdenza F.P.A. had been chosen.

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 obligations at the reference date is 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 are based on dynamic economic and financial assumptions. The discounting rate reflects the yield on prime bonds.

Sensitivity analysis

Banca Popolare di Sondrio Spa

- +0.25% change in the discount rate, the liability amounted to 128.565 million euro;
- -0.25% change in the discount rate, the liability amounted to 135.525 million euro;
- +0.25% change in the inflation rate, the liability amounted to 134.488 million euro;
- -0.25% change in the inflation rate, the liability amounted to 129.509 million euro.

Banca Popolare di Sondrio (Suisse) SA

- +0.50% change in the discount rate, the liability amounted to 12.507 million euro
- 0.50% change in the discount rate, the liability amounted to 27.596 million euro
- +0.50% change in the salary discount rate, the liability amounted to 20.276 million euro
- 0.50% change in the salary discount rate, the liability amounted to 19.080 million euro

Provisions for risks and charges – other provisions

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 provision also includes an allocation for the period for pending legal actions in connection with tax credits acquired. For further details, reference should be made to these Notes under Section “16 Other information” sub-section “Accounting treatment of tax credits connected with the "*Cura Italia*" and "Relaunch" Decrees.

The duration of such disputes is difficult to assess, given the extended time required in order to obtain justice. The item increased by 20.564 million euro due to the difference between the provisions of the period and the release of provisions set aside in prior years.

At 30 June 2024, for the Parent Company alone, about 120 disputes, other than tax-related ones, were pending, with total claims of about 488 million euro. 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.

- <u>*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".*</u> 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 9.51 million euro has been made. On the other hand, with regard to the "PopSo NPLS 2020" transaction, 42 requests are pending for a potential amount of 5.45 million euro, for which a provision of 3.02 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 3.851 million euro has been set aside. Lastly, as regards the "Pop NPLS 2022" transaction, 7 requests for a potential amount of 1.81 million euro are pending, for which a provision of 0.116 million euro has been made.

- <u>*Disputes relating to compound interest and usury*</u> 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 3.96 million euro, with provisions for 0.39 million euro, while for those relating to usury, the petitum is equal to 3.60 million euro, with provisions for 0.61 million euro.

- *Clawback actions in insolvency proceedings* 13 disputes were pending for a petitum of 7.748 million, with a provision of 2.247 million euro. 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.

- *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.

- *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.

- *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, carried out 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 first hearing was set for 24 February 2025.

The provision for personnel expenses essentially relates to the cost of untaken holidays and the potential cost of employee long-service bonuses. It decreased by 7.620 million euro, -34.28 %.

Other provisions include the Parent Company's provision for charitable donations consisting of net profits authorised by the shareholders of 1.458 million euro used to make approved payments. It was increased by 0.500 million euro when allocating the 2023 profit.

Group equity - Items 120, 130, 140, 150, 160, 170, 190 and 200

Share capital comprises 453,385,777 issued and fully-paid ordinary shares, without nominal value, totalling 1,360.157 million euro. Shares in circulation have dividend and voting rights from 1 January 2024.

At period-end, the Group held treasury shares with a carrying amount of 25.175 million euro. As at 30 June 2024, equity, including minority interests and profit for the period, amounted to 3,824 million euro, compared to 3,809 million euro as at 31 December 2023, an overall net increase of 14 million euro. The change resulted mainly from the allocation of the 2023 profit, the recognition of the profit for the period and the change in reserves.

Other information

Commitments and financial guarantees given

	Nominal value on commitments and financial guarantees given				Total 30/06/2024	Total 31/12/2023
	First stage	Second stage	Third stage	Impaired purchased or originated		
1. Commitments to grant loans	**14,463,043**	**2,458,887**	**153,230**	**7,433**	**17,082,593**	**16,847,497**
a) Central banks	-	-	-	-	-	-
b) Public administrations	557,237	71,250	-	-	628,487	629,002
c) Banks	170,167	5,000	-	-	175,167	357,664
d) Other financial companies	1,420,795	24,420	19	1	1,445,235	1,297,904
e) Non-financial companies	10,036,097	2,124,517	142,000	6,826	12,309,440	12,088,142
f) Households	2,278,747	233,700	11,211	606	2,524,264	2,474,785
2. Financial guarantees given	**809,338**	**107,515**	**16,124**	**-**	**932,977**	**862,719**
a) Central banks	-	-	-	-	-	-
b) Public administrations	2,064	2	-	-	2,066	2,240
c) Banks	11,387	3,436	-	-	14,823	13,551
d) Other financial companies	86,472	1,166	121	-	87,759	102,858
e) Non-financial companies	665,379	92,372	15,292	-	773,043	683,897
f) Households	44,036	10,539	711	-	55,286	60,173

Other commitments and other guarantees given

	Nominal value	
	Total 30/06/2024	**Total 31/12/2023**
Other guarantees given	**4,389,277**	**4,339,552**
of which: non-performing exposures	68,686	73,392
a) Central banks	-	-
b) Public administrations	94,851	94,411
c) Banks	225,371	214,844
d) Other financial companies	29,361	43,183
e) Non-financial companies	3,847,835	3,784,397
f) Households	191,859	202,717
Other commitments	**4,338,171**	**4,170,410**
of which: non-performing exposures	39,238	27,662
a) Central banks	50,000	50,000
b) Public administrations	72,506	70,858
c) Banks	348,970	423,861
d) Other financial companies	53,895	53,491
e) Non-financial companies	3,721,574	3,483,408
f) Households	91,226	88,792

Management and intermediation for third parties

Type of service	Amount
1. Execution of orders on behalf of customers	**717,901**
a) purchases	459,408
1. settled	457,725
2. not settled	1,683
b) sales	258,493
1. settled	257,372
2. not settled	1,121
2. Portfolio management	**2,072,801**
a) individual	2,072,801
b) collective	-
3. Custody and administration of securities	**78,571,320**
a) third-party securities on deposit: associated with activities as a custodian bank (excluding portfolio management)	5,037,105
1. securities issued by companies included in the consolidation	-
2. other securities	5,037,105
b) third-party securities on deposit (excluding portfolio management): other	25,528,484
1. securities issued by companies included in the consolidation	2,144,541
2. other securities	23,383,943
c) third-party securities on deposit with third parties	30,370,774
d) own securities held by other custodians	17,634,957
4. Other transactions	**6,377,611**

Information on the consolidated Income statement

Interest - items 10 and 20

Interest and similar income: breakdown

Items/Technical forms	Debt securities	Loans	Other transactions	30/06/2024	30/06/2023
1. Financial assets measured at fair value through profit or loss:	**2,584**	**6,037**	**-**	**8,621**	**7,676**
1.1 Financial assets held for trading	772	-	-	772	75
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	1,812	6,037	-	7,849	7,601
2. Financial assets measured at fair value through other comprehensive income	**49,840**	**-**	**-**	**49,840**	**33,167**
3. Financial assets measured at amortised cost:	**143,112**	**829,295**	**-**	**972,407**	**736,187**
3.1 Loans and receivables with banks	15,399	91,251	-	106,650	108,162
3.2 Loans and receivables with customers	127,713	738,044	-	865,757	628,025
4. Hedging derivatives	**-**	**-**	**276**	**276**	**28**
5. Other assets	**-**	**-**	**55,899**	**55,899**	**35,590**
6. Financial liabilities	**-**	**-**	**-**	**4**	**41**
Total	**195,536**	**835,332**	**56,175**	**1,087,047**	**812,689**
of which: interest income on impaired financial assets	-	27,240	-	27,240	22,660
of which: interest income on financial lease	-	-	-	-	-

Other assets include interest on tax credits related to the “Cura Italia” and “Rilancio” Law Decrees purchased (55.747 million euro compared to 35.590 million euro in the first half of 2023).

Interest and similar expense: breakdown

Items/Technical forms	Payables	Securities	Other transactions	30/06/2024	30/06/2023
1. Financial liabilities measured at amortised cost	**(455,408)**	**(93,521)**	**-**	**(548,929)**	**(385,122)**
1.1 Due to central banks	(71,243)	-	-	(71,243)	(131,573)
1.2 Due to banks	(87,242)	-	-	(87,242)	(47,944)
1.3 Due to customers	(296,923)	-	-	(296,923)	(153,022)
1.4 Securities issued	-	(93,521)	-	(93,521)	(52,583)
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
3. Financial liabilities designated at fair value	**-**	**-**	**-**	**-**	**-**
4. Other liabilities and provisions	**-**	**-**	**-**	**-**	**-**
5. Hedging derivatives	**-**	**-**	**(7)**	**(7)**	**(168)**
6. Financial assets	**-**	**-**	**-**	**(53)**	**(62)**
Total	**(455,408)**	**(93,521)**	**(7)**	**(548,989)**	**(385,352)**
of which: interest expense on lease payables	(1,447)	-	-	(1,447)	(1,495)

Interest expenses on financial liabilities to banks mainly relate to longer-term refinancing operations (TLTRO); interest expenses of 71 million euro accrued on these operations in the half-year.

Differentials relating to hedging transactions

Items	30/06/2024	30/06/2023
A. Positive differentials relating to hedging transactions	276	28
B. Negative differentials relating to hedging transactions	(7)	(169)
C. Balance (A-B)	**269**	**(141)**

Commissions - items 40 and 50

Fee and commission income: breakdown

Type of service/Amounts	30/06/2024	30/06/2023
a) Financial instruments	**41,715**	**34,638**
1. Placement of securities	22,110	19,698
1.1 On a firm and/or irrevocable commitment basis	-	-
1.2 Without irrevocable commitment	22,110	19,698
2. Receiving and sending orders and execution of orders on behalf of customers	10,932	7,525
2.1 Receiving and sending orders for one or more financial instruments	9,296	7,525
2.2 Execution of orders on behalf of customers	1,636	-
3. Other commissions related to activities linked to financial instruments	8,673	7,415
of which: trading on own account	47	186
of which: individual portfolio management	6,073	5,580
b) Corporate Finance	**-**	**-**
1. Mergers and acquisitions advisory services	-	-
2. Treasury services	-	-
3. Other commissions related to corporate finance services	-	-
c) Investment advisory activities	**42**	**30**
d) Compensation and settlement	**-**	**-**
e) Collective portfolio management	**-**	**-**
f) Custody and administration	**9,559**	**8,549**
1. Custodian bank	3,307	3,059
2. Other commissions related to custody and administration activities	6,252	5,490
g) Central administrative services for collective portfolio management	**-**	**-**
h) Fiduciary business	**-**	**-**
i) Payment services	**77,165**	**71,408**
1. Current accounts	24,041	23,201
2. Credit cards	8,087	7,475
3. Debit cards and other payment cards	9,052	9,839
4. Bank transfers and other payment orders	29,750	24,812
5. Other fees related to payment services	6,235	6,081
j) Distribution of third-party services	**16,497**	**13,454**
1. Collective portfolio management	-	-
2. Insurance products	14,276	11,943
3. Other products	2,221	1,511
of which: individual portfolio management	-	-
k) Structured finance	**-**	**-**
l) Servicing for securitisation transactions	**-**	**-**
m) Commitments to make loans	**-**	**-**
n) Financial guarantees given	**19,704**	**17,661**
of which: credit derivatives	-	-
o) Financing transactions	**48,173**	**47,133**
of which: for factoring transactions	18,298	16,021
p) Trading in foreign currencies	**-**	**-**
q) Goods	**-**	**-**
r) Other commission income	**10,840**	**12,555**
of which: for management of multilateral trading systems	-	-
of which: for management of organised trading systems	-	-
Total	**223,695**	**205,428**

Commission income increased by 8.89% from 205.428 million euro to 223.695 million euro, mainly due to the increase in commission related to the granting of financial guarantees and those related to financial instruments, distribution of insurance products, and payment services.

Fee and commission expense: breakdown

Type of service/amounts	30/06/2024	30/06/2023
a) Financial instruments	**(1,654)**	**(1,555)**
of which: trading of financial instruments	(1,654)	(1,555)
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	**(1,879)**	**(1,623)**
e) Collection and payment services	**(2,504)**	**(2,806)**
of which: credit cards, debit cards and other payment cards	(1,280)	(1,510)
f) Servicing for securitisation transactions	**-**	**-**
g) Commitments to receive funds	**-**	**-**
h) Financial guarantees received	**(2,805)**	**(2,823)**
of which: credit derivatives	-	-
i) Door-to-door distribution of financial instruments, products and services	**-**	**-**
j) Trading in foreign currencies	**-**	**-**
k) Other commission expenses	**(2,189)**	**(2,081)**
Total	**(11,031)**	**(10,888)**

Dividends and similar income - item 70

Dividends and similar income: breakdown

Items/Income	30/06/2024		30/06/2023	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	913	69	1,072	49
B. Other financial assets mandatorily measured at fair value	-	1,377	-	286
C. Financial assets measured at fair value through other comprehensive income	750	113	857	44
D. Equity investments	-	-	-	-
Total	**1,663**	**1,559**	**1,929**	**379**

Net trading income - item 80

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	**41,541**	**20,559**	**(5,146)**	**(758)**	**56,196**
1.1 Debt securities	18	476	-	(6)	488
1.2 Equity securities	422	1,883	(2,147)	(200)	(42)
1.3 Mutual funds	5,228	2,687	(189)	(14)	7,712
1.4 Loans	-	-	-	-	-
1.5 Others	35,873	15,513	(2,810)	(538)	48,038
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Others	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	**-**	**-**	**-**	**-**	**1,301**
4. Derivatives	**2,252**	**7,548**	**(3,695)**	**(7,252)**	**(1,013)**
4.1 Financial derivatives:	2,252	7,548	(3,695)	(7,252)	(1,013)
- On debt securities and interest rates	1,692	3,222	(2,661)	(2,954)	(701)
- On equity securities and stock indices	-	-	(479)	(32)	(511)
- On currency and gold	-	-	-	-	134
- Others	560	4,326	(555)	(4,266)	65
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	-	-	-	-	-
Total	**43,793**	**28,107**	**(8,841)**	**(8,010)**	**56,484**

Net trading income amounted to 56.484 million euro, up from 54.928 million euro in the first half of 2023.

Net hedging gain (loss) - item 90

Net hedging gain (loss): breakdown

Income components/Amounts	30/06/2024	30/06/2023
A. Income related to:		
A.1 Fair value hedging derivatives	1,209	301
A.2 Hedged financial assets (fair value)	14	89
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)	**1,223**	**390**
B. Charges relating to:		
B.1 Fair value hedging derivatives	(7)	(76)
B.2 Hedged financial assets (fair value)	(1,214)	(346)
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)	**(1,221)**	**(422)**
C. Net hedging gain (loss) (A – B)	**2**	**(32)**
of which: result of hedging on net positions	-	-

Gains (losses) from sales/repurchases - item 100

Gains (losses) from sales/repurchases: breakdown

	30/06/2024			30/06/2023		
Items/Income items	Gains	Losses	Profit (loss)	Gains	Losses	Profit (loss)
Financial assets						
1. Financial assets measured at amortised cost	7,669	(1)	7,668	4,323	(210)	4,113
1.1 Loans and receivables with banks	-	-	-	-	-	-
1.2 Loans and receivables with customers	7,669	(1)	7,668	4,323	(210)	4,113
2. Financial assets measured at fair value through other comprehensive income	7,385	(3,373)	4,012	1,735	(1,604)	131
2.1 Debt securities	7,385	(183)	7,202	1,735	-	1,735
2.2 Loans	-	(3,190)	(3,190)	-	(1,604)	(1,604)
Total assets (A)	**15,054**	**(3,374)**	**11,680**	**6,058**	**(1,814)**	**4,244**
Financial liabilities measured at amortised cost	-	-	-	-	-	-
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	676	-	676	105	(19)	86
Total liabilities (B)	**676**	**-**	**676**	**105**	**(19)**	**86**

Net gains/losses on other financial assets and liabilities measured at fair value through profit or loss - item 110

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	**9,293**	**201**	**(18,416)**	**(24)**	**(8,946)**
1.1 Debt securities	1,694	201	(2,174)	-	(279)
1.2 Equity securities	2	-	(11)	-	(9)
1.3 Mutual funds	2,867	-	(4,720)	(24)	(1,877)
1.4 Loans	4,730	-	(11,511)	-	(6,781)
2. Financial assets: exchange differences	**-**	**-**	**-**	**-**	**1,557**
Total	**9,293**	**201**	**(18,416)**	**(24)**	**(7,389)**

Net adjustments/write-backs for credit risk - item 130

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	**(1,594)**	**(1,479)**	**-**	**-**	**-**	**-**
- Loans	(1,123)	(596)	-	-	-	-
- Debt securities	(471)	(883)	-	-	-	-
B. Loans and receivables with customers	**(30,792)**	**(99,941)**	**(3,302)**	**(158,274)**	**-**	**(16,119)**
- Loans	(30,004)	(98,777)	(3,302)	(158,274)	-	(16,119)
- Debt securities	(788)	(1,164)	-	-	-	-
Total	**(32,386)**	**(101,420)**	**(3,302)**	**(158,274)**	**-**	**(16,119)**

	Write-backs (2)					
Transactions/Income items	First stage	Second stage	Third stage	Impaired purchased or originated	**30/06/2024**	**30/06/2023**
A. Loans and receivables with banks	**3,122**	**88**	**-**	**-**	**137**	**(3,167)**
- Loans	2,556	88	-	-	925	(94)
- Debt securities	566	-	-	-	(788)	(3,073)
B. Loans and receivables with customers	**67,040**	**34,503**	**83,302**	**11,613**	**(111,970)**	**(70,039)**
- Loans	65,274	34,503	83,302	11,613	(111,784)	(71,055)
- Debt securities	1,766	-	-	-	(186)	1,016
Total	**70,162**	**34,591**	**83,302**	**11,613**	**(111,833)**	**(73,206)**

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	(402)	(135)	-	-	-	-
B. Loans	-	-	-	-	-	-
- Customers	-	-	-	-	-	-
- Banks	-	-	-	-	-	-
Total	**(402)**	**(135)**	**-**	**-**	**-**	**-**

Transactions/Income items	Write-backs (2)					
	First stage	Second stage	Third stage	Impaired purchased or originated	**30/06/2024**	**30/06/2023**
A. Debt securities	419	2	-	-	(116)	(498)
B. Loans	-	-	-	-	-	-
- Customers	-	-	-	-	-	-
- Banks	-	-	-	-	-	-
Total	**419**	**2**	**-**	**-**	**(116)**	**(498)**

Gains/losses from contractual amendments not resulting in derecognition - item 140

Gains (losses) on contractual amendments: breakdown

Losses on contractual amendments without derecognition amount to 1.974 million euro.

Administrative expenses - item 190

Personnel expenses: breakdown

Type of expense/Amounts	30/06/2024	30/06/2023
1) Employees	**(153,379)**	**(143,928)**
a) wages and salaries	(98,590)	(90,007)
b) social security contributions	(23,837)	(22,572)
c) termination indemnities	-	-
d) pension expenses	(3,751)	(3,651)
e) provision for employee termination indemnities	(5,156)	(4,754)
f) provision for pension and similar obligations:	(5,351)	(4,745)
- defined contribution	-	-
- defined benefits	(5,351)	(4,745)
g) payments to external supplementary pension funds:	(2,541)	(2,108)
- defined contribution	(2,522)	(2,092)
- defined benefits	(19)	(16)
h) costs deriving from payment agreements based on own capital instruments	(1,375)	-
i) other personnel benefits	(12,778)	(16,091)
2) Other personnel in activity	**(492)**	**(279)**
3) Directors and Statutory Auditors	**(2,235)**	**(1,613)**
4) Retired personnel	**-**	**-**
Total	**(156,106)**	**(145,820)**

Average number of employees by category

	30/06/2024	31/12/2023
1) Employees	**3,623**	**3,522**
a) managers	41	38
b) officials	948	891
c) other employees	2,634	2,593
2) Other personnel	**12**	**13**

	30/06/2024	31/12/2023
- Number of employees at year-end	3,674	3,597
- Other personnel	12	14

Other administrative expenses: breakdown

Type of service/Amounts	30/06/2024	30/06/2023
Telephone, post and data transmission	(7,611)	(7,658)
Maintenance of property, equipment and investment property	(5,483)	(5,607)
Rent of buildings	(313)	(238)
Security	(3,010)	(2,490)
Transportation	(1,922)	(1,663)
Professional fees	(27,580)	(23,436)
Office materials	(1,224)	(1,192)
Electricity, heating and water	(4,076)	(5,396)
Advertising and entertainment	(2,282)	(1,818)
Legal	(5,824)	(5,201)
Insurance	(1,087)	(1,056)
Company searches and information	(4,995)	(4,522)
Indirect taxes and dues	(36,195)	(32,250)
Software and hardware rental and maintenance	(18,142)	(15,592)
Data entry by third parties	(1,355)	(1,303)
Cleaning	(3,426)	(3,287)
Membership fees	(1,127)	(1,068)
Services received from third parties	(3,113)	(3,637)
Outsourced activities	(14,473)	(13,898)
Deferred charges	(566)	(293)
Goods and services for employees	(586)	(558)
Contributions to resolution and guarantee funds	(21,296)	(40,857)
Others	(4,852)	(5,020)
Total	**(170,538)**	**(178,040)**

Net accruals to provisions for risks and charges - item 200

Net accruals to provisions for risks and charges: breakdown

This item is negative for 14.449 million euro, made up of the difference between provisions for the year, reallocations and write-backs. It includes reallocations and write-backs for commitments and guarantees given of 8.058 million euro and other net provisions of 22.507 million euro. This includes provisions set aside against risks of possible fraud perpetrated against the bank on purchased tax credits.

Net gains (losses) on equity investments - item 250

Net gains (losses) on equity investments: breakdown

Income components/Sectors	30/06/2024	30/06/2023
1) Jointly controlled companies		
A. Income	8	13
1. Revaluations	8	13
2. Gains on disposal	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Charges	-	-
1. Write-downs	-	-
2. Impairment write-downs	-	-
3. Losses on disposal	-	-
4. Other charges	-	-
Profit (loss)	**8**	**13**
2) Associated companies (subject to significant influence)		
A. Income	18,578	15,651
1. Revaluations	18,578	15,651
2. Gains on disposal	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Charges	(329)	(142)
1. Write-downs	(329)	(142)
2. Impairment write-downs	-	-
3. Losses on disposal	-	-
4. Other charges	-	-
Profit (loss)	**18,249**	**15,509**
Total	**18,257**	**15,522**

Gains (losses) on sale of investments - item 280

Gains (losses) on sale of investments: breakdown

Income component/Sectors	30/06/2024	30/06/2023
A. Property	253	142
- Gains on disposal	253	142
- Losses on disposal	-	-
B. Other assets	(120)	16
- Gains on disposal	31	16
- Losses on disposal	(151)	-
Profit (loss)	**133**	**158**

Earnings per share

There were no transactions involving share capital during the year and no financial instruments were issued that might involve the future issue of shares.

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.

There are no instruments in place with a potential dilutive effect. There are no discontinued operations in the financial statements for which basic and diluted earnings per share must be disclosed separately.

	30/06/2024	30/06/2023
Basic EPS – euro	0.6	0.5
Diluted EPS – euro	0.6	0.5

Information on risks and related hedging policy

The information provided in this section may be based on internal management data and, therefore, may not coincide perfectly with the balance sheet and income statement figures shown in the tables.

Risks of the Banking Group

Credit risk

QUALITATIVE INFORMATION

For qualitative information on credit risk, please refer in general to the financial statements as at 31/12/2023. With regard to information on impaired financial assets, please refer to the Report on Operations, section "Loans", and the Notes, section "Financial assets measured at amortised cost". Below is a summary of the most important aspects referring to the first half of 2024.

Methods for measuring expected losses

With reference to the methodological approach used by the Group for the quantification of expected losses on performing loans in the first half of 2024, a number of changes are to be reported in the modelling of expected loss estimation, with particular reference to: (i) the introduction of a new method for calibrating the transition matrices used to construct the PD lifetimes and the consequent fine-tuning of the stage allocation methodological framework (with particular reference to the quantitative criteria based on the PD-based metrics derived from them); (ii) the consequent reconfiguration of the set of so-called model-related add-ons following the porting into production of this evolution; (iii) the application of overrides to the level of impairment assigned to specific counterparties in order to fully take into account the impairment profile assigned to them.

In addition, in order to continue to adequately incorporate in the quantification of its provisions the current and prospective effects of both the continuing crisis triggered by the outbreak of the pandemic and the current geopolitical context and its consequences at macroeconomic and business level, the Group has provided for both the usual maintenance and fine-tuning of a series of evolutionary specifications within its methodological and procedural architecture for the calculation of collective write-downs.

More precisely, during the half-year, steps were taken to:

- update and fine-tune the specific modelling of forward-looking information (FLI) and update the macroeconomic forecasts for a plurality of scenarios used as input to the models, as well as the weighting coefficients associated with them for the calculation of write-downs; in this regard, worthy of mention are the definition of the in-model adjustment for the suite of statistical-econometric models, developed according to data-driven methodologies, aimed at modelling, in an explicitly prospective manner, the evolutionary dynamics of the risk parameters for all the macroeconomic scenarios that contribute to the calculation of collective write-downs;
- further reinforce the periodic set of quantitative analyses aimed at certifying the soundness, 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 purpose of "conditioning" the factors for estimating the collective impairment to the performance of alternative macroeconomic scenarios; it is also worth noting, in this context, the further extension of the analysis and reporting structure aimed at reporting the results of the analyses carried out during the periodic meetings of the dedicated management committee (Scenarios Committee), supported by a periodic and systematic activity of monitoring, analysis and reporting (third party data analysis) of the publications of the most authoritative national and international research bodies and institutions, such as, by way of example but not limited to, the Bank of Italy, the European Central Bank, the European Commission, the International Monetary Fund, Confindustria, the Italian Banking Association (ABI), Oxford Economics, the National Institute

of Statistics (ISTAT) and the Ministry of Economy and Finance (MEF) with reference not only to macro-economic variables, but also to the evolution of financial markets, as well as geo-sectoral decay rates and to the investigation and recognition of new risk factors (so-called novel risk) to be considered in modelling aimed at quantifying collective provisions;

- subject to periodic updating and review both the lists of counterparties considered to be so-called "high risk" positions for which a reclassification to Stage 2 has been temporarily assessed, with particular reference both to the updating of the positions pertaining to the cases already present in it, and that, introduced from the end of the previous accounting year, of the counterparties affected by potential sub-optimalities and/or deficiencies in the credit monitoring process, for which a classification to Stage 02 is made with a level of coverage defined with specific assessments of the individual positions (so-called ECL target);
- carry out specific activities to recalibrate and refine the so-called management overlays, which contribute approximately 200 million euro to the determination/quantification of the collective fund, with particular reference to:
    - the updating of the so-called geo-sectoral multipliers calibrated on the basis of the newly published macroeconomic forecasts;
    - the definition and quantification of a plurality of add-on (so-called model-related overlays), aimed at addressing all the specific areas of temporary sub-optimality identified within the methodological framework in use and currently being revised;
    - the definition and quantification, according to data-driven methodologies, of specific overlays aimed at including in the calculation of the provision for new risk factors (so-called novel risks - specifically, climate and environment risk, energy risk, supply chain risk, inflation risk and geopolitical risk) which, also for the regulator, assume increasing importance and attention in the current and prospective macroeconomic and geopolitical context, and which have an impact in terms of both ECL and staging on specific portfolio segments;
- ensure increasingly direct and constant involvement of senior management in managerial forums relating to the parameter setting of the scenario-dependency components and their effects in the quantification of the collective write-downs, as well as in the monthly calibration activities of the previously mentioned managerial overlays in order to obtain a level of overall collective write-downs deemed by the same to be consistent with the current context and representative of the actual risk profile - current and prospective - of the portfolio.

Concerning the management of non-performing loans, the Group updated the NPL strategy in the 2024-2026 horizon. The document, approved by the Parent Company's Board of Directors in March 2024 for submission to the Supervisory Authority, envisages the combined use of ordinary and extraordinary initiatives, including disposals and settlement agreements, aimed at achieving the NPL ratio target values. Credits for which a sale or out-of-court agreements is contemplated are valued on the basis of the quantified recoverable value, taking into account recent transactions concluded by the Group, market and remuneration forecasts (i.e. discount factors) as well as the type of asset. With specific reference to the credit subject to potential disposal, in the absence of internal transactions concluded by the Group on portfolios with similar characteristics, the recoverable value is estimated considering the main transactions concluded on the market by comparable intermediaries.

Methods for measuring expected losses - ECL sensitivity analysis

Generally speaking, the scenarios adopted for the calculation of collective write-downs 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 value adjustments, 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, of replacing the “favourable” scenario with the “extreme adverse” one has been maintained for the first half of 2024, in the face of the continuing climate of overall uncertainty that characterises the macroeconomic and geo-political environment at a global level. 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 June 2024, the Parent Company 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 extremely 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 so-called 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

	Baseline Scenario June 2024			**Adverse scenario June 2024**			**Extreme scenario June 2024**		
Macro-economic variable	2024	2025	2026	2024	2025	2026	2024	2025	2026
Italy's GDP (% on an annual basis)	0.7%	0.9%	0.7%	0.1%	0.4%	0.5%	-1.3%	-0.2%	0.2%
Italy's unemployment	7.1%	7.2%	7.0%	7.3%	7.7%	8.1%	7.6%	9.1%	10.2%
Italy's inflation (% on an annual basis)	1.8%	1.8%	1.5%	3.0%	2.3%	2.1%	4.4%	1.8%	1.9%
Italy's equity index (% on an annual basis)	20.0%	11.3%	6.1%	14.1%	2.2%	2.4%	7.2%	-1.5%	-1.7%
10-year BTP interest rate (%)	3.8%	4.0%	4.4%	3.8%	4.3%	4.6%	4.2%	4.1%	4.2%
Italian residential property price index (% on annual basis)	1.2%	1.6%	1.8%	0.3%	0.2%	0.6%	0.4%	-2.1%	-2.1%
Euro/dollar exchange rate	1.08	1.08	1.09	1.09	1.08	1.08	1.09	1.09	1.08
Brent oil: $ per barrel	82	83	85	85	82	95	95	95	82
Euribor 3 months	3.7%	2.7%	2.6%	3.8%	3.0%	2.9%	3.2%	1.7%	1.5%

For more information on the inclusion of forward-looking information (FLI) in the impairment model, please refer to paragraph 2.3 of Section 1 Credit risk of Part E of the Notes to the Financial Statements as at 31/12/2023.

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, in accordance with sector best practices and the most recent recommendations of the Supervisory Authorities[2], specific sensitivity analyses on the level of write-down of its performing exposures, the results of which are summarised in the tables below.

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 euro/million] at 30 June 2024 of the performing loans of the Parent Company associated with different macroeconomic scenarios

Operational macro-segment	Stage	Base scen.	Adv. scen.	Extr. scen.	Weight. scen.
Corporate & Large Corporate	Stage 01	33.6	35.7	38.4	34.6
	Stage 02	183.5	185.1	187.0	184.3
	Total	**217.1**	**220.7**	**225.4**	**218.9**
Small Business	Stage 01	5.7	6.0	6.3	5.8
	Stage 02	20.1	20.4	20.7	20.2
	Total	**25.7**	**26.4**	**27.0**	**26.0**
Small Economic Operators	Stage 01	3.3	3.4	3.7	3.4
	Stage 02	12.4	12.8	13.2	12.6
	Total	**15.7**	**16.3**	**16.9**	**15.9**
Individuals	Stage 01	5.0	5.5	6.1	5.3
	Stage 02	29.5	31.1	32.5	30.2
	Total	**34.5**	**36.6**	**38.7**	**35.5**
Other	Stage 01	3.2	3.6	4.1	3.4
	Stage 02	0.5	0.6	0.7	0.6
	Total	**3.8**	**4.2**	**4.8**	**4.0**
Total	Stage 01	50.8	54.2	58.6	52.4
	Stage 02	246.0	250.0	254.1	247.8
	Total	**296.9**	**304.1**	**312.7**	**300.3**

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 euro/million] at 30 June 2024 of the performing positions of the Parent Company's loan portfolio associated with different weightings of the macro-economic scenarios

Operational macro-segment	Stage	Weighted scenario 1	Weighted scenario 2	Weighted scenario 3	Weighted scenario 4
Corporate & Large Corporate	Stage 01	34.6	34.3	34.9	34.2
	Stage 02	184.2	184.0	184.5	184.0
	Total	**218.8**	**218.3**	**219.5**	**218.2**
Small Business	Stage 01	5.8	5.8	5.9	5.8
	Stage 02	20.2	20.2	20.3	20.2
	Total	**26.0**	**25.9**	**26.1**	**25.9**
Small Economic Operators	Stage 01	3.4	3.3	3.4	3.3
	Stage 02	12.6	12.5	12.7	12.5
	Total	**15.9**	**15.9**	**16.0**	**15.9**
Individuals	Stage 01	5.3	5.2	5.3	5.2
	Stage 02	30.2	30.0	30.4	30.0
	Total	**35.5**	**35.2**	**35.8**	**35.2**
Other	Stage 01	3.4	3.3	3.5	3.3
	Stage 02	0.6	0.6	0.6	0.6
	Total	**4.0**	**3.9**	**4.0**	**3.9**
Total	Stage 01	52.4	51.9	53.0	51.8
	Stage 02	247.8	247.2	248.4	247.2
	Total	**300.2**	**299.1**	**301.4**	**299.0**

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 euro/million] at 30 June 2024 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

Operational macro-segment	Stage_base	Nr. Pos	EAD	Nr. Pos%	EAD%	Baseline ECL
Corporate & Large Corporate	Stage 01	44,335	14,834.6	82.4%	80.2%	34.4
	Stage 02	9,462	3,666.1	17.6%	19.8%	182.6
	Total	**53,797**	**18,500.7**	**21.3%**	**59.3%**	**217.0**
Small Business	Stage 01	42,559	1,772.8	84.5%	77.3%	6.0
	Stage 02	7,829	522.0	15.5%	22.7%	19.7
	Total	**50,388**	**2,294.8**	**20.0%**	**7.4%**	**25.7**
Small Economic Operators	Stage 01	52,961	1,928.4	88.4%	88.3%	3.6
	Stage 02	6,924	255.6	11.6%	11.7%	11.8
	Total	**59,885**	**2,184.1**	**23.8%**	**7.0%**	**15.5**
Individuals	Stage 01	77,708	4,042.1	90.9%	88.3%	9.3
	Stage 02	7,818	533.3	9.1%	11.7%	22.2
	Total	**85,526**	**4,575.4**	**33.9%**	**14.7%**	**31.4**
Other	Stage 01	2,197	3,508.2	90.4%	96.7%	3.2
	Stage 02	232	121.0	9.6%	3.3%	0.5
	Total	**2,429**	**3,629.2**	**1.0%**	**11.6%**	**3.8**
Total	Stage 01	219,760	26,086.2	87.2%	83.7%	56.5
	Stage 02	32,265	5,098.1	12.8%	16.3%	236.8
	Total	**252,025**	**31,184.3**	**100.0%**	**100.0%**	**293.3**

Table 5 – Write-downs [in euro/million] at 30 June 2024 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

Operational macro-segment	Stage_adv	Nr. Pos	EAD	Nr. Pos%	EAD%	ECL adv.
Corporate & Large Corporate	Stage 01	43,525	14,607.8	80.9%	79.0%	34.7
	Stage 02	10,272	3,892.9	19.1%	21.0%	186.8
	Total	**53,797**	**18,500.7**	**21.3%**	**59.3%**	**221.5**
Small Business	Stage 01	41,278	1,728.1	81.9%	75.3%	5.8
	Stage 02	9,110	566.7	18.1%	24.7%	20.7
	Total	**50,388**	**2,294.8**	**20.0%**	**7.4%**	**26.6**
Small Economic Operators	Stage 01	52,077	1,876.7	87.0%	85.9%	3.3
	Stage 02	7,808	307.3	13.0%	14.1%	13.3
	Total	**59,885**	**2,184.1**	**23.8%**	**7.0%**	**16.6**
Individuals	Stage 01	60,413	3,126.6	70.6%	68.3%	4.7
	Stage 02	25,113	1,448.8	29.4%	31.7%	39.6
	Total	**85,526**	**4,575.4**	**33.9%**	**14.7%**	**44.2**
Other	Stage 01	2,187	3,500.8	90.0%	96.5%	3.6
	Stage 02	242	128.5	10.0%	3.5%	0.6
	Total	**2,429**	**3,629.2**	**1.0%**	**11.6%**	**4.2**
Total	Stage 01	199,480	24,840.1	79.2%	79.7%	52.1
	Stage 02	52,545	6,344.2	20.8%	20.3%	261.1
	Total	**252,025**	**31,184.3**	**100.0%**	**100.0%**	**313.1**

Table 6 – Write-downs [in euro/million] at 30 June 2024 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

Operational macro-segment	Stage_extr.	Nr. Pos	EAD	Nr. Pos%	EAD%	ECL extr.
Corporate & Large Corporate	Stage 01	41,877	14,174.9	77.8%	76.6%	35.4
	Stage 02	11,920	4,325.8	22.2%	23.4%	192.1
	Total	**53,797**	**18,500.7**	**21.3%**	**59.3%**	**227.4**
Small Business	Stage 01	39,801	1,673.7	79.0%	72.9%	6.1
	Stage 02	10,587	621.1	21.0%	27.1%	21.3
	Total	**50,388**	**2,294.8**	**20.0%**	**7.4%**	**27.4**
Small Economic Operators	Stage 01	50,279	1,786.0	84.0%	81.8%	3.2
	Stage 02	9,606	398.1	16.0%	18.2%	15.0
	Total	**59,885**	**2,184.1**	**23.8%**	**7.0%**	**18.3**
Individuals	Stage 01	46,024	2,450.8	53.8%	53.6%	4.0
	Stage 02	39,502	2,124.6	46.2%	46.4%	52.5
	Total	**85,526**	**4,575.4**	**33.9%**	**14.7%**	**56.6**
Other	Stage 01	2,178	3,491.7	89.7%	96.2%	4.1
	Stage 02	251	137.6	10.3%	3.8%	0.8
	Total	**2,429**	**3,629.2**	**1.0%**	**11.6%**	**4.8**
Total	Stage 01	180,159	23,577.1	71.5%	75.6%	52.9
	Stage 02	71,866	7,607.2	28.5%	24.4%	281.7
	Total	**252,025**	**31,184.3**	**100.0%**	**100.0%**	**334.5**

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, over 2023, targeted surveys were completed to identify 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, and those influenced by extreme climate events. The overall positions identified as "high risk", in line with the IFRS 9 framework applied by the Bank were classified as Stage 2.

Quantitative information

Asset quality targets

Non-performing and performing exposures: balance and impairment

Distribution of financial assets by portfolio and quality of lending (carrying amounts)

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	59,111	392,269	86,277	573,579	44,180,620	45,291,856
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	3,732,285	3,732,285
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	17,021	1,438	3,271	314,288	336,018
5. Financial assets held for sale	-	-	-	-	-	-
30/06/2024	**59,111**	**409,290**	**87,715**	**576,850**	**48,227,193**	**49,360,159**
31/12/2023	**62,223**	**438,006**	**62,081**	**587,757**	**47,879,933**	**49,030,000**

The word exposures is understood as excluding equity securities and mutual funds.

Distribution of financial assets by portfolio and asset quality (gross and net values)

	Non-performing				Performing			
Portfolio/quality	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	1,319,780	(782,123)	537,657	113,766	45,032,613	(278,414)	44,754,199	45,291,856
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	3,733,372	(1,087)	3,732,285	3,732,285
3. Financial assets designated at fair value	-	-	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	36,198	(17,739)	18,459	-	-	-	317,559	336,018
5. Financial assets held for sale	-	-	-	-	-	-	-	-
30/06/2024	**1,355,978**	**(799,862)**	**556,116**	**113,766**	**48,765,985**	**(279,501)**	**48,804,043**	**49,360,159**
31/12/2023	**1,316,484**	**(754,174)**	**562,310**	**83,467**	**48,370,340**	**(259,617)**	**48,467,690**	**49,030,000**

For financial assets held for trading, those valued at fair value and hedging derivatives, the gross exposure is presented at the value resulting from the period-end valuation.

Prudential consolidation – On-balance sheet credit exposures and off-balance sheet credit exposures to banks: gross and net values

	Gross exposure				
Type of exposure/amounts		First stage	Second stage	Third stage	Impaired purchased or originated
A. On-balance sheet credit exposures					
A.1 Sight	**2,705,871**	**2,700,089**	**5,782**	**-**	**-**
a) Non-performing	-	-	-	-	-
b) Performing	2,705,871	2,700,089	5,782	-	-
A.2 Others	**2,589,131**	**2,369,455**	**208,857**	**-**	**-**
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	7,214	1,389	5,824	-	-
- of which: exposures subject to forbearance	-	-	-	-	-
e) Other performing exposures	2,581,917	2,368,066	203,033	-	-
- of which: exposures subject to forbearance	-	-	-	-	-
Total (A)	**5,295,002**	**5,069,544**	**214,639**	**-**	**-**
B. Off-balance sheet credit exposures					
a) Non-performing	-	-	-	-	-
b) Performing	925,282	210,876	8,436	-	-
Total (B)	**925,282**	**210,876**	**8,436**	**-**	**-**
Total (A+B)	**6,220,284**	**5,280,420**	**223,075**	**-**	**-**

	Total adjustments and provisions						
		First stage	Second stage	Third stage	Impaired purchased or originated	**Net exposure**	**Total partial write-offs***
A. On-balance sheet credit exposures							
A.1 Sight	**72**	**59**	**13**	**-**	**-**	**2,705,799**	**-**
a) Non-performing	-	-	-	-	-	-	-
b) Performing	72	59	13	-	-	2,705,799	-
A.2 Others	**3,480**	**1,752**	**1,728**	**-**	**-**	**2,585,651**	**-**
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	4	2	1	-	-	7,210	-
- of which: exposures subject to forbearance	-	-	-	-	-	-	-
e) Other performing exposures	3,478	1,750	1,727	-	-	2,578,439	-
- of which: exposures subject to forbearance	-	-	-	-	-	-	-
Total (A)	**3,552**	**1,811**	**1,741**	**-**	**-**	**5,291,450**	**-**
B. Off-balance sheet credit exposures							
a) Non-performing	-	-	-	-	-	-	-
b) Performing	114	16	-	-	-	925,168	-
Total (B)	**114**	**16**	**-**	**-**	**-**	**925,168**	**-**
Total (A+B)	**3,666**	**1,827**	**1,741**	**-**	**-**	**6,216,618**	**-**

On-balance sheet credit exposures include loans and receivables with banks shown in item 40 a) 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 credit exposure is represented by guarantees given, commitments and derivatives (except those relating to equity securities).

Prudential consolidation - On-balance sheet credit exposures and off-balance sheet credit exposures to customers: gross and net values

	Gross exposure				
Type of exposure/amounts		First stage	Second stage	Third stage	Impaired purchased or originated
A. On-balance sheet credit exposures					
a) Bad loans	359,124	-	-	351,186	7,938
- of which: exposures subject to forbearance	122,145	-	-	116,075	6,069
b) Unlikely-to-pay	891,777	-	-	780,383	76,750
- of which: exposures subject to forbearance	436,024	-	-	366,959	50,294
c) Non-performing past due exposures	105,074	-	-	103,507	15
- of which: exposures subject to forbearance	6,441	-	-	5,946	-
d) Performing past due exposures	585,192	280,085	300,626	-	1,210
- of which: exposures subject to forbearance	14,616	-	13,972	-	641
e) Other performing exposures	45,946,729	41,296,395	4,295,116	-	71,877
- of which: exposures subject to forbearance	299,558	-	261,542	-	26,840
Total (A)	**47,887,896**	**41,576,480**	**4,595,742**	**1,235,076**	**157,790**
B. Off-balance sheet credit exposures					
a) Non-performing	278,833	-	-	169,354	1,555
b) Performing	25,659,331	15,091,330	2,557,966	-	5,877
Total (B)	**25,938,164**	**15,091,330**	**2,557,966**	**169,354**	**7,432**
Total (A+B)	**73,826,060**	**56,667,810**	**7,153,708**	**1,404,430**	**165,222**

	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. On-balance sheet credit exposures							
a) Bad loans	300,015	-	-	293,313	6,701	59,109	110,755
- of which: exposures subject to forbearance	101,624	-	-	96,571	5,053	20,521	33,234
b) Unlikely-to-pay	482,488	-	-	410,381	54,483	409,289	3,011
- of which: exposures subject to forbearance	245,239	-	-	204,463	33,187	190,785	-
c) Non-performing past due exposures	17,359	-	-	17,238	6	87,715	-
- of which: exposures subject to forbearance	855	-	-	796	-	5,586	-
d) Performing past due exposures	15,552	1,944	13,518	-	91	569,640	-
- of which: exposures subject to forbearance	1,342	-	1,294	-	48	13,274	-
e) Other performing exposures	260,467	59,561	194,891	-	6,016	45,686,262	-
- of which: exposures subject to forbearance	34,570	-	32,264	-	2,306	264,988	-
Total (A)	**1,075,881**	**61,505**	**208,409**	**720,932**	**67,297**	**46,812,015**	**113,766**
B. Off-balance sheet credit exposures							
a) Non-performing	39,931	-	-	11,821	-	238,902	-
b) Performing	48,079	11,851	21,198	-	283	25,611,252	-
Total (B)	**88,010**	**11,851**	**21,198**	**11,821**	**283**	**25,850,154**	**-**
Total (A+B)	**1,163,891**	**73,356**	**229,607**	**732,753**	**67,580**	**72,662,169**	**113,766**

On-balance sheet credit exposures include the loans and receivables with customer shown in item 40 b) as well as other financial assets represented by non-bank securities included in items 20 c), 30 and 40 of the assets side of the balance sheet, excluding equity securities and mutual funds. Off-balance sheet credit exposure is represented by guarantees given, commitments and derivatives (except those relating to equity securities and mutual funds).

Large exposures

	30/06/2024	31/12/2023
Number of positions	26	27
Exposure	30,398,073	33,215,368
Risk position	8,142,306	8,321,918

The exposure limit of 10% of own funds – 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 measured 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, 11,144 million euro; risk position, 4 million euro), purely on the basis of sovereign securities held in proprietary portfolios, and the Bank of Italy (nominal exposure, 1,966 million euro; zero risk position), as well as exposures to Spain, Germany and France for a nominal amount of 4,322 million euro with a zero risk position.

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.

Banking group - Market risk

For qualitative information on interest rate, price and exchange rate risks, please refer to the financial statements as at 31/12/2023.

Derivative instruments and related hedging policy

Since June 2022, the group has been using the Macro Fair Value Hedge (MFVH) methodology applied to interest rate risk with the objective of neutralising the change in fair value of assets and liabilities recognised in the financial statements or portions thereof as a result of changes in interest rates.

To this end, the Group has promoted the formalisation of operational processes and procedures to enable:

- the structuring of transactions to hedge the interest rate risk assumed through the provision of fixed-rate loans and other fixed-rate assets;
- the recognition and subsequent management of these transactions within the Macro Fair Value Hedge framework, thus limiting the volatility elements that would otherwise be caused by the different valuation criteria of hedging transactions (shown at fair value) and hedged instruments (recognised at amortised cost);
- the inclusion of such operations in the risk management and monitoring processes.

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 all types of hedges (micro and macro).

In the hypothesis of "fair value hedges", the sources of ineffectiveness of a hedging relationship, during its period of validity, can be traced back 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 in the effectiveness test of the value of the variable part of the hedging derivative.

During the period under analysis, no elements were found that might have caused the hedges to be ineffective, giving the possibility of continuing to apply the hedge accounting rules.

Financial derivatives

Trading financial derivatives: period-end notional amounts

Underlying assets/Types of derivatives	30/06/2024				31/12/2023			
	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	**-**	**-**	**461,125**	**-**	**-**	**-**	**530,840**	**-**
a) Options	-	-	93,695	-	-	-	83,076	-
b) Swaps	-	-	367,430	-	-	-	447,764	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
2. Equity securities and stock indices	**-**	**-**	**99,121**	**-**	**-**	**-**	**106,858**	**-**
a) Options	-	-	99,121	-	-	-	106,858	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
3. Currency and gold	**-**	**-**	**4,116,679**	**-**	**-**	**-**	**3,928,900**	**-**
a) Options	-	-	150,810	-	-	-	145,073	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	3,965,869	-	-	-	3,783,827	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**33,292**	**-**	**-**	**-**	**29,853**	**-**
5. Others	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**4,710,217**	**-**	**-**	**-**	**4,596,451**	**-**

Trading financial derivatives: positive and negative gross fair value – analysis by type of product

Types of derivatives	Total 30/06/2024				Total 31/12/2023			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With settlement agreements	Without settlement agreements			With settlement agreements	Without settlement agreements	
1. Positive fair value								
a) Options	-	-	2,144	-	-	-	3,057	-
b) Interest rate swaps	-	-	5,862	-	-	-	7,469	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	40,411	-	-	-	11,977	-
f) Futures	-	-	-	-	-	-	-	-
g) Others	-	-	773	-	-	-	213	-
Total	**-**	**-**	**49,190**	**-**	**-**	**-**	**22,716**	**-**
2. Negative fair value								
a) Options	-	-	2,029	-	-	-	2,444	-
b) Interest rate swaps	-	-	4,800	-	-	-	6,235	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	5,934	-	-	-	60,703	-
f) Futures	-	-	-	-	-	-	-	-
g) Others	-	-	750	-	-	-	195	-
Total	**-**	**-**	**13,513**	**-**	**-**	**-**	**69,577**	**-**

Hedging financial derivatives

Hedging financial derivatives: period-end notional amounts

	Total 30/06/2024				Total 30/06/2023			
	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	**-**	**-**	**61,416**	**-**	**-**	**-**	**66,154**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	61,416	-	-	-	66,154	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
2. Equity securities and stock indices	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
3. Currency and gold	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Others	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**61,416**	**-**	**-**	**-**	**66,154**	**-**

Hedging financial derivatives: positive and negative gross fair value – analysis by type of products

Types of derivatives	Positive and negative fair value								Change in value used to recognise hedge ineffectiveness	
	Total 30/06/2024				Total 31/12/2023				Total 30/06/2024	Total 31/12/2023
	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		
Positive fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	85	-	-	-	1	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**85**	**-**	**-**	**-**	**1**	**-**	**-**	**-**
Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	814	-	-	-	1,924	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**814**	**-**	**-**	**-**	**1,924**	**-**	**-**	**-**

Banking group - Liquidity risk

For qualitative information on liquidity risk, please refer to the financial statements as at 31/12/2023.

Securitisation transactions and sale of assets

Covered Bond

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.

These securitisations carried out over the year 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, these mortgages were not 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 articulated process has been set up to meet the regulatory requirements, allowing, 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

Series and Class	Series 4
ISIN Code	IT0005580276
Issue date	25/01/2024
Maturity Date	22/07/2029
Extended maturity	22/07/2030
Currency	Euro
Amount	500,000,000
Type of Rate	Fixed
Parameter	3.250%
Coupon	Annual
Applicable law	Italian

The last outstanding bond issued on 4 April 2016, with ISIN code IT0005175242, matured and was fully redeemed on 4 April 2023. The first series of bonds, with ISIN Code IT0005039711, was repaid in full on 5 August 2019.

Credit Transfer

As at 30 June 2024, the Group's exposure in Asset Backed Securities (ABS) from securitisation transactions amounted to 653.755 million euro.

The composition of ABS securities is as follows:

- 55.469 million euro relative to securities issued by the vehicle company Diana SPV, which the Group holds following the securitisation backed by GACS of bad loans, called "Diana Project", completed in June 2020 (senior tranche of 54.801 million euro; mezzanine and junior tranches of 0.668 million euro);
- 43.727 million euro relative to securities issued by the vehicle POP NPLs 2020 Srl, which the Group holds as a result of the GACS securitisation transaction of bad loans, called "Luzzatti", completed in December 2020 (senior tranche of 43.626 million euro; mezzanine and junior tranche of 0.101 million euro);
- 57.569 million euro relative to securities issued by the vehicle Luzzatti POP NPLs 2021 Srl, which the Group holds as a result of the securitisation backed by GACS of bad loans, called "Luzzatti II", completed in December 2021 (senior tranche of 57.475 million euro; mezzanine and junior tranche of 0.094 million euro);
- 39.140 million euro relative to securities issued by the vehicle Luzzatti POP NPLs 2022 Srl, which the Group holds as a result of the securitisation of bad loans, called "Luzzatti III", completed in December 2022 (senior tranche of 39.013 million euro; mezzanine and junior tranche of 0.127 million euro);

- 32.391 million euro relative to securities issued by the vehicle Luzzatti POP NPLs 2023 Srl, which the Group holds as a result of the securitisation of bad loans, called "Luzzatti IV", completed in December 2023 (senior tranche of 32.275 million euro; mezzanine and junior tranche of 0.116 million euro);
- 425.459 million euro relating to securities of third-party securitisation transactions, issued by the special purpose vehicle "BNT Portfolio SPV", established in 2014 in order to finalise the securitisation of Banca della Nuova Terra's agricultural loans, and by the special purpose vehicle "Alba 6 Spv".

For further details, see "Part E - Section 2 - C. Securitisation Transactions", of the Consolidated Financial Statements as at 31 December 2023.

The group also holds structured credit securities in the amount of 80.882 million euro (of which approximately 24 million euro was acquired in the first half of 2024) relating to mutual fund units subscribed as a result of multi-originator sales of impaired loan portfolios. For a discussion of mutual funds resulting from multi-originator disposals, please refer to "Part E - Section 2 - D.3 Disposals - Financial assets sold and fully derecognised" of the Consolidated Financial Statements as at 31 December 2023.

Synthetic securitisation

In 2022 June, the Group signed a synthetic securitisation transaction with the EIB Group on a portfolio of loans granted to "corporate" counterparties (Small-business, SME and Large Business segments) for a countervalue of 958 million euro.

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. For further details, see "Part E - Section 2 - C. Securitisation Transactions", of the Consolidated Financial Statements as at 31 December 2023.

Self-securitisation

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 30 June 2024, the value of outstanding securities subscribed by the Group increased, following the sale in May 2024 of a loan portfolio equal to 1,528 million euro, 1,938 million euro for senior securities, 252 million euro for mezzanine securities and 545 million euro for junior securities.

Banking group - Operational risks

For qualitative information on operational risks, please refer to the consolidated financial statements as at 31/12/2023.

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 as at 30 June 2024 amounted to 11,622 million euro euro and was structured as follows:

a) Italian government bonds: 6,322 million euro;
b) Securities of other issuers: 4,972 million euro;
c) Loans to government departments: 100 million euro;
d) Loans to other public administrations and miscellaneous entities: 228 million euro.

The table below shows the balance sheet value of the Bank's total debt securities exposure to sovereign states as at 30 June 2024, by portfolio.

Issuer	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	-	1,345,904	4,975,782	6,321,685
France	-	671,944	788,887	1,460,831
Spain	-	602,444	1,180,226	1,782,670
Germany	-	253,915	816,206	1,070,121
Austria	-	74,535	49,684	124,219
Holland	-	101,827	50,946	152,773
U.S.A.	37,504	-	-	37,504
Other Securities Due from Governments				
- Italy	-	4,983	111,536	116,518
- Others	40,880	135,238	51,741	227,858
Total	**78,384**	**3,190,789**	**8,025,008**	**11,294,180**

The table does not include GACS-assisted securitisation securities.

With regard to government bond exposures, the following table provides information on maturity, by portfolio:

	Within 1 year	from 1 to 5 years	Over 5 years	Total
Financial assets measured at fair value through profit or loss (Item 20)	37,504	-	-	37,504
Financial assets measured at fair value through other comprehensive income (Item 30)	1,515,486	1,535,083	**-**	3,050,568
Financial assets measured at amortised cost (Item 40)	1,905,810	3,930,647	2,025,274	7,861,731

ESG risks (Environmental, Social and Governance)

For a banking institution, environmental, social and corporate governance risks are not stand-alone types of risk, subject to their own autonomous manifestation, but as one of the possible risk drivers capable of influencing the extent of exposure to financial and non-financial risks to which the intermediary is typically subject in the conduct of its business. Herein lies the importance of being able to identify, measure and promptly monitor the transmission channels through which these risks manifest themselves and to coherently integrate their management within the overall Risk Framework. In fact, prudent management of ESG risks allows resilience to potential external shocks by mitigating their possible impact on an institution's economic, financial and capital stability.

The Group's progress in this direction is geared towards ensuring increasingly careful and granular integration of ESG assessments, with particular attention to those pertaining to the climate and environmental sphere, in the core processes of the company's business.

The changes made within the various areas of the bank help to ensure more complete alignment with the thirteen Expectations dictated by the "Guide on Climate and Environmental Risks" issued by the European Central Bank in November 2020, as well as to give concrete expression to the indications received during the thematic review launched by the ECB itself in early 2022 on the subject of climate and environmental risk management practices (so-called "C&E risks"), and further during touch points held over time with the Authority in the course of its supervisory and control activities over the bank's operations. Following the finalisation and submission to the Supervisor of a new programme for strengthening the detection, management and mitigation of C&E risks to which it is potentially exposed, the bank carried out continuous monitoring of the intervention sites in order to ensure that the status of implementation of the initiatives was promptly updated to the Board of Directors, the competent internal committees and the Supervisor.

The main ESG strengthening measures carried out in the period are summarised below, traced back, for summary purposes, to the five areas subject to thematic Supervisory examination.

A. *Materiality analysis of climate and environmental factors.* In the last quarter of 2023, the bank initiated a comprehensive review of its processes for identifying, mapping and assessing the financial significance of climate and environmental risks, responding to specific requests from the Supervisor. The updates, the result of a series of methodological evolutions, have made it possible to analyse exposure to physical and C&E risks in an even more accurate and punctual manner through: i) the quantitative study of an increased number of transmission channels through which C&E risks manifest themselves on the main banking risks; ii) the adoption of different time horizons of analysis (short, medium and long term); iii) the investigation of the degree of vulnerability to C&E risks according to different clusters of breakdown of business areas (economic sectors, geographical areas, etc.) Based on the findings of the new analysis system, the bank also enhanced the integration of C&E factors in the stress tests for the Group's capital adequacy assessment (ICAAP) and liquidity assessment (ILAAP) exercises. These quantifications have been refined through the adoption of new tools and methodologies capable of simulating, through the use of a range of forward-looking climate scenarios, the impacts of climate transition and/or severity assumptions of major atmospheric events.
B. *Business context and strategy.* Following last January's adhesion to the Net-Zero Banking Alliance (NZBA) and the preliminary portfolio targets formulated at sector level on the basis of the methodology released by NZBA, identified in order to support the governing bodies in adopting a commitment to the initiative that was well-informed and consistent with the prospective financial possibilities, the bank is currently conducting in-depth analysis with a view to reviewing and refining these preliminary decarbonisation targets in order to obtain a set of official targets for the reduction of net greenhouse gas emissions to be communicated to the Alliance within the set timeframe, which will in the future integrate the Group's strategically important sustainability objectives. At the same time, the bank pursued its path towards carbon neutrality with conviction, committing on several fronts to contain direct and indirect environmental impacts through: (i) integrating C&E factors into business processes and governance mechanisms, strategies, internal control, remuneration and

reporting systems, in line with the expectations of the Supervisory Authority; ii) the placement of investment instruments designed to promote environmentally friendly features, as well as the gradual promotion of credit products designed to support economic activities that contribute most to the mitigation of and adaptation to changing climate conditions; iii) the development of a bond issue programme aimed at financing and refinancing eco-sustainable activities. Also within the "procurement cycle", the application of a methodology for estimating the sustainability performance of major suppliers was extended, aimed at supplementing the processes and criteria for selecting service providers with assessments of their attention to ESG issues. Of strategic importance, then, is the adoption of a new "*ESG Investment Policy*", a policy document that defines objectives aimed at incorporating environmental, social and governance drivers in the identification of its own and third-party financial investments, consonant with European 'sustainable finance' regulations and market trends. Training courses also continued for Board members, Statutory Auditors and Group employees - with a particular focus on those working in the credit and investment services areas - aimed at increasing ESG skills and cultivating appropriate awareness of sustainability issues at different levels of the organisation.

C. *Corporate governance, risk appetite, reporting and data governance*. In relation to the risk limits governed by the Risk Appetite Framework (RAF), the inclusion of specific quantitative monitoring indicators continued, aimed at increasing the measurability of ESG risks impacting the degree of exposure to "traditional" banking risks (credit, market, operational, reputation, etc.). Also worthy of attention is the evolution of the ESG risk reporting system presented to the corporate bodies, enriched with new measurement metrics and redesigned in terms of content schemes in order to allow for better usability of information and encourage greater awareness in the decision-making process. With regard to data governance infrastructures, the bank is continuing with the development of important architectural solutions for optimal management and historicisation of the ESG information assets, still largely constituted by third party sources such as data providers specialised in such supplies; central in this regard is the configuration and progressive feeding of a special corporate data lake subjected to quality controls aimed at guaranteeing the robustness and integrity of the archived data. Work also continued on adapting information systems to accommodate ESG parameters, models and assessments within key business processes such as commercial, credit, risk management, planning and budgeting.

D. *Risk management system*. In the last annual internal capital adequacy assessment cycle (ICAAP), the bank made significant progress in the techniques for conducting analyses of the impacts on risk-taking typical of banking operations and on the overall capital position of extreme but plausible scenarios of climate and environmental risks, related to alternative hypotheses of orderly and disorderly green transition in response to climate change trends, with propagation of the related effects on the Group's riskiness. Prospective impact simulations in the short-, medium- and long-term time horizons on "traditional" risk exposure measures covered not only credit risk but also market and operational risk profiles, estimating through sensitivity analyses and stress tests a variety of possible sources of capital losses. For credit and market risks, the impact of materialisation scenarios of physical and transitional risks on the riskiness of both lending to businesses and households (increases in the probability of default and reductions in the value of collateral) and proprietary financial asset portfolios (changes in the current value of securities) were examined; for operational risks, the potential impact on business continuity and additional damage to offices and business premises as a result of extreme flood events were considered. The bank has also integrated climate and environmental risks into the measurement and management of liquidity risk (ILAAP), by estimating through a specific potential stress test the worsening of the liquidity position due to the increased cash outflows needed to cope with the consequences of specific catastrophic events affecting customers, according to assumptions based on a geographical mapping of customers with respect to hydrogeological risks.

E. *Credit risk*. In the first months of the financial year, the bank refined its proprietary model for assigning each counterparty in its portfolio of financed companies a score representative of its ESG risk profile. The new ESG scoring system, fed by both internal data and external information sources, incorporates into a more complex calculation algorithm the climatic-environmental risk factors (transitional and physical) to which a borrower is exposed and processes them through a metric of potential risk enhancement that makes use of prospective climate transition scenarios and information on the volumes of pollutant gas emissions related to the activity carried out by each counterparty, as well as information on the geo-referencing and current energy efficiency of the real estate assets pledged as collateral, taking into account a balance sheet projection of the possible impacts of these factors on the borrowers' financial size trends. With regard to the coverage of the statistical evaluation model, the perimeter of application - although previously high - was extended to all non-financial companies in the portfolio, as well as to the segment of private individuals with exposures backed by real estate collateral; on this occasion, the classification system was further strengthened by including specific indicators of the sensitivity of financed entities to social and governance issues. The ESG scoring tool is an assessment tool that complements the analyses carried out during the classic credit investigation; it pervades all the neuralgic phases of credit risk assumption and management: it has long been incorporated into the electronic credit files, and also contributes to defining the general credit policy guidelines, determining the body empowered to make decisions on credit facilities, and adjusting the standard rate conditions proposed to managers for credit facilities to corporate customers. In addition to the score, which is subject to periodic massive updating, a specific due diligence process was activated for the main counterparty companies in order to investigate, by means of a specific qualitative questionnaire, the strategies and management policies adopted by customers in the area of environmental and social sustainability. This in-depth analysis, coordinated by the structures in charge of Head Office investigation, involves ESG specialists identified in the peripheral network, in charge of contact with client companies; the perimeter of companies involved, until December 2023 limited to those with the highest credit exposure and considered particularly vulnerable, according to the ESG score, to physical and transition risk factors, was expanded this year to other significant counterparties in terms of carbon footprint measures, also including all the companies preliminarily identified for the definition of the sectoral targets envisaged by the NZBA membership. The combination of the automatic classifications provided by the scoring system and the results of the ESG due diligence activities of the individual counterparties (condensed into a newly developed quantitative score) is currently being studied, with the aim of defining an ESG scoring attribution procedure, to be incorporated into the credit appraisal process, capable of recalibrating the statistical risk assessment with additional, more up-to-date and more punctual information on the accounts of the various companies entrusted.

The actions promoted by Banca Popolare di Sondrio for the sound and proper management of ESG risks also require concrete actions by its subsidiaries, both individually and in view of consolidation. It was therefore necessary to direct, coordinate and standardise activity programmes within the Banking Group aimed at a cohesive and consistent governance of these aspects.

In this regard, the parent company continued to support the Group's major subsidiaries - Factorit, BPS (SUISSE) and BNT Banca - in the work of proportionally integrating, within the main corporate processes, elements of sustainability risk assessment to ensure more careful management of ESG issues and constant alignment with the initiatives implemented by the Parent Company. With this in mind, a summary of the main activities carried out in this half-year by the subsidiary entities, as well as the most important developments planned, is presented below.

Factorit

Factorit continued its efforts to incorporate ESG assessments, particularly related to environmental and climate change issues, into its corporate framework. Following a request addressed by the Bank of Italy - the supervisory authority on the domestic financial intermediation sector and LSI (Less Significant Institutions) banks - to all operators in the sector, in March 2023 the subsidiary had adopted and transmitted to the Supervisor a specific action plan aimed at defining, for the three-year period 2023-2025, a path for the progressive integration of C&E risks in the company's operations, to ensure full compliance with the guidelines and compendium of "best practices" published on the subject by the Bank of Italy itself in April 2022.

In this first half of the year, the plan of action was revised and updated to realign with the new programme of activities prepared last December by the Parent Company on the instructions of the ECB, as well as for internal requirements to integrate new initiatives and reschedule previously planned ones; some of the main findings of the analysis of the action plans published by the LSI at the end of 2023 were also incorporated.

Following the revision made to its adaptation plan, Factorit, in synergy with the competent structures of the Parent Company, proceeded with the regular implementation of the various areas of work, concerning governance and internal organisation structures, the processes for defining corporate strategies and granting credit, the framework for managing and monitoring risks, ESG assessment methodologies for suppliers, and internal and public reporting and disclosure systems on sustainability issues. With regard to the progress made by the factoring company in the monitoring of ESG risks, it is relevant to mention the conduct of an initial quantitative analysis of the materiality of events that could occur as a result of climate and environmental risks (physical and transitional), an activity that led to the identification of "traditional" risks potentially affected and their propagation mechanisms. The results of these evaluations, carried out with the aid of metrics, methodologies and calculation tools partly borrowed from the Parent Company's experience, were formalised in a special corporate C&E risk map and presented to the Board of Directors for appropriate determinations.

BPS (SUISSE) and BNT Banca

For the two subsidiaries, in 2023 the Parent Company activated dedicated roll-out initiatives and design declination of the main management practices already adopted by Banca Popolare di Sondrio in this area, promoting also on these Group realities a proportional grafting of socio-environmental sustainability assessments within the strategies, processes, methodologies and acts of relevance for corporate management. With the cooperation and supervision of the Parent Company, the two companies have therefore launched specific strands of activity commensurate with their actual individual exposure to these risk factors, aimed in particular at progressively aligning with ECB expectations of good climate and environmental risk management, to which the parent company directs its actions.

Preliminary to the roll-out activities on an individual basis of the ESG risk integration initiatives were, for both companies: i) a preliminary identification and mapping of the climate and environmental risk factors to which they are potentially subject in the performance of their respective business activities; ii) the performance of preparatory assessment and gap analysis exercises aimed at evaluating, also in light of the C&E risk areas that were found to be material, possible lines of action to ensure adherence to both the supervisory guidelines on ESG matters and the framework developed by the Parent Company.

These adaptation initiatives stem from the subsidiaries' desire to improve their sustainability profile by integrating ESG assessments into their decision-making and strategic processes, taking into account their respective regulatory obligations and, in the specific case of the subsidiary BPS (SUISSE), located in Switzerland, the peculiar legal and supervisory context in which it operates, which is currently not characterised by stringent environmental and social sustainability constraints or standards.

Information on consolidated equity

Consolidated equity

QUALITATIVE INFORMATION

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 topical by the ongoing tensions linked to the rise in inflation, the Russian-Ukrainian conflict and the energy crisis. 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 and receivables with customers, 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.

The Ordinary Shareholders' Meeting of 27 April 2024, called to approve the 2023 financial statements and the appropriation of profit, resolved to pay a total dividend of 253.896 million euro.

QUANTITATIVE INFORMATION

Analysis of consolidated equity by type of company

Net Equity Items	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 reserve	**78,934**	**-**	**-**	**-**	**78,934**
3. Reserves	**1,995,602**	**-**	**(3,310)**	**165,138**	**2,157,430**
4. Equity instruments	**-**	**-**	**-**	**-**	**-**
5. (Treasury shares)	**(25,175)**	**-**	**-**	**-**	**(25,175)**
6. Valuation reserves:	**(13,771)**	**-**	**200**	**2,168**	**(11,403)**
- Equity securities designated at fair value through other comprehensive income	75,863	-	-	-	75,863
- 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	(41,392)	-	-	-	(41,392)
- 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	-	-	-	(30)	(30)
- Non-current assets and disposal groups held for sale	-	-	-	-	-
- Financial liabilities measured at fair value through profit or loss (changes in own creditworthiness)	-	-	-	-	-
- Actuarial profits (losses) on defined benefit pension plans	(60,092)	-	8	-	(60,084)
- Shares of valuation reserves of equity investments measured at equity	-	-	-	2,198	2,198
- Financial revenues or costs relating to insurance contracts issued	-	-	-	-	-
- Financial revenues or costs relating to outward reinsurance	-	-	-	-	-
- Special revaluation laws	-	-	192	-	192
7. Profit (loss) for the year (+/-) of the group and third parties	**275,790**	**-**	**(3,020)**	**(9,208)**	**263,562**
Total	**3,671,541**	**-**	**(6,120)**	**158,098**	**3,823,519**

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	1,002	(34,126)	-	-	-	-	-	-	1,002	(34,126)
2. Equity securities	80,261	(4,398)	-	-	-	-	-	-	80,261	(4,398)
3. Loans	-	(8,268)	-	-	-	-	-	-	-	(8,268)
30/06/2024	**81,263**	**(46,792)**	**-**	**-**	**-**	**-**	**-**	**-**	**81,263**	**(46,792)**
31/12/2023	**75,816**	**(44,128)**	**-**	**-**	**-**	**-**	**-**	**-**	**75,816**	**(44,128)**

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	**(29,046)**	**64,245**	**(3,511)**
2. Positive changes	**6,193**	**12,457**	**-**
2.1 Increases in fair value	4,913	12,457	-
2.2 Adjustments for credit risk	553	-	-
2.3 Transfer to income statement of negative reserves from disposals	727	-	-
2.4 Transfer to other components of equity (equity securities)	-	-	-
2.5 Other changes	-	-	-
3. Negative changes	**(10,271)**	**(839)**	**(4,757)**
3.1 Reductions in fair value	(4,769)	(788)	(4,757)
3.2 Write-backs for credit risk	(437)	-	-
3.3 Transfer to income statement from positive reserves: from disposal	(5,065)	-	-
3.4 Transfer to other components of equity (equity securities)	-	(51)	-
3.5 Other changes	-	-	-
4. Closing balance	**(33,124)**	**75,863**	**(8,268)**

Valuation reserves relating to defined-benefit plans: changes in the year

The valuation reserve relating to the defined-benefit plans is negative by 60.084 million euro. This amount derives from the recognition of the related actuarial gains and losses and the associated taxation.

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 30 June 2024" 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.

Related-party transactions

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 07 May 2024 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, for the granting of bank credit facilities, there is a special approval procedure 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 30 June 2024 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	437	9,686	5	177	105	497
Statutory auditors	544	207	5	3	368	1,576
Management	32,125	1,133	0	19	540	0
Family members	72,530	2,973	34	43	218	6,990
Associated companies	664,985	173,043	7,364	799	115,609	612
Other	122,241	1,088	1,870	0.2	1,114	0
Totals	**892,862**	**188,130**	**9,278**	**1,041**	**117,954**	**9,675**

The figures shown in the table do not include remuneration paid to Directors, Statutory Auditors and managers with strategic responsibilities.

The item “Other” 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 and receivables with customers" and item 10 "Financial liabilities measured at amortised cost - b) due to customers" and have a percentage incidence of 2.07% and 0.50%, respectively. Income and expenses mainly relate to interest and commission items and account for 0.71% and 0.19%, respectively.

The exposure to associated companies is attributable for 137 million euro to Arca Holding spa and 404 million euro to Alba Leasing spa.

Share-based payment agreements

On 27 April 2024, the Shareholders' Meeting, following the resolution of the Board of Directors of 15 March 2024, approved the Group's Remuneration Policies for the financial year 2024 containing indications on the use of Remuneration Plans based on equity (financial) instruments.

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 - 2024:** the Plan identifies the recipients, the reasons for adopting the plan and the approval process and timeframe for awarding the instruments. The 2024 Plan, provided for in the Group's Remuneration Policies, was approved by the Board of Directors on 15 March 2024. 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 2030. 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 2024 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 15 March 2024 and 17 March 2023, respectively. On 15 March 2024, the market price of the Banca Popolare di Sondrio share, traded on the Euronext Milan Market, was 6.70 euro.

1. Changes in the year

The determination of the short-term variable remuneration referred to 2023 entailed the assignment, in 2024, of 46,962 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 2024 as part of the implementation of the remuneration and incentive policies, as at 30 June 2024 Banca Popolare di Sondrio held 3,597,215 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 equity for the portion attributable in shares in the amount of 0.4 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 2024, the cost share for the year was estimated by recording a provision of 0.2 million euro in the income statement as at 30 June with a contra-entry in equity.

2. Other information

For detailed information on the contents of the Short-Term Remuneration Plan on an annual basis - 2024 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 2024.

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.

Distribution by activity sectors

Distribution by activity sectors: economic data

The following sub-segments are discussed:

- *Corporate*: these comprise "non-financial companies" and "family"; 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 asset management.
- *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 2024 and 2023. 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	30/06/2024
Interest income	594,061	682,692	-	861,606	2,138,359	-1,051,312	1,087,047
Interest expense	-428,849	-585,403	-	-586,049	-1,600,301	1,051,312	-548,989
Net interest income	**165,212**	**97,289**	**-**	**275,557**	**538,058**	**-**	**538,058**
Fee and commission income	100,732	43,261	65,934	13,711	223,638	57	223,695
Fee and commission expense	-3,394	-4,918	-3,125	634	-10,803	-228	-11,031
Dividends and similar income	38	-	-	3,184	3,222	-	3,222
Net trading income	-	-3,208	-	59,692	56,484	-	56,484
Net hedging gains (losses)	-	-	-	2	2	-	2
Gains/losses from sales or repurchases	2,531	-	-	9,825	12,356	-	12,356
Net gains/losses on financial assets and liabilities measured at fair value	-6,353	-427	-	-609	-7,389	-	-7,389
Total income	**258,766**	**131,997**	**62,809**	**361,996**	**815,568**	**-171**	**815,397**
Net adjustments to financial assets	-88,679	-21,282	-	-3,962	-113,923	-	-113,923
Net financial income	**170,087**	**110,715**	**62,809**	**358,034**	**701,645**	**-171**	**701,474**
Administrative expenses	-68,464	-98,725	-32,106	-91,248	-290,543	-36,101	-326,644
Net accruals to provisions for risks and charges	5,390	-19,505	-	-334	-14,449	-	-14,449
Depreciation and net impairment losses on property, equipment and investment property	-5,285	-7,948	-2,644	-10,610	-26,487	-	-26,487
Amortisation and net impairment losses on intangible assets	-1,948	-2,938	-979	-2,072	-7,937	-	-7,937
Other operating income/expense	1,946	-3,473	-33	9,733	8,173	36,272	44,445
Net gains (losses) on equity investments	-	-	-	18,257	18,257	-	18,257
Net result of fair value measurement of property, equipment and investment property and intangible assets	-	-	-	-1,640	-1,640	-	-1,640
Gains/losses on sale of investments	-	-	-	133	133	-	133
Gross result	**101,726**	**-21,874**	**27,047**	**280,253**	**387,152**	**-**	**387,152**

Items	Corporate	Individuals and other customers	Securities	Central functions	Total	Reconciliation	**30/06/2023**
Interest income	398,683	426,193	-	615,363	1,440,239	-627,550	812,689
Interest expense	-282,385	-324,109	-	-406,408	-1,012,902	627,550	-385,352
Net interest income	**116,298**	**102,084**	**-**	**208,955**	**427,337**	**-**	**427,337**
Fee and commission income	93,524	43,802	57,869	10,245	205,440	-12	205,428
Fee and commission expense	-3,216	-4,987	-3,016	540	-10,679	-209	-10,888
Dividends and similar income	30	-	-	2,278	2,308	-	2,308
Net trading income	-	-	-	54,926	54,926	2	54,928
Net hedging gains (losses)	-	-	-	-32	-32	-	-32
Gains/losses from sales or repurchases	1,203	-	-	3,127	4,330	-	4,330
Net gains/losses on financial assets and liabilities measured at fair value	1,128	-47	-	2,804	3,885	-	3,885
Total income	**208,967**	**140,852**	**54,853**	**282,843**	**687,515**	**-219**	**687,296**
Net adjustments to financial assets	-50,517	-20,609	-	1,929	-69,197	-	-69,197
Net financial income	**158,450**	**120,243**	**54,853**	**284,772**	**618,318**	**-219**	**618,099**
Administrative expenses	-65,356	-94,111	-30,449	-102,125	-292,041	-31,819	-323,860
Net accruals to provisions for risks and charges	-11,004	-11,077	-	-1,342	-23,423	-	-23,423
Depreciation and net impairment losses on property, equipment and investment property	-5,157	-7,485	-2,489	-9,134	-24,265	-	-24,265
Amortisation and net impairment losses on intangible assets	-1,980	-2,807	-922	-1,936	-7,645	-	-7,645
Other operating income/expense	2,328	1,156	-35	13,334	16,783	32,038	48,821
Net gains (losses) on equity investments	-	-	-	15,522	15,522	-	15,522
Net result of fair value measurement of property, equipment and investment property and intangible assets	-	-	-	-1,490	-1,490	-	-1,490
Gains/losses on sale of investments	-	-	-	158	158	-	158
Gross result	**77,281**	**5,919**	**20,958**	**197,759**	**301,917**	**-**	**301,917**

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	30/06/2024	30/06/2023
FEE AND COMMISSION INCOME	**100,732**	**43,261**	**65,934**	**13,711**	**57**	**223,695**	**205,428**
Guarantees given	**17,069**	**3,534**	**-**	**-**		**20,603**	**18,181**
Management, Brokerage and Consulting	**-**	**-**	**65,934**	**-**		**65,934**	**57,869**
of which assets under administration	-	-	*21,562*	-		*21,562*	*18,679*
of which assets under management	-	-	*30,096*	-		*30,096*	*27,246*
of which insurance collection	-	-	*14,276*	-		*14,276*	*11,944*
Collection and payment services	**23,568**	**17,401**	**-**	**12,001**		**52,970**	**48,041**
Keeping and management of current accounts	**15,972**	**8,289**	**-**	**-**		**24,261**	**23,421**
Other fees and commissions	**44,123**	**14,037**	**-**	**1,710**	**57**	**59,927**	**57,916**
of which loans	*38,270*	*10,385*	-	-		*48,655*	*47,306*
of which third-party products	*1,976*	*1,403*	-	-		*3,379*	*2,573*
of which other	*3,877*	*2,249*	-	*1,710*	*57*	*7,893*	*8,037*
FEE AND COMMISSION EXPENSE	**(3,394)**	**(4,918)**	**(3,125)**	**634**	**(228)**	**(11,031)**	**(10,888)**
NET FEE AND COMMISSION INCOME	**97,338**	**38,343**	**62,809**	**14,345**	**(171)**	**212,664**	**194,540**

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. The 2023 data have been restated to make them homogeneous and comparable to the 2024 breakdown.

Distribution by activity sector: financial data

Items	Corporate	Individuals and other customers	Securities	Central functions	30/06/2024
Financial assets	20,439,629	16,786,746	-	13,041,920	50,268,295
Other assets	-	-	-	5,705,205	5,705,205
Property, equipment and investment property	115,409	167,942	55,310	352,547	691,208
Intangible assets	5,323	8,391	2,831	22,845	39,390
Financial liabilities	12,009,948	30,882,380	-	8,264,339	51,156,667
Other liabilities	13,397	7,254	-	1,300,878	1,321,529
Provisions	168,048	142,788	24,579	66,968	402,383
Guarantees given	4,616,446	465,616	-	240,192	5,322,254
Commitments	16,350,742	4,450,877	45,159	573,986	21,420,764

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

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.

Distribution by geographical areas: financial data

Items	Northern Italy	Central-Southern Italy	Switzerland	Total	Reconciliation	**30/06/2024**
Interest income	1,870,060	193,622	78,383	2,142,065	-1,055,018	1,087,047
Interest expense	-1,378,763	-160,292	-65,880	-1,604,935	1,055,946	-548,989
Net interest income	**491,297**	**33,330**	**12,503**	**537,130**	**928**	**538,058**
Fee and commission income	181,456	30,106	14,702	226,264	-2,569	223,695
Fee and commission expense	-9,875	-1,373	-1,362	-12,610	1,579	-11,031
Dividends and similar income	58,379	-	136	58,515	-55,293	3,222
Net trading income	20,823	-	35,656	56,479	5	56,484
Net hedging gains (losses)	-5	-	9	4	-2	2
Gains/losses from sales or repurchases	13,393	-1,037	-	12,356	-	12,356
Net gains/losses on financial assets and liabilities measured at fair value	-9,116	-695	2,422	-7,389	-	-7,389
Total income	**746,352**	**60,331**	**64,066**	**870,749**	**-55,352**	**815,397**
Net adjustments to financial assets	-103,400	-9,167	-2,435	-115,002	1,079	-113,923
Net financial income	**642,953**	**51,163**	**61,631**	**755,747**	**-54,273**	**701,474**
Administrative expenses	-232,017	-21,820	-37,962	-291,799	-34,845	-326,644
Net accruals to provisions for risks and charges	-16,524	1,553	-38	-15,009	560	-14,449
Depreciation and net impairment losses on property, equipment and investment property	-23,480	-1,512	-3,412	-28,404	1,917	-26,487
Amortisation and net impairment losses on intangible assets	-5,844	-557	-1,286	-7,687	-250	-7,937
Other operating income/expense	11,115	546	205	11,866	32,579	44,445
Net gains (losses) on equity investments	-241	-	-	-241	18,498	18,257
Net result of fair value measurement of property, equipment and investment property and intangible assets	-1,640	-	-	-1,640	-	-1,640
Gains/losses on sale of investments	133	-	-	133	-	133
Gross result	**374,454**	**29,374**	**19,138**	**422,966**	**-35,814**	**387,152**

Items	Northern Italy	Central-Southern Italy	Switzerland	Total	Reconciliation	**30/06/2023**
Interest income	1,298,410	135,047	59,528	1,492,985	-680,296	812,689
Interest expense	-914,856	-114,681	-36,277	-1,065,814	680,462	-385,352
Net interest income	**383,554**	**20,366**	**23,251**	**427,171**	**166**	**427,337**
Fee and commission income	165,430	28,165	13,741	207,336	-1,908	205,428
Fee and commission expense	-9,393	-1,460	-1,322	-12,175	1,287	-10,888
Dividends and similar income	38,119	-	44	38,163	-35,855	2,308
Net trading income	27,723	-	27,216	54,939	-11	54,928
Net hedging gains (losses)	-8	-	-8	-16	-16	-32
Gains/losses from sales or repurchases	4,330	-	-	4,330	-	4,330
Net gains/losses on financial assets and liabilities measured at fair value	4,369	-138	-346	3,885	-	3,885
Total income	**614,124**	**46,933**	**62,576**	**723,633**	**-36,337**	**687,296**
Net adjustments to financial assets	-49,302	-17,996	-2,984	-70,282	1,085	-69,197
Net financial income	**564,822**	**28,937**	**59,592**	**653,351**	**-35,252**	**618,099**
Administrative expenses	-236,822	-20,125	-36,166	-293,113	-30,747	-323,860
Net accruals to provisions for risks and charges	-24,385	545	18	-23,822	399	-23,423
Depreciation and net impairment losses on property, equipment and investment property	-21,856	-1,484	-2,755	-26,095	1,830	-24,265
Amortisation and net impairment losses on intangible assets	-6,003	-577	-815	-7,395	-250	-7,645
Other operating income/expense	18,483	658	407	19,548	29,273	48,821
Net gains (losses) on equity investments	-	-	-	-	15,522	15,522
Net result of fair value measurement of property, equipment and investment property and intangible assets	-1,490	-	-	-1,490	-	-1,490
Gains/losses on sale of investments	158	-	-	158	-	158
Gross result	**292,906**	**7,955**	**20,281**	**321,142**	**-19,225**	**301,917**

Distribution by geographical area: balance sheet

Items	Northern Italy	Central-Southern Italy	Switzerland	**30/06/2024**
Financial assets	40,652,293	3,670,451	5,945,551	50,268,295
Other assets	4,803,073	-	902,132	5,705,205
Property, equipment and investment property	601,905	33,527	55,776	691,208
Intangible assets	33,180	1,490	4,720	39,390
Financial liabilities	36,969,210	7,813,827	6,373,630	51,156,667
Other liabilities	1,278,997	4,442	38,090	1,321,529
Provisions	339,986	41,593	20,804	402,383
Guarantees given	4,323,497	763,540	235,217	5,322,254
Commitments	17,819,634	3,315,286	285,844	21,420,764

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

CERTIFICATES AND OTHER REPORTS

Certification of the Condensed Consolidated Half-Year Financial Statements as at 30 June 2024 pursuant to Article 81-ter of Consob Regulation No. 11971 of 14 May 1999 and subsequent amendments and additions.

1. The undersigned Mario Alberto Pedranzini in his capacity as Chief Executive Officer and Simona Orietti in her capacity as Manager responsible for preparing the Company's financial reports 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 effective application of the administrative and accounting procedures for the formation of the condensed consolidated financial statements for the period 1 January 2024 to 30 June 2024.

2. The evaluation of the adequacy and effective application of the administrative and accounting procedures for the formation of the condensed consolidated half-year financial statements as at 30 June 2024 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 condensed consolidated half-year financial statements as at 30 June 2024:

   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 interim management report includes a reliable analysis of references to important events that occurred in the first six months of the financial year and their impact on the condensed consolidated half-year financial statements, together with a description of the main risks and uncertainties for the remaining six months of the financial year. The interim management report also includes a reliable analysis of information on material transactions with related parties.

Sondrio, 06 August 2024

The Managing Director	The Manager responsible for preparing the Company's financial reports
Mario Alberto Pedranzini	Simona Orietti

INDEPENDENT AUDITORS' REPORT

Banca Popolare di Sondrio S.p.A.

Review report on the interim condensed consolidated financial statements

(Translation from the original Italian text)

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Review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
Banca Popolare di Sondrio S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the balance sheet, the income statement, the statement of other comprehensive income, the statement of changes in equity, the cash flow statement and the related explanatory notes of Banca Popolare di Sondrio S.p.A. and its subsidiaries (the "Banca Popolare di Sondrio Group") as of June 30, 2024. The Directors of Banca Popolare di Sondrio S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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

Milan, August 12, 2024

EY S.p.A.
Signed by: Mauro Iacobucci, Auditor

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

Annex 1

FINANCIAL STATEMENTS OF THE PARENT COMPANY AS AT 30 JUNE 2024

BALANCE SHEET

(in euro)

ASSET ITEMS		30/06/2024	31/12/2023
10.	**Cash and cash equivalents**	**2,011,148,745**	**3,699,902,541**
20.	**Financial assets measured at fair value through profit or loss**	**727,992,588**	**705,967,786**
	a) financial assets held for trading	191,800,479	149,816,849
	c) other financial assets mandatorily measured at fair value	536,192,109	556,150,937
30.	**Financial assets measured at fair value through other comprehensive income**	**3,827,827,143**	**3,204,667,497**
40.	**Financial assets measured at amortised cost**	**40,655,809,075**	**40,061,556,130**
	a) Loans and receivables with banks	4,420,301,123	4,179,860,730
	b) Loans and receivables with customers	36,235,507,952	35,881,695,400
50.	**Hedging derivatives**	**84,858**	**1,483**
60.	**Change in value of macro-hedged financial assets (+/-)**	**561,528**	**1,775,301**
70.	**Equity investments**	**757,087,478**	**755,645,487**
80.	**Property, equipment and investment property**	**383,215,613**	**387,177,632**
90.	**Intangible assets**	**17,026,490**	**15,381,899**
100.	**Tax assets**	**207,418,048**	**227,731,802**
	a) current	-	-
	b) deferred	207,418,048	227,731,802
120.	**Other assets**	**2,535,018,326**	**2,331,473,052**
	TOTAL ASSETS	**51,123,189,892**	**51,391,280,610**

	LIABILITIES AND EQUITY	30/06/2024	31/12/2023
10.	**Financial liabilities measured at amortised cost**	**46,361,895,399**	**46,820,066,615**
	a) Due to banks	7,173,641,942	8,645,911,852
	b) Due to customers	33,967,531,133	33,763,841,588
	c) Securities issued	5,220,722,324	4,410,313,175
20.	**Financial liabilities held for trading**	**13,039,437**	**20,423,256**
40.	**Hedging derivatives**	**687,488**	**1,803,139**
60.	**Tax liabilities**	**45,624,204**	**57,269,555**
	a) current	30,128,829	38,574,912
	b) deferred	15,495,375	18,694,643
80.	**Other liabilities**	**1,128,333,315**	**943,011,782**
90.	**Employee termination indemnities**	**29,654,109**	**31,146,638**
100.	**Provisions for risks and charges**	**347,262,199**	**338,917,644**
	a) commitments and guarantees given	88,584,337	95,997,953
	b) pension and similar obligations	161,362,403	159,186,862
	c) other provisions for risks and charges	97,315,459	83,732,829
110.	**Valuation reserves**	**12,296,933**	**7,796,519**
140.	**Reserves**	**1,504,921,622**	**1,364,174,287**
150.	**Share premium reserve**	**78,933,564**	**78,949,045**
160.	**Share capital**	**1,360,157,331**	**1,360,157,331**
170.	**Treasury shares (-)**	**(24,955,358)**	**(25,201,067)**
180.	**Profit (loss) for the period (+/-)**	**265,339,649**	**392,765,866**
	TOTAL LIABILITIES AND EQUITY	**51,123,189,892**	**51,391,280,610**

INCOME STATEMENT

(in euro)

ITEMS		30/06/2024	30/06/2023
10.	INTEREST AND SIMILAR INCOME	1,011,322,166	748,007,947
	of which: interest income calculated using the effective interest rate method	*992,442,334*	*740,441,873*
20.	INTEREST AND SIMILAR EXPENSES	(513,027,865)	(368,698,764)
30.	**NET INTEREST INCOME**	**498,294,301**	**379,309,183**
40.	FEE AND COMMISSION INCOME	189,809,965	175,304,970
50.	FEE AND COMMISSION EXPENSE	(8,555,601)	(8,568,344)
60.	**NET FEE AND COMMISSION INCOME**	**181,254,364**	**166,736,626**
70.	DIVIDENDS AND SIMILAR INCOME	58,342,305	38,088,544
80.	NET TRADING INCOME	20,769,500	27,740,019
90.	NET HEDGING GAIN (LOSS)	(4,581)	(7,767)
100.	GAINS (LOSSES) FROM SALES OR REPURCHASES OF:	12,355,231	4,329,679
	a) financial assets measured at amortised cost	7,667,544	4,112,977
	b) financial assets measured at fair value through other comprehensive income	4,011,602	130,802
	c) financial liabilities	676,085	85,900
110.	NET GAINS/LOSSES ON OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	(9,811,237)	4,230,847
	b) other financial assets mandatorily measured at fair value	(9,811,237)	4,230,847
120.	**TOTAL INCOME**	**761,199,883**	**620,427,131**
130.	NET ADJUSTMENTS/WRITE-BACKS FOR CREDIT RISK RELATED TO:	(110,835,830)	(68,933,158)
	a) financial assets measured at amortised cost	(110,719,946)	(68,435,086)
	b) financial assets measured at fair value through other comprehensive income	(115,884)	(498,072)
140.	GAINS/LOSSES FROM CONTRACTUAL AMENDMENTS NOT RESULTING IN DERECOGNITION	(1,974,013)	4,509,193
150.	**NET FINANCIAL INCOME**	**648,390,040**	**556,003,166**
160.	ADMINISTRATIVE EXPENSES:	(273,569,231)	(273,713,816)
	a) personnel expenses	(120,454,419)	(111,895,974)
	b) other administrative expenses	(153,114,812)	(161,817,842)
170.	NET ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES	(14,373,630)	(20,898,442)
	a) commitments for guarantees given	7,413,616	(10,086,175)
	b) other net provisions	(21,787,246)	(10,812,267)
180.	DEPRECIATION AND NET IMPAIRMENT LOSSES ON PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY	(17,287,398)	(16,550,449)
190.	AMORTISATION AND NET IMPAIRMENT LOSSES ON INTANGIBLE ASSETS	(6,361,970)	(6,433,173)
200.	OTHER OPERATING INCOME/EXPENSE	38,752,537	37,154,772
210.	**OPERATING COSTS**	**(272,839,692)**	**(280,441,108)**
250.	GAINS (LOSSES) ON SALES OF INVESTMENTS	22,826	15,809
260.	**PRE-TAX PROFIT (LOSS) FROM CONTINUING OPERATIONS**	**375,573,174**	**275,577,867**
270.	INCOME TAXES FOR THE YEAR FROM CURRENT OPERATIONS	(110,233,525)	(82,092,905)
280.	**POST-TAX PROFIT (LOSS) FROM CONTINUING OPERATIONS**	**265,339,649**	**193,484,962**
300.	**PROFIT (LOSS) FOR THE PERIOD**	**265,339,649**	**193,484,962**