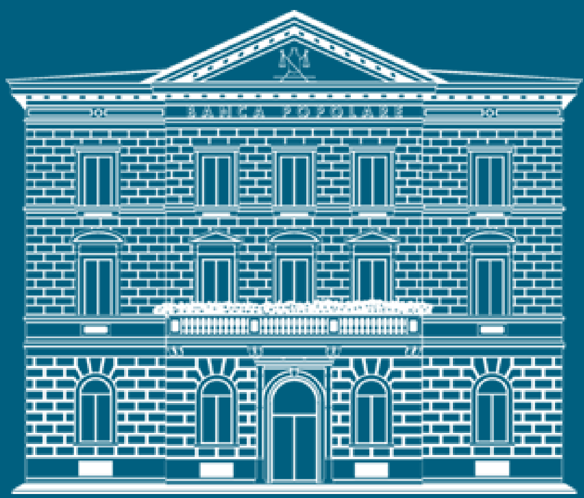
Banca Popolare di Sondrio

FOUNDED IN 1871



CONSOLIDATED INTERIM REPORT ON OPERATIONS AT 30 SEPTEMBER 2024

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Società per azioni (joint-stock company)
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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)

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BOARD OF DIRECTORS

Chair	FRANCESCO VENOSTA
Deputy Chair	LINO ENRICO STOPPANI*
Managing Director	MARIO ALBERTO PEDRANZINI**
Directors	NICOLA CORDONE
	LORETTA CREDARO*
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	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 accounting documents	SIMONA ORIETTI

* Members of the Executive Committee

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

INFORMATION ON OPERATIONS

Note. *The amounts contained in this interim report on operations are represented using the euro as the accounting currency; comparisons in percentage terms refer for the balance sheet part to the homogenous data at the end of 2023 and for the income statement part to the homogenous data at 30 September 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.*

INTRODUCTION

Legislative Decree No. 25 of 15 February 2016, which amended the Consolidated Law on Finance, abolished the disclosure requirements for the first and third quarters of the year to which issuers were subject, without prejudice to the possibility given to Consob to provide for additional periodic disclosure obligations for issuers.

Consob has provided the option for listed companies to choose whether or not to publish additional periodic financial information.

Our Group decided to give priority to market disclosure and therefore, in continuity with the past, this consolidated interim report on operations at 30 September 2024 has been prepared in accordance with the recognition and measurement criteria set forth in the IAS/IFRS adopted by the European Community at present.

This consolidated interim report on operations has not been independently audited.

BASIS OF PREPARATION

The financial statements included in the consolidated interim report on operations conform to the mandatory financial statement formats provided for by Bank of Italy Order No. 262 of 22 December 2005, 8th update of 17 November 2022.

In the reporting period, the accounting standards adopted remained essentially unchanged from the previous year.

For detailed information concerning the application of accounting standards, please refer to the consolidated financial statements as at 31 December 2023.

In the financial statements, values are expressed in thousands of euro.

The balance sheet is compared with the balance sheet in the financial statements as at 31 December 2023.

The income statement is compared with the income statement for the period ended 30 September 2023.

The preparation of the consolidated interim report on operations usually requires a more extensive use of estimation methods than the annual report with respect to both asset and liability items and income statement items.

THE BANCA POPOLARE DI SONDRIO BANKING GROUP

The Banca Popolare di Sondrio Banking Group comprises:

Parent Company:

Banca Popolare di Sondrio spa - Sondrio.

Group Companies:

- *Banca Popolare di Sondrio (SUISSE) SA - Lugano CH.*

  The Parent Company holds the entire capital of Banca Popolare di Sondrio (SUISSE) SA, 180,000,000 CHF.

- *Factorit spa - Milan.*

  The Parent Company holds the entire capital of Factorit spa, 85,000,002 euro.

- *Sinergia Seconda Srl - Milan.*

  The Parent Company holds the entire capital of Sinergia Seconda Srl, 60,000,000 euro.

- *Banca della Nuova Terra spa - Sondrio.*

  The Parent Company holds the entire capital of Banca della Nuova Terra spa, 31,315,321 euro.

- *PrestiNuova srl - Agenzia in Attività Finanziaria - Rome.*

  Banca della Nuova Terra spa holds the entire 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.

SCOPE OF CONSOLIDATION AND METHODOLOGY

The consolidated interim report on operations presents the economic and financial position as at 30 September 2024 of the Banca Popolare di Sondrio Banking Group, which comprises the Parent Company, Banca Popolare di Sondrio (SUISSE) SA, Factorit spa, Sinergia Seconda srl, Banca della Nuova Terra spa, PrestiNuova srl - Agenzia in Attività Finanziaria and Popso Covered Bond srl and the entities that are controlled by the Group pursuant to IFRS 10.

The following companies have been consolidated on a line-by-line basis:

FULLY CONSOLIDATED EQUITY INVESTMENTS

Company Name	Head office	Share capital (in thousands)	% holding
Banca Popolare di Sondrio (SUISSE) SA	Lugano	(CHF) 180,000	100
Factorit spa	Milan	85,000	100
Sinergia Seconda srl	Milan	60,000	100
Banca della Nuova Terra spa	Sondrio	31,315	100
Pirovano Stelvio spa (1)	Sondrio	2,064	100
Servizi Internazionali e Strutture Integrate 2000 srl (1)	Milan	75	100
PrestiNuova srl - Agenzia in Attività Finanziaria	Rome	100(3)	100
Immobiliare Borgo Palazzo srl (1)	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	10	60
Centro delle Alpi SME srl (1)	Conegliano	10	-
Centro delle Alpi RE (1)	Milan	69,036	100

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

The scope of the fully consolidated companies has not changed since 31 December 2023. 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.

The scope of consolidation also includes the investees where the Parent Company exercises a significant influence in that the shareholding is between 20% and 50%; or, even if it has an interest of less than 20%, if one or more of the following circumstances apply:

- representation on the board of directors, or equivalent body, of the investee company;
- the Bank takes part in the decision-making process, including decisions regarding dividends;
- there are significant transactions between the parent company and the subsidiary;
- there is an exchange of managers;
- essential technical information is being provided.

These holdings are valued using the 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. Furthermore, 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.

After applying the equity method, the Group assesses whether it is necessary to recognise an impairment loss on its investment in associates or joint ventures. 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 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 or 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 associates are specified in the following table:

EQUITY INVESTMENTS MEASURED USING THE EQUITY METHOD

Company Name	Head office	Share capital (in thousands)	% holding
Alba Leasing spa	Milan	357,953	19.264
Arca Vita spa	Verona	208,279	14.837
Arca Holding spa	Milan	50,000	34.715
Unione Fiduciaria spa	Milan	5,940	24.000
Polis Fondi Sgrpa	Milan	5,200	19.600
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.

TRANSLATION OF FINANCIAL STATEMENTS IN CURRENCIES OTHER THAN THE EURO

The quarterly situation of Banca Popolare di Sondrio (SUISSE) SA is 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 of financial statement figures are booked in the statement of comprehensive income.

SIGNIFICANT EVENTS SUBSEQUENT TO INTERIM FINANCIAL STATEMENT DATE

No events have taken place between the reference date for this consolidated interim report on operations and the date of its approval by the Board of Directors on 5 November 2024 that would require the adjustment of such approved information, and nothing of significance has occurred that would require additional disclosures.

INTERNATIONAL CONTEXT

Again in the third quarter of the year, the geopolitical situation was heavily affected by the conflicts in Ukraine and the Middle East. No peace solutions seem to be on the horizon, while risks of an expansion of crisis areas have become increasingly pressing and concrete.

During the summer period, the global economy showed signs of slowing down, especially in the manufacturing sector. According to the latest forecasts, global GDP growth is expected to be just above 3% this year, and the forecast for 2025 is similar.

Global trade is also expected to develop moderately, estimated at below 2.5%.

In the United States, falling inflation allowed the Federal Reserve to intervene significantly on rates, while in China, the Central Bank launched extraordinary measures to support the economy, which is still suffering from the real estate sector crisis.

During the summer, oil prices fell, only to recover in correlation with the deterioration of the crisis in the Middle East.

In the summer months, the Euro area, after a slowdown in the second quarter, showed substantial stagnation, with a very weak manufacturing cycle that penalised Germany in particular. Towards the end of the period, the service sector also reduced its positive contribution. As a result, growth forecasts for the current year are very cautious. Indeed, GDP is expected to expand by just 0.8%.

Inflation continued its descent, standing at 1.8% in September, thus below the fateful 2% threshold desired by the European Central Bank. The latter cut deposit interest rates by 25 basis points in September, which was followed by another cut of the same magnitude in October.

In Italy, modest economic growth in the second half of the year seems to have come to a halt in the summer months, despite the good performance of services and, in particular, tourism. Industrial sector difficulties weighed particularly heavily. There was a positive contribution from domestic demand, offset by weak net foreign demand.

As far as the Swiss Confederation is concerned, the most recent forecasts confirm that, despite the good development recorded in the second quarter of the year, specifically due to the dynamism of the chemical-pharmaceutical industry, 2024 will be characterised by an economic trend that is clearly below average, with GDP growth for the entire year expected to be around 1.2%. At national level, growth is mainly driven by consumption, while exports are penalised by both the appreciation of the Swiss franc and the lack of dynamism of European partners. The decline in inflation allowed the Swiss National Bank to lower the SNB benchmark rate to 1%.

SUMMARY OF RESULTS

(in millions of euro)

Balance sheet figures	**30/09/2024**	**31/12/2023**	**Change %**
Loans and receivables with customers	34,247	34,480	-0.68
Loans and receivables with customers measured at amortised cost	33,993	34,159	-0.49
Loans and receivables with customers measured at fair value through profit or loss	253	321	-21.04
Loans and receivables with banks	2,233	2,122	5.25
Financial assets that do not constitute loans	12,776	13,939	-8.34
Equity investments	390	376	3.63
Total assets	54,374	57,722	-5.80
Direct funding from customers	42,679	42,393	0.68
Indirect funding from customers	50,849	46,319	9.78
Direct funding from insurance premiums	2,158	2,067	4.42
Customer assets under administration	95,686	90,778	5.41
Other direct and indirect funding	15,722	19,545	-19.56
Equity	4,015	3,809	5.40

Income statement figures	**30/09/2024**	**30/09/2023**	**Change %**
Net interest income	814	668	21.71
Total income*	1,230	1,046	17.64
Profit from continuing operations	630	507	24.26
Profit (Loss) for the period	432	349	23.90

Capital ratios	**30/09/2024**	**31/12/2023**
CET1 Capital ratio	16.48%	15.37%
Total Capital ratio	19.41%	17.73%

Other information on the Banking Group	**30/09/2024**	**31/12/2023**
Number of employees	3,678	3,580
Number of branches	380	377

* Total income is presented as per the reclassified income statement summary

ALTERNATIVE PERFORMANCE INDICATORS

Key ratios	30/09/2024	31/12/2023
Equity/Direct funding from customers	9.41%	8.99%
Equity/ Loans to customers	11.72%	11.05%
Equity/Financial assets	31.42%	27.33%
Equity/Total assets	7.38%	6.60%

Profitability indicators	30/09/2024	30/09/2023
Cost/Income	37.99%	40.34%
Net interest income/Total income	66.14%	63.93%
Administrative expenses/Total income	36.73%	40.18%
Net interest income/Total assets	1.50%	1.22%
Net financial income/Total assets	2.00%	1.73%
Profit for the period/Total assets	0.79%	0.64%

Asset quality indicators	30/09/2024	31/12/2023
NPL ratio	4.00%	3.71%
Texas ratio	14.77%	14.91%
Net bad loans/Equity	1.70%	1.63%
Net bad loans/Loans to customers	0.20%	0.18%
Loans to customers/Direct funding from customers	80.24%	81.33%
Cost of credit	0.56%	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 non-performing loans and the difference between equity and intangible assets, as the denominator.
- Cost of credit: ratio of net adjustments to total loans to customers.

FUNDING

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

Our Group was no stranger to this trend and recorded a positive trend in direct deposits, which amounted to 42,679 million, +0.68% over the comparative period, but up 7.65% year-on-year.

Indirect funding from customers, at market values, totalled 50,849 million, +9.78%.

Direct funding from insurance premiums reached 2,158 million, +4.42%.

Total funding from customers therefore amounted to 95,686 million, +5.41%.

Deposits from banks amounted to 5,496 million, down from 9,918 million, a decrease partly related to the repayment of TLTRO loans of 806 million that expired last March and of 3,700 million in September, with the exposure of the longer-term refinancing operations outstanding with the European Central Bank reduced to zero.

Indirect funding from banks, mainly consisting of securities under administration, rose from 9,627 million to 10,226 million, +6.23%.

Total funding from customers and banks therefore amounts to 111,408 million, +0.98%.

CONSOLIDATED TOTAL FUNDING

(thousands of euro)	30/09/2024	Compos. %	31/12/2023	Compos. %	Change %
Total direct funding from customers	42,679,055	38.32	42,392,811	38.43	0.68
Total direct funding from insurance premiums	2,157,891	1.94	2,066,571	1.87	4.42
Total indirect funding from customers	50,848,719	45.64	46,318,512	41.98	9.78
- Asset management	*8,177,638*	*16.08*	*7,175,926*	*15.49*	*13.96*
- Assets under administration	*42,671,081*	*83.92*	*39,142,586*	*84.51*	*9.01*
Total	**95,685,665**	**85.89**	**90,777,894**	**82.28**	**5.41**
Due to banks	5,495,757	4.93	9,917,675	8.99	-44.59
Indirect funding from banks	10,226,411	9.18	9,626,913	8.73	6.23
Grand total	**111,407,833**	**100.00**	**110,322,482**	**100.00**	**0.98**

As for the individual components, current accounts and sight deposits, down 2.37% to 29,830 million, accounted for 69.9% of all direct funding.

Bonds showed a good increase, +16.76% to 5,118 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 6,541 million, +49.48%.

Repos, which were 2,241 million as at 31 December 2023, fell to 747 million, -66.67%. Bank drafts amounted to 109 million, +16.79%. Lease liabilities (accounted for in accordance with IFRS 16) amounted to 149 million, -8.51%, while other funding fell from 582 million to 184 million, -68.32%.

CONSOLIDATED DIRECT FUNDING FROM CUSTOMERS

(thousands of euro)	30/09/2024	Compos. %	31/12/2023	Compos. %	Change %
Current accounts and sight deposits	29,830,364	69.90	30,553,721	72.07	-2.37
Fixed-term deposits	6,541,318	15.33	4,376,073	10.32	49.48
Repo transactions	746,882	1.75	2,241,059	5.29	-66.67
Lease liabilities	149,368	0.35	163,259	0.39	-8.51
Bonds	5,118,099	11.99	4,383,516	10.34	16.76
Bank drafts and similar	108,612	0.25	92,994	0.22	16.79
Other payables	184,412	0.43	582,189	1.37	-68.32
Total	**42,679,055**	**100.00**	**42,392,811**	**100.00**	**0.68**

Asset management

After a first half of the year marked by rather weak activity, the summer months saw a slight recovery for the Italian asset management industry, a recovery that failed to offset the negative trend since the start of the year. Indeed, based on the data compiled by Assogestioni available at the end of August, system net inflows in 2024 continue to show a negative flow. At the same time, thanks to the market effect, assets under administration increased in value. At product type level, the positive performance of bond funds stands out, in contrast to the negative performance of equity, balanced and flexible funds.

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 8,178 million compared to 7,176 million as at 31 December 2023, +14%, of which 6,078 million (+15%) relates to mutual funds and SICAVs, including Popso (SUISSE) Investment Fund Sicav; and 2,099 million of assets managed by the Group (+11%).

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)	30/09/2024	Compos. %	31/12/2023	Compos. %	Change %
Current accounts	3,423,519	10.00	3,595,829	10.43	-4.79
Mortgage loans	20,816,069	60.78	20,820,558	60.38	-0.02
Repo transactions	616,383	1.80	-	-	n.s.
Personal loans and assignments of one-fifth of salary or pension	586,280	1.71	542,180	1.57	8.13
Factoring	3,377,397	9.86	3,789,704	10.99	-10.88
Other loans	4,806,990	14.04	4,978,676	14.45	-3.45
Fixed-yield securities	619,875	1.81	753,245	2.18	-17.71
Total	**34,246,513**	**100.00**	**34,480,192**	**100.00**	**-0.68**

Overall, loans to customers from our Group amounted to 34,247 million, -0.68% compared to the end of 2023, but up 4.80% year-on-year. The ratio of loans to direct funding from customers has thus risen to 80.24%, from 81.33%. The main item was mortgages and unsecured loans, which amounted to 20,816 million, down slightly, -0.02%, and accounted for 60.78% of loans. This was followed by other loans (advances, grants, etc.), which amounted to 4,807 million, -3.45%, or 14.04% of loans. Current accounts amounted to 3,424 million, down 4.79%. Personal loans grew moderately, +8.13% to 586 million, while factoring operations declined, -10.88% to 3,377 million. Fixed-yield securities amounted to 620 million, -17.71%. 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)		30/09/2024	31/12/2023	Absolute changes	Changes %
Non-performing loans	Gross exposure	1,414,257	1,316,481	97,776	7.43
	Value adjustments	827,297	754,173	73,124	9.70
	Net exposure	**586,960**	**562,308**	**24,652**	**4.38**
Bad loans	Gross exposure	381,980	348,408	33,572	9.64
	Value adjustments	313,632	286,186	27,446	9.59
	Net exposure	**68,348**	**62,222**	**6,126**	**9.85**
Unlikely-to-pay loans	Gross exposure	905,755	894,499	11,256	1.26
	Value adjustments	490,320	456,493	33,827	7.41
	Net exposure	**415,435**	**438,006**	**-22,571**	**-5.15**
Exposures past due and/or overdrawn non-performing	Gross exposure	126,522	73,574	52,948	71.97
	Value adjustments	23,345	11,494	11,851	103.11
	Net exposure	**103,177**	**62,080**	**41,097**	**66.20**
Performing loans	Gross exposure	33,957,735	34,167,755	-210,020	-0.61
	Value adjustments	298,182	249,871	48,311	19.33
	Net exposure	**33,659,553**	**33,917,884**	**-258,331**	**-0.76**
Total loans and receivables with customers	Gross exposure	35,371,992	35,484,236	-112,244	-0.32
	Value adjustments	1,125,479	1,004,044	121,435	12.09
	Net exposure	**34,246,513**	**34,480,192**	**-233,679**	**-0.68**

Total net non-performing loans have risen by 4.38% to 587 million, compared with 562 million at the end of 2023; as at 31 December 2023 there was a decrease of 7.61%. The aggregate is 1.71% (1.63%) of loans to customers.

The total adjustments recorded for non-performing loans totalled 827 million, +9.70%, representing 58.5% 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 1,414 million, +7.43%. The gross NPL ratio was 4%, compared to 3.71% at year-end. Net bad loans amounted to 68 million, +9.85% (-48.93% as at 31 December 2023), and correspond to 0.20% 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 314 million (+9.59%), representing 82.11% of the gross amount of such loans compared with 82.14% in the previous year. Unlikely to pay, net of write-downs, amounted to 415 million, -5.15%, corresponding to 1.21% of total loans and receivables with customers, compared to 1.27% in the previous year. The related adjustments, with the current coverage ratio of 54.13%, amounted to 490 million, +7.41%; the coverage ratio was 51.03% last year. Net non-performing past due loans amounted to 103 million (+66.20%), and represent 0.30% of total loans with customers, compared to 0.18% for the comparison period. Provisions for performing loans amounting to 0.88% of the same compared to 0.73% at the end of 2023. Adjustments totalled 1,125 million overall, +12.09%.

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, the Parent Company is still waiting to receive the "Final Follow-up Letter" from the Supervisor. The various project sites opened to address the recommendations for improvement made by the Authority are proceeding with the implementation of the planned measures.

TREASURY AND TRADING OPERATIONS

As at 30 September 2024 the net interbank position was -3,262 million compared with -7,796 million at the end of 2023. Cash and cash equivalents amounted to 2,217 million, compared with 4,547 million.

As at 30 September 2024, the Parent Company no longer had TLTRO transactions with the ECB, after the repayment of the tranche of 806 million on 27 March 2024 taken out on 24 March 2021 and the repayment of the tranche of 3,700 million on 25 September 2024, taken out on 29 September 2021.

In the period under review, Treasury operations, on the lending side, still favoured the use of the Deposit Facility at the ECB remunerated at 3.50% as at 30 September 2024 (4% until 11 June and 3.75% until 17 September) and risk-free. On the funding side, after the repayment of the last tranche of TLTRO, transactions increased on the electronic repurchase agreement market with institutional counterparties (MMF Money Market Facility), guaranteed by Euronext Clearing with underlying Italian government bonds, and on the OTC market, through bilateral transactions with primary financial counterparties with underlying foreign government bonds in euro, corporate bonds and securitisations and the Centro delle Alpi SME self-securitisation. The funding activity described above was of a significant amount and in part 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.

The short-term (Liquidity Coverage Ratio) and structural (Net Stable Funding Ratio) liquidity indicators 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, amounted to 16.7 billion as at 30 September 2024, of which 12.6 billion free and 4.1 billion committed.

As at 30 September 2024, the portfolio of financial assets comprising financial instruments other than securitisations totalled 12,776 million, down by 8.34% compared to 31 December 2023. This decrease was mainly due to the non-renewal of maturing securities and the liquidity was used to partially repay the third and final TLTRO tranche due on 25 September 2024.

FINANCIAL ASSETS (FIXED-YIELD SECURITIES, EQUITY SECURITIES, MUTUAL FUNDS AND DERIVATIVES) BY PORTFOLIO

(thousands of euro)	30/09/2024	31/12/2023	Change %
Financial assets held for trading	351,241	150,073	134.05
of which, derivatives	*22,813*	*22,717*	*0.42*
Other financial assets mandatorily measured at fair value	261,906	220,051	19.02
Financial assets measured at fair value through other comprehensive income	2,749,229	3,212,616	-14.42
Financial assets measured at amortised cost	9,413,900	10,355,943	-9.10
Total	**12,776,276**	**13,938,683**	**-8.34**

Analysing the individual segments, there was a sharp increase in financial assets held for trading (+134.05%) and a good increase in "Other financial assets mandatorily measured at fair value" (+19.02%), while financial assets measured at fair value through other comprehensive income (-14.42%) and financial assets measured at amortised cost (-9.10%) decreased.

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 as a result of the partial reduction in investments in the Treasury Credit Certificates (CCT) segment.

ESG securities, mostly green and social bonds, amounted to more than 1.9 billion.

The financial duration of the government bond portfolio, in line with 31 December 2023, stood at 3 years and 3 months, while the modified duration at 1.61%, is up slightly. Overall, including bonds (net of securitisations), the modified duration is 1.89%, slightly up compared to the end of 2023.

Financial assets held for trading

The trading portfolio increased by 134.05% compared to 31 December 2023 and amounted to 351 million.

(thousands of euro)	30/09/2024	31/12/2023	Change %
Foreign government securities in foreign currency	181,779	-	n.s.
Equity securities	30,042	28,831	4.20
Mutual funds	116,607	98,525	18.35
Net value of derivative contracts	22,813	22,717	0.42
Total	**351,241**	**150,073**	**134.05**

Operations mainly focused on equities and mutual funds, in addition to Italian and foreign Government bonds. Mutual funds, which include both ETFs and funds and SICAVs, were used as an alternative to direct equity exposure with a view to geographical, currency and sector diversification. Trading in US dollar-denominated government bonds took place during the period.

Other financial assets mandatorily measured at fair value

Financial assets mandatorily measured at fair value amounted to 262 million, up from 31 December 2023 (+19.02%).

(thousands of euro)	30/09/2024	31/12/2023	Change %
Bank bonds	30,446	20,318	49.85
Other bonds	40,486	37,252	8.68
Mutual funds in euro	188,795	160,446	17.67
Mutual funds in foreign currency (USD)	2,179	2,035	7.08
Total	**261,906**	**220,051**	**19.02**

The portfolio remains mainly concentrated on euro-denominated UCITS, which 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 slightly up from the end of 2023, remains limited in amount.

Financial assets measured at fair value through other comprehensive income

The portfolio of financial assets measured at fair value through other comprehensive income recorded a 14.42% decrease compared to the end of 2023, to 2,749 million.

(thousands of euro)	30/09/2024	31/12/2023	Change %
Floating-rate Italian government securities	561,911	1,059,744	-46.98
Fixed-rate Italian government securities	145,855	420,187	-65.29
Foreign government securities	1,277,056	1,028,400	24.18
Bank bonds	385,284	419,910	-8.25
Other bonds	281,636	192,534	46.28
Equity securities	97,487	91,841	6.15
Total	**2,749,229**	**3,212,616**	**-14.42**

More specifically, the exposure to floating-rate Italian government securities was lightened (-46.98%), which now stands at 562 million, as was the short-term fixed-rate component of Italian government securities (-65.29%). On the other hand, the exposure of foreign government securities, referring to the Eurozone, increased (+24.18%). The overall weight of Italian government securities on the segment stands at 25.74%, a further decrease from last year (46.07%).

Even if bank bonds are falling (-8.25%), the other public government (sovereign) bonds and non-bank corporate bonds show positive changes overall, +46.28% compared to last year. Equity securities changed positively due to revaluations (+6.15%).

Financial assets measured at amortised cost

(thousands of euro)	30/09/2024	31/12/2023	Change %
LOANS AND RECEIVABLES WITH BANKS	**1,117,905**	**1,106,533**	**1.03**
Italian bank bonds	902,765	875,468	3.12
Foreign bank bonds	215,140	231,065	-6.89
LOANS AND RECEIVABLES WITH CUSTOMERS	**8,295,995**	**9,249,410**	**-10.31**
Floating-rate Italian government securities	3,250,455	4,005,761	-18.86
Fixed-rate Italian government securities	1,769,008	1,450,465	21.96
Foreign government securities	2,297,380	2,795,577	-17.82
Other public administration bonds	162,757	254,003	-35.92
Other bonds	816,395	743,604	9.79
Total	**9,413,900**	**10,355,943**	**-9.10**

Financial assets measured at amortised cost amounted to 9,414 million, down 9.10% 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 (-18.86%), the increase in fixed-rate ones (+21.96%), and the decrease in foreign government securities (-17.82%).

The amount of investments in bank bonds (+1.03% compared to the end of 2023), both Italian and foreign, remained significant, despite reimbursements of some of the latter, as well as in corporate bonds (+9.79%), mainly ESG bonds, especially green bonds and social bonds. Investments in other public administrations decreased significantly, also due to reimbursements (-35.92%). The contribution from coupon flows remained strong over the period, despite the downward trend in interest rates.

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 September 2024 amounted to 10,148 million and was structured as follows:

a) Italian government securities: 5,727 million;
b) Securities of other issuers: 4,101 million;
c) Loans to government departments: 107 million;
d) Loans to other public administrations and miscellaneous entities: 213 million.

EQUITY INVESTMENTS

As at 30 September 2024, equity investments amounted to 390 million, compared to 376 million at the end of 2023. The increase of 14 million, +3.63%, resulted from the equity measurement.

PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY AND INTANGIBLE ASSETS

Property, equipment and investment property and intangible assets amounted to 726 million compared to 715 million at the end of 2023. The former added up to a total of 687 million compared to 677 million, +1.42%, and the latter amounted to 39 million, with no significant changes.

Intangible assets include approximately 17 million relating to goodwill: the latter is tested for impairment if any indicators of impairment are identified and in any event on an annual basis. The test was performed when preparing the consolidated financial statements as at 31 December 2023.

OTHER PROVISIONS

These consist of the severance indemnities (TFR), which decreased from 33 million to 32 million, and the provisions for risks and charges, which added up to 369 million, +1.56% 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 81 million, and limited growth of the provision for pensions and similar obligations, amounting to 182 million compared to 179 million at the end of 2023, while other provisions for risks and charges rose from 88 million to 106 million.

HUMAN RESOURCES

The Group had 3,678 employees as at 30 September 2024, an increase of 139 persons from 30 September 2023, broken down as follows: 3,120 employed by the Parent Company, 383 by Banca Popolare di Sondrio (SUISSE) SA, 150 by Factorit spa and 25 by BNT spa. To the staff of the banking group must be added the 22 employees of the subsidiary Pirovano Stelvio spa, of whom 19 are employed on a seasonal basis, and the 13 employees of the subsidiary Rent2Go srl.

EQUITY

Shareholders' equity as at 30 September 2024, inclusive of valuation reserves and the profit for the year, amounts to 4,014.852 million. Compared with the total at 31 December 2023 of 3,809.274 million, an increase of 205.578 million (+5.4%). 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 2,157.646 million (+10.61%); the increase of 207 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, was positive, with a balance of 11.405 million, an improvement compared to the end of 2023, when it was negative for 16.222 million. The part of treasury shares in the portfolio changed slightly to 25.181 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 Pillar 2 requirement for non-performing exposures. Since 2017, the ECB has been providing the Parent Company with "Pillar 2 Guidance", which acts a guide to the future evolution of the Group's capital. This latter parameter takes on a confidential nature and is not subject to disclosure, as it is an element which, even according to the direction made known by the ECB, does not assume relevance in relation to the determination of distributable dividends.

Consolidated own funds for Supervisory reporting purposes, which include a portion of the profit as at 30 September 2024, amounted to 4,376 million applying the transitional arrangements (phased-in) and 4,344 million according to the criteria to be applied at the end of the transition (fully phased), while consolidated risk-weighted assets amounted to 22,546 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 September 2024 are reported below:

Group's capital ratios	Phased-in	Fully Phased
CET1 Ratio	16.48%	16.34%
Tier1 Capital Ratio	16.48%	16.34%
Total Capital Ratio	19.41%	19.27%

The consolidated Leverage Ratio was 6.19% applying the transitional arrangements (phased-in) and 6.14% 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 9.41% vs. 8.99%;
- capital/customer loans 11.72% vs. 11.05%;
- capital/financial assets 31.42% vs. 27.33%;
- capital/total assets 7.38% vs. 6.60%;
- net bad loans/capital 1.70% 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 since 18 March 2024, closed the first nine months of 2024 with a positive performance of +17.32%, marking a reference price on 30 September 2024 of 6.875 euro, compared to 5.86 euro at the end of 2023. During the period, 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 12.43%, while the sectoral index Ftse Italia All-Share Banks had an increase of 47.35%.

The average daily volume of securities traded on Borsa Italiana's Euronext Milan market in the first nine months of the year was 1.864 million, up from 1.319 million in the same period of 2023.

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 September 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 25.181 million, of which 24.955 million constitutes utilisation of the parent company's treasury share purchase provision of 30 million.

The shareholder structure as at 30 September 2024 consisted of 139,655 shareholders.

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

Source: REFINITIV EIKON

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, 23 October 2024 and 17 April 2024, respectively.

S&P GLOBAL RATINGS – issued on 26/02/2024	**RATING**
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**
SENIOR PREFERRED DEBT	**BBB-**
TIER 2 SUBORDINATED DEBT	**BB**
OUTLOOK	**Stable**

FITCH RATINGS – issued on 24/04/2024	**RATING**
LONG-TERM ISSUER DEFAULT RATING	**BBB-**
SHORT-TERM ISSUER DEFAULT RATING	**F3**
VIABILITY RATING	**bbb-**
GOVERNMENT SUPPORT	**No Support**
LONG-TERM DEPOSIT RATING	**BBB**
SHORT-TERM DEPOSIT RATING	**F3**
SENIOR PREFERRED DEBT	**BBB-**
TIER 2 SUBORDINATED DEBT	**BB**
OUTLOOK	**Stable**

Morningstar DBRS - issued on 23/10/2024	**RATING**
LONG-TERM ISSUER RATING	**BBB**
SHORT-TERM ISSUER RATING	**R-2 (high)**
LONG-TERM SENIOR DEBT	**BBB**
SHORT-TERM DEBT	**R-2 (high)**
LONG-TERM DEPOSITS	**BBB (high)**
SHORT-TERM DEPOSITS	**R-1 (low)**
SUBORDINATED DEBT	**BB (high)**
TREND	**Stable**

Scope Ratings - issued on 17/4/2024	**RATING**
ISSUER RATING	**BBB**
OUTLOOK	**Stable**

ESG rating

The level of compliance achieved by the Banca Popolare di Sondrio Group with the international sustainability guidelines set by some of the main international institutions (European Union, United Nations, OECD) is assigned by the independent agency Standard Ethics.

Standard Ethics - issued on 4/4/2024	**RATING**
CORPORATE RATING	**EE+**
OUTLOOK	**Stable**

RECONCILIATION BETWEEN THE PARENT COMPANY'S AND THE CONSOLIDATED FINANCIAL STATEMENTS

The following table reconciles profit for the period and equity as shown in the Parent Company's financial statements and the equivalent figures in the consolidated financial statements.

RECONCILIATION OF THE EQUITY AND PROFIT FOR THE YEAR REPORTED BY THE PARENT COMPANY WITH THE CONSOLIDATED FINANCIAL STATEMENTS

(thousands of euro)	Equity	of which: Profit for the period
Equity of the Parent Company at 30.09.2024	3,356,239	403,032
Consolidation adjustments	-56,811	-56,811
Difference with respect to the carrying amounts of equity investments in:		
- companies consolidated on a line-by-line basis	524,214	52,835
- companies valued using the equity method	191,210	32,835
Balance at 30.09.2024, as reported in the consolidated financial statements	**4,014,852**	**431,891**

INCOME STATEMENT

In the macroeconomic context outlined, our Group achieved a profit for the period of 431.891 million, compared to a positive result of 348.589 million (+23.90%) in the first nine 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 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 during the period.

Net interest income amounted to 813.574 million, +21.71%. 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 Law Decree "Cura Italia" and "Rilancio" amounting to over 86 million compared to over 55 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, March 2024 and September 2024.

Net fee and commission income of 317.753 million, +9.53%, increased significantly, particularly on the receipt and transmission of orders for financial instruments, guarantees given, placement of insurance products, securities placement, financial guarantees given and payment services.

Dividends totalling 6.350 million were collected, compared with 4.579 million.

The overall result of financial activities was a positive 100.069 million compared to 79.670 million in the comparative period, +25.60%. Profit from trading rose. 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 net trading income amounted to 89.755 million, compared to 76.335 million in the first nine months of 2023. Gains on disposal or repurchase amounted to 14.007 million. This includes profits of 8.878 million from financial assets measured at amortised cost, profits of 4.453 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 measured at fair value, item 110b), was a negative 7.745 million, compared to a positive comparative figure of 2.802 million. The total income therefore came to 1,230.001 million, up 17.64%. Within this aggregate, the weighting of net interest income was 66.14% compared with 63.93%.

KEY FIGURES OF THE CONSOLIDATED INCOME STATEMENT

(thousands of euro)	30/09/2024	30/09/2023	Absolute changes	Changes %
Net interest income	813,574	668,442	145,132	21.71
Dividends	6,350	4,579	1,771	38.68
Net fee and commission income	317,753	290,094	27,659	9.53
Result of financial activities [a]	100,069	79,670	20,399	25.60
Result of other financial assets and liabilities measured at FVTPL [b]	-7,745	2,802	-10,547	n.s.
of which LOANS	*-9,247*	*387*	*-9,634*	n.s.
of which OTHER	*1,502*	*2,415*	*-913*	n.s.
Total income	**1,230,001**	**1,045,587**	**184,414**	**17.64**
Net adjustments [c]	-142,769	-100,107	-42,662	42.62
Net financial income	**1,087,232**	**945,480**	**141,752**	**14.99**
Personnel expenses [d]	-229,640	-215,989	-13,651	6.32
Other administrative expenses [e]	-222,174	-204,101	-18,073	8.85
Other operating income/expense [d]	64,953	66,948	-1,995	-2.98
Net accruals to provisions for risks and charges [f]	-27,986	-19,029	-8,957	47.07
Adjustments to property, equipment and investment property and intangible assets	-52,401	-49,654	-2,747	5.53
Operating costs	**-467,248**	**-421,825**	**-45,423**	**10.77**
Operating profit (loss)	**619,984**	**523,655**	**96,329**	**18.40**
Charges for stabilising the banking system [e]	-21,297	-40,857	19,560	-47.87
Net gains (losses) on equity investments and other investments	31,291	24,185	7,106	29.38
Profit (loss) before tax	**629,978**	**506,983**	**122,995**	**24.26**
Income taxes	-198,087	-158,394	-39,693	n.s.
Profit (loss)	**431,891**	**348,589**	**83,302**	**23.90**
Profit (loss) attributable to the Parent Company	**431,891**	**348,589**	**83,302**	**23.90**

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 3.741 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 3.741 million euro.

[d] Personnel expenses and other operating income have been stated net of the income generated by the post-employment benefits fund of 6.228 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).

Adjustments/write-backs for credit risk showed an increase in overall impairment, amounting to 142.769 million, +42.62%. 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, amounted to 159.493 million and related mainly to loans to customers.

Sub-item 130b), relating to financial assets measured at fair value through other comprehensive income, was positive for 115 thousand euro compared with a negative figure of

187 thousand euro.

Line item 140, gains/(losses) from contractual amendments without derecognition, comprising the amendments made to contractual cash flows, shows losses for the reporting period of 2.444 million compared with gains of 6.185 million in the first nine months of 2023. Provisions for commitments and guarantees given showed a release of 15.312 million compared to allocations of 13.916 million. The ratio of net adjustments to loans and receivables with customers/loans and receivables with customers (cost of credit) was 0.56%, compared to 0.65% at year-end.

Financial income went therefore from 945.480 to 1,087.232 million, +15%.

Operating costs amounted to 467.248 million, +10.77%. The cost/income ratio decreased from 40.34% to 37.99%.

With regard to the individual components, administrative expenses amounted to 451.814 million, +7.55%; of this, personnel expenses rose from 215.989 million to 229.640 million, +6.32%, impacted by the effects of the collective labour agreement signed in December 2023 and new hires, while other administrative expenses rose from 204.101 million to 222.174 million, +8.85%. 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 64.953 million, -2.98%. The item "Net provisions for risks and charges" reflects an allocation of 27.986 million compared with 19.029 million.

The depreciation of property, equipment and investment property and the amortisation of software amounted to 52.401 million, +5.53%.

With regard to charges for stabilising the banking system, contributions to the National Resolution Fund and the FITD, payments of 21.297 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.

The aggregate net gains (losses) on equity investments and other investments was 31.291 million, +29.38%.

The overall result before taxes therefore marked an increase from 506.983 million to 629.978 million. Finally, after deducting income taxes of 198.087 million, the net profit for the period was 431.891 million, compared to 348.589 million of the first nine months of 2023, +23.90%.

RECLASSIFIED CONSOLIDATED INCOME STATEMENT QUARTER BY QUARTER

(thousands of euro)	2024			2023			
	III Quarter	II Quarter	I Quarter	IV Quarter	III Quarter	II Quarter	I Quarter
Net interest income	275,516	271,043	267,015	268,513	241,105	235,290	192,047
Dividends	3,128	2,239	983	3,073	2,271	1,645	663
Net fee and commission income	105,089	105,795	106,869	112,466	95,554	98,058	96,482
Result of financial activities [a]	33,758	30,820	35,491	35,643	21,553	28,306	29,811
Result of other financial assets and liabilities measured at FVTPL [b]	-356	-6,200	-1,189	2,406	-1,083	-8,792	12,677
of which LOANS	-2,466	*-4,770*	*-2,011*	*-1,069*	*-695*	*-1,836*	*2,918*
of which OTHER	2,110	*-1,430*	*822*	*3,475*	*-388*	*-6,956*	*9,759*
Total income	**417,135**	**403,697**	**409,169**	**422,101**	**359,400**	**354,507**	**331,680**
Net adjustments [c]	-39,435	-60,520	-42,814	-124,435	-21,172	-39,116	-39,819
Net financial income	**377,700**	**343,177**	**366,355**	**297,666**	**338,228**	**315,391**	**291,861**
Personnel expenses [d]	-78,073	-74,934	-76,633	-77,053	-74,115	-72,920	-68,954
Other administrative expenses [e]	-72,931	-75,431	-73,812	-78,915	-66,918	-69,210	-67,973
Other operating income/expense [d]	25,047	22,578	17,328	27,388	22,073	22,875	22,000
Net accruals to provisions for risks and charges [f]	-5,479	-21,424	-1,083	-7,459	-6,453	-7,193	-5,383
Adjustments to property, equipment and investment property and intangible assets	-17,977	-17,834	-16,590	-22,829	-17,744	-16,499	-15,411
Operating costs	**-149,413**	**-167,045**	**-150,790**	**-158,868**	**-143,157**	**-142,947**	**-135,721**
Operating profit (loss)	**228,287**	**176,132**	**215,565**	**138,798**	**195,071**	**172,444**	**156,140**
Charges for stabilising the banking system [e]	-2	-1,294	-20,001	1,983	-	-5,852	-35,005
Net gains (losses) on equity investments and other investments	14,541	2,471	14,279	12,520	9,995	1,204	12,986
Profit (loss) before tax	**242,826**	**177,309**	**209,843**	**153,301**	**205,066**	**167,796**	**134,121**
Income taxes	-74,497	-58,975	-64,615	-40,728	-63,563	-55,117	-39,714
Profit (loss)	**168,329**	**118,334**	**145,228**	**112,573**	**141,503**	**112,679**	**94,407**
(Profit) loss attributable to non-controlling interests	-	-	-	-	-	-	-
Profit (loss) attributable to the Parent Company	**168,329**	**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.

DISTRIBUTION BY GEOGRAPHICAL AREAS

The Group's activities are carried out in Italy and in neighbouring Swiss Confederation, where its subsidiary Banca Popolare di Sondrio (SUISSE) SA operates.

The latter's contribution to the Group can be summarised in the following figures: Suisse accounts for 8.62% of direct funding from customers, 14.02% of loans to customers, 6.19% of net fee and commission income and 2.00% of net interest income.

SUBSEQUENT EVENTS AND BUSINESS OUTLOOK

On 23 October 2024, the rating company Morningstar DBRS upgraded the credit rating of Banca Popolare di Sondrio after its annual rating review process. In particular, the long-term issuer rating, which is the main rating assigned, now stands at "BBB", with a stable trend, compared to the previous "BBB-". In this regard, the Bank issued a specific press release which should be referred to for more extensive information, available on the company website at https://istituzionale.popso.it/it/comunicati-ed-eventi-societari/comunicati.

With reference to the business outlook, the current macroeconomic context in the Eurozone and Italy continues to show the prevalence of factors of weakness connected to domestic demand, which is struggling to strengthen, and negative trends in international trade, which is still strongly conditioned by serious geopolitical tensions. On the other hand, the disinflation process is showing positive development and this, together with more favourable financing conditions for households and companies - with positive effects in terms of debt sustainability - will contribute to a gradual acceleration of the economy. Against the backdrop of these developments, our Group is expected to consolidate the results achieved so far, with a target ROE for the full year of around 15%, thanks to the continuation of the solid trend in the core banking business, excellent operating efficiency and credit risk that is under control.

Sondrio, 5 November 2024

THE BOARD OF DIRECTORS

Certification of the Manager responsible for preparing the Company's accounting documents

Pursuant to Article 154-bis, paragraph 2, of the Consolidated Finance Act, the Manager responsible for preparing the Company's accounting documents, Simona Orietti, declares that the accounting information contained in this consolidated interim report on operations at 30 September 2024 corresponds to the documented results, books and accounting records.

The Manager responsible for preparing the
Company's accounting documents

Simona Orietti

CONSOLIDATED FINANCIAL STATEMENTS

AT 30 SEPTEMBER 2024

CONSOLIDATED BALANCE SHEET
(thousands of euro)

	ASSET ITEMS	30/09/2024	31/12/2023
10.	**Cash and cash equivalents**	**2,217,356**	**4,546,559**
20.	**Financial assets measured at fair value through profit or loss**	**866,502**	**690,970**
	a) financial assets held for trading	351,241	150,073
	c) other financial assets mandatorily measured at fair value	515,261	540,897
30.	**Financial assets measured at fair value through other comprehensive income**	**2,749,229**	**3,212,616**
40.	**Financial assets measured at amortised cost**	**44,522,578**	**45,530,807**
	a) Loans and receivables with banks	2,233,424	2,122,051
	b) Loans and receivables with customers	42,289,154	43,408,756
50.	**Hedging derivatives**	**-**	**1**
60.	**Change in value of macro-hedged financial assets (+/-)**	**2,210**	**1,775**
70.	**Equity investments**	**390,016**	**376,357**
90.	**Property, equipment and investment property**	**686,700**	**677,074**
100.	**Intangible assets**	**39,618**	**37,756**
	of which:		
	- goodwill	16,997	16,997
110.	**Tax assets**	**202,155**	**260,813**
	a) current	1,066	1,375
	b) prepaid	201,089	259,438
130.	**Other assets**	**2,697,699**	**2,387,037**
	TOTAL ASSETS	**54,374,063**	**57,721,765**

	LIABILITIES AND EQUITY	30/09/2024	31/12/2023
10.	**Financial liabilities measured at amortised cost**	**48,174,812**	**52,310,486**
	a) Due to banks	5,495,757	9,917,675
	b) Due to customers	37,452,343	37,916,301
	c) Securities issued	5,226,712	4,476,510
20.	**Financial liabilities held for trading**	**17,054**	**69,577**
40.	**Hedging derivatives**	**2,386**	**1,924**
60.	**Tax liabilities**	**108,881**	**71,354**
	a) current	79,819	41,999
	b) deferred	29,062	29,355
80.	**Other liabilities**	**1,654,589**	**1,062,057**
90.	**Provision for employee severance pay**	**32,176**	**33,459**
100.	**Provisions for risks and charges**	**369,299**	**363,620**
	a) commitments and guarantees given	80,859	96,237
	b) pension and similar obligations	182,480	178,950
	c) other provisions for risks and charges	105,960	88,433
120.	**Valuation reserves**	**11,405**	**(16,222)**
150.	**Reserves**	**2,157,646**	**1,950,646**
160.	**Share premium reserve**	**78,934**	**78,949**
170.	**Share capital**	**1,360,157**	**1,360,157**
180.	**Treasury shares (-)**	**(25,181)**	**(25,418)**
190.	**Non-controlling interests (+/-)**	**14**	**14**
200.	**Profit (loss) for the period (+/-)**	**431,891**	**461,162**
	TOTAL LIABILITIES AND EQUITY	**54,374,063**	**57,721,765**

CONSOLIDATED INCOME STATEMENT

(thousands of euro)

ITEMS		30/09/2024	30/09/2023
10.	INTEREST AND SIMILAR INCOME	1,625,985	1,286,976
	of which: interest income calculated using the effective interest method	1,589,507	1,274,539
20.	INTEREST AND SIMILAR EXPENSES	(812,411)	(618,534)
30.	**NET INTEREST INCOME**	**813,574**	**668,442**
40.	FEE AND COMMISSION INCOME	333,571	306,103
50.	FEE AND COMMISSION EXPENSE	(15,818)	(16,009)
60.	**NET FEE AND COMMISSION INCOME**	**317,753**	**290,094**
70.	DIVIDENDS AND SIMILAR INCOME	6,350	4,579
80.	NET TRADING INCOME	89,755	76,335
90.	NET HEDGING GAIN (LOSS)	48	(12)
100.	GAINS (LOSSES) FROM SALES OR REPURCHASES OF:	14,007	4,481
	a) financial assets measured at amortised cost	8,878	4,617
	b) financial assets measured at fair value through other comprehensive income	4,453	(222)
	c) financial liabilities	676	86
110.	NET GAINS/LOSSES ON OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	(7,745)	2,802
	b) other financial assets mandatorily measured at fair value	(7,745)	2,802
120.	**TOTAL INCOME**	**1,233,742**	**1,046,721**
130.	NET ADJUSTMENTS/WRITE-BACKS FOR CREDIT RISK RELATED TO:	(159,378)	(93,510)
	a) financial assets measured at amortised cost	(159,493)	(93,323)
	b) financial assets measured at fair value through other comprehensive income	115	(187)
140.	GAINS/LOSSES FROM CONTRACTUAL AMENDMENTS NOT RESULTING IN DERECOGNITION	(2,444)	6,185
150.	**NET FINANCIAL INCOME**	**1,071,920**	**959,396**
180.	**BALANCE OF FINANCIAL AND INSURANCE MANAGEMENT**	**1,071,920**	**959,396**
190.	ADMINISTRATIVE EXPENSES:	(479,339)	(465,569)
	a) personnel expenses	(235,868)	(220,611)
	b) other administrative expenses	(243,471)	(244,958)
200.	NET ACCRUALS TO PROVISIONS FOR RISKS AND CHARGES	(12,674)	(32,945)
	a) commitments for guarantees given	15,312	(13,916)
	b) other net provisions	(27,986)	(19,029)
210.	DEPRECIATION AND NET IMPAIRMENT LOSSES ON PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY	(40,353)	(37,196)
220.	AMORTISATION AND NET IMPAIRMENT LOSSES ON INTANGIBLE ASSETS	(12,048)	(12,458)
230.	OTHER OPERATING INCOME/EXPENSE	71,181	71,570
240.	**OPERATING COSTS**	**(473,233)**	**(476,598)**
250.	GAINS (LOSSES) ON EQUITY INVESTMENTS	32,594	25,288
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	337	387
290.	**PRE-TAX PROFIT (LOSS) FROM CONTINUING OPERATIONS**	**629,978**	**506,983**
300.	INCOME TAXES FOR THE YEAR FROM CURRENT OPERATIONS	(198,087)	(158,394)
310.	**POST-TAX PROFIT (LOSS) FROM CONTINUING OPERATIONS**	**431,891**	**348,589**
330.	**PROFIT (LOSS) FOR THE PERIOD**	**431,891**	**348,589**
340.	(PROFIT) LOSS FOR THE PERIOD ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	-	**-**
350.	**PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE PARENT COMPANY**	**431,891**	**348,589**

	Basic EPS – euro	**0.964**	**0.775**
	Diluted EPS – euro	**0.964**	**0.775**

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(thousands of euro)

ITEMS		30/09/2024	30/09/2023
10.	**Profit (loss) for the period**	**431,891**	**348,589**
	Other income items net of income taxes that will not be reclassified to profit or loss		
20.	Equity securities measured at fair value through other comprehensive income	4,469	(4,383)
50.	Property, equipment and investment property	-	-
70.	Defined-benefit plans	753	2,645
90.	Share of valuation reserves of equity investments measured at equity	(6)	69
	Other income items net of income taxes that may be reclassified subsequently to profit or loss		
120.	Exchange rate differences	345	(131)
150.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	20,120	8,531
170.	Share of valuation reserves of equity investments measured at equity	1,946	24,267
200.	**Total other income items net of income taxes**	**27,627**	**30,998**
210.	**Other comprehensive income (Item 10+200)**	**459,518**	**379,587**
220.	Consolidated other comprehensive income attributable to non-controlling interests	-	-
230.	**Consolidated other comprehensive income attributable to the parent company**	**459,518**	**379,587**

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 30.09.2024	**Equity attributable to the Group at 30.09.2024**	**Equity attributable to non-controlling interests at 30.09.2024**
Share capital																
a) ordinary shares	1,360,171		1,360,171	-	-	-	-	-	-	-	-	-	-	-	1,360,157	14
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**78,949**	**-**	**78,949**	**-**	**-**	**-**	**(15)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**78,934**	**-**
Reserves																
a) from earnings	1,914,752	-	1,914,752	208,800	-	(1,800)	-	-	-	-	-	-	-	-	2,121,752	-
b) other	35,894	-	35,894	-	-	-	-	-	-	-	-	-	-	-	35,894	-
Valuation reserves	**(16,222)**	**-**	**(16,222)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**27,627**	**11,405**	**-**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**(25,418)**	**-**	**(25,418)**	**-**	**-**	**-**	**288**	**(51)**	**-**	**-**	**-**	**-**	**-**	**-**	**(25,181)**	**-**
Profit for the year	**461,162**	**-**	**461,162**	**(208,800)**	**(252,362)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**431,891**	**431,891**	**-**
Equity attributable to the Group	**3,809,274**	**-**	**3,809,274**	**-**	**(252,362)**	**(1,800)**	**273**	**(51)**	**-**	**-**	**-**	**-**	**-**	**459,518**	**4,014,852**	**-**
Equity attributable to non-controlling interests	**14**	**-**	**14**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**14**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(thousands of euro)

	Balance at 31.12.2022	Changes in opening balances	Balance at 1.1.2023	Allocation of prior year result: Reserves	Allocation of prior year result: Dividends and other allocations	Changes during the year: Changes in reserves	Equity transactions: Issue of new shares	Equity transactions: Purchase of treasury shares	Equity transactions: Extraordinary distribution of dividends	Equity transactions: Changes in equity instruments	Equity transactions: Derivatives on treasury shares	Equity transactions: Stock options	Equity transactions: Changes in interests held	Other comprehensive income at 30.09.2023	**Equity attributable to the Group at 30.09.2023**	**Equity attributable to non-controlling interests at 30.09.2023**
Share capital																
a) ordinary shares	1,360,161	-	1,360,161	-	-	-	10	-	-	-	-	-	-	-	1,360,157	14
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**78,978**	**-**	**78,978**	**-**	**-**	**-**	**(29)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**78,949**	**-**
Reserves																
a) from earnings	1,754,574	-	1,754,574	125,093	-	13,893	-	-	-	-	-	-	-	-	1,893,560	-
b) other	35,894	-	35,894	-	-	-	-	-	-	-	-	-	-	-	35,894	-
Valuation reserves	**(68,086)**	**-**	**(68,086)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**30,998**	**(37,088)**	**-**
Equity instruments																
Treasury shares	**(25,402)**	**-**	**(25,402)**	**-**	**-**	**-**	**63**	**(42)**	**-**	**-**	**-**	**-**	**-**	**-**	**(25,381)**	**-**
Profit for the year	**251,321**	**-**	**251,321**	**(125,093)**	**(126,228)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**348,589**	**348,589**	**-**
Equity attributable to the Group	**3,387,436**	**-**	**3,387,436**	**-**	**(126,228)**	**13,893**	**34**	**(42)**	**-**	**-**	**-**	**-**	**-**	**379,587**	**3,654,680**	**-**
Equity attributable to non-controlling interests	**4**	**-**	**4**	**-**	**-**	**-**	**10**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**14**