Customer deposits

Direct deposits
The item financial liabilities measured at amortised cost, within the Balance Sheet liabilities, includes Due to customers, for € 595 million, up by € 44 million with respect to the previous year, or 8%.

These figures, as shown in the table below, include the aggregate for customer deposits, which represents the main source of funds for the Bank from its intermediation activities, which total € 550 million, up by € 46 million or 9.13%.

The table below shows the details of the trends recorded by technical type (in Euro units).

Item	2023	2022	Change	
			Absolute	%
Savings deposits	35,063,573	40,184,251	-5,120,678	-12.74
Current accounts	513,808,412	462,171,597	51,636,815	11.17
Other technical types	1,253,888	1,759,134	-505,246	-28.72
Customer deposits	**550,125,873**	**504,114,982**	46,010,891	9.13
Treasury transactions	41,563,067	43,982,107	-2,419,040	-5.50
IFRS 16 Financial liabilities	3,051,625	2,569,150	482,475	18.78
Grand total	**594,740,565**	**550,666,239**	**44,074,326**	**8.00**

Treasury transactions reported in the table referred to repurchase agreements operations, with the objective of optimising cash flows, in the context of the Group's treasury management.

With the introduction of the IFRS 16 accounting standard, due to customers also includes discounted debt for future rent against leasing contracts for capital assets. The amount of the relative liability at the end of 2023 was € 3 million, up by € 482 thousand compared to 2022.

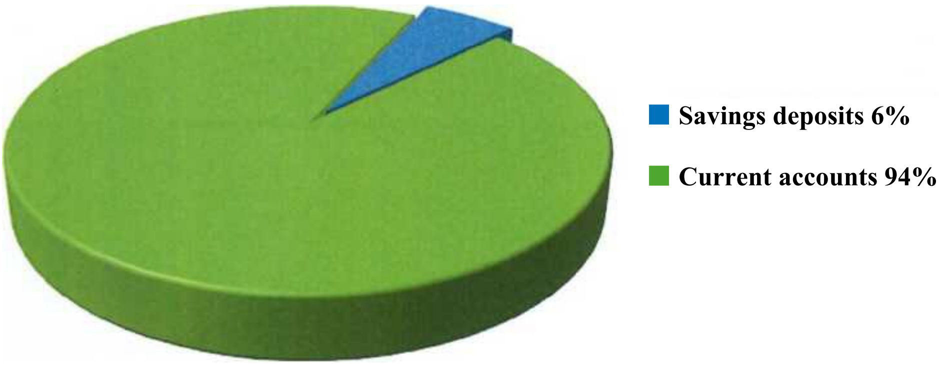
The analysis of the trend below refers to **customer deposits**, which total € 550 million, increasing by € 46 million or 9.13%. This growth, also considering the current socio-economic context, reflects a solid level of investor trust in the Bank, also thanks to the solidity of its assets, which has always been one of its main strengths.
The details indicate the following trends:

- savings deposits amount to € 35 million, a decrease of € 5 million or 12.74%, confirming the decline seen in previous years, demonstrating that this form is now limited in use. Specifically, ordinary deposits amount to € 33 million, a decrease of almost € 5 million, whereas time deposits were essentially stable, coming to around € 2 million;

- current accounts amount to € 514 million, showing growth of € 52 million or 11.17%. These represent the largest portion of customer deposits and include term deposit accounts, totalling € 19 million, up significantly with respect to the previous year, when the total was € 6 million;
- the other technical types for the most part refer to deposits made using cards with IBANs and prepaid cards, which decreased by € 505 thousand.

Total direct deposits represent over 37% (29% in 2022) of Balance Sheet liabilities.

Breakdown of direct deposits from customers
2023 Balance



The average rate of remuneration for total deposits was 0.49%, up significantly with respect to the 0.12% recorded the previous year. This trend, linked to the strong increase in interest rates seen during 2023, after several years of low or even negative interest rates, returned the cost of funding to the levels seen in 2016.

The breakdown by investor category shows that consumer households remain predominant, contributing 45.51% of total funding (2022: 53,38%), followed by the non-financial companies category at 23.45% (2022: 18.93%), whereas producer households contributed 8.04% (2022: 9,49%). The contribution from public administrations was 13.76%, showing an increase with respect to the 8.45% in 2022. Finally, the financial company segment represents 7.42%, more or less stable with respect to the previous year.

Direct deposits broken down by investor category (in thousands of euro, excluding IFRS16 liabilities)

Type	Amounts 2023	Proportion % 2023	Amounts 2022	Proportion % 2022
Consumer households	269,232,500	45.51%	292,536,174	53.38%
Non-financial companies	138,779,034	23.45%	103,760,022	18.93%
Public administrations	81,388,013	13.76%	46,292,091	8.45%
Producer households	47,578,902	8.04%	52,030,791	9.49%
Financial companies	43,931,891	7.42%	43,255,019	7.89%
Non-profit institutions	10,378,553	1.75%	9,707,393	1.77%
Other	400,048	0.07%	515,599	0.09%
Total	**591,688,941**	**100.00%**	**548,097,089**	**100.00%**

Customer deposits were distributed over 30,479 accounts (30,576 in 2022), with an average unit amount of € 19,413, whereas in relation to the average number of employees the productivity indicator is € 3.8 million, up with respect to the € 3.5 million the previous year.

Indirect deposits

Indirect deposits in financial instruments amounted to € 444 million at the end of the year, recording an increase of € 47 million compared with the previous year, or 11.89%. The same aggregate inclusive of insurance deposits came out at € 500 million, confirming an increase of € 49 million, or -8.18%, compared with the end of 2022.

The table below shows the changes recorded in the segment in detail (in euro thousands).

Item	2023	2022	Change	
			Absolute	%
Administered deposits	110,323	71,140	39,183	55.08
Mutual funds and SICAVs	93,953	80,168	13,785	17.20
Asset management	239,512	245,306	-5,794	-2.36
Total indirect deposits in financial instruments	**443,788**	**396,614**	**47,174**	**11.89**
Insurance deposits	55,865	54,232	1,633	3.01
Grand total	**499,653**	**450,846**	**48,807**	**10.83**

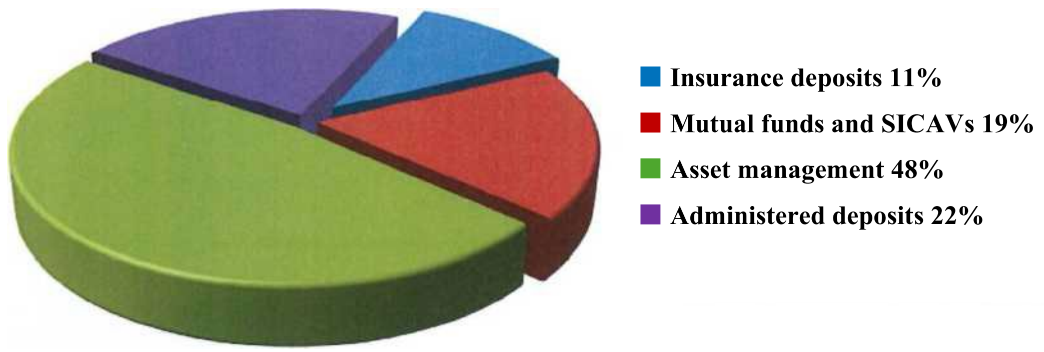
Specifically, indirect deposits managed stood at € 333 million, increasing by € 8 million compared to the previous year, at 2.46%, while the administered component increased by € 39 million, or 55%, coming in at € 110 million.

Indirect managed deposits relative to asset management fell by € 6 million (-2.36%), amounting to € 240 million, while the component represented by units of mutual funds and SICAVs came to € 94 million, up by € 14 million (+17.20%). These figures demonstrate the decisions made by investors to focus on investments in public debt, seen as secure and remunerative, following the increase in interest rates during the year.

Life insurance deposits, reached € 56 million at the end of 2023, recording a new increase of € 2 million over the previous year, or 3%.

Breakdown of indirect and insurance deposits from customers

2023 Balance

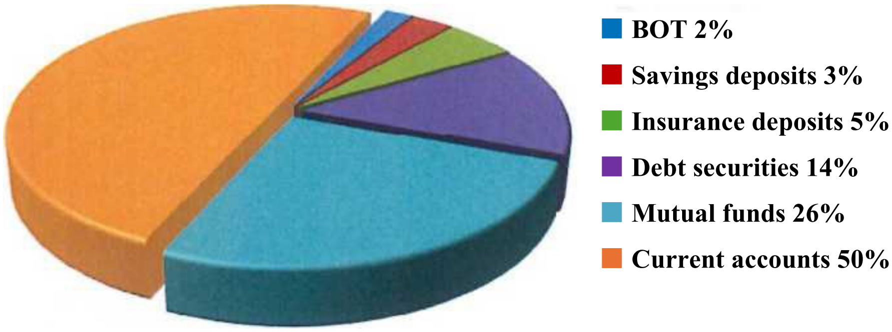


Total customer deposits, therefore, amounted to € 1,091 million, an increase of € 92 million (9.25%), and consisted of around 54% in direct deposits and the remaining 46% in indirect deposits, as can be seen from the table below (in thousands of euro).

Item	2023	2022	Change	
			Absolute	%
Direct deposits	591,689	548,097	43,592	7.95
Indirect deposits in finan. instrum.	443,788	396,614	47,174	11.89
Insurance deposits	55,865	54,232	1,633	3.01
Grand total	**1,091,342**	**998,943**	**92,399**	**9.25**

Breakdown of direct, indirect and insurance deposits from customers

2023 Balance



Administered assets

Total administered assets (direct deposits, deposits by banks, other liabilities, share capital, reserves and profits) reached € 1,569 million, a decrease of € 290 million, or 15.60%. This trend was strongly influenced by the decrease in deposits by banks as a consequence of the repayment of the TLTRO 3 tranche coming due during the year for a total of € 324 million.

Adding indirect and insurance deposits to the above aggregate gives the Bank's total intermediation capacity, which came out at € 2,068 million, as illustrated in detail in the table below.

Potential intermediation (in thousands of euro)

Item	2023	2022	Change	
			Absolute	%
Direct customer deposits	591,689	548,097	43,592	7.95
Bank deposits	702,297	1,041,184	-338,887	-32.55
Other liabilities	13,504	18259	-4,755	-26.04
Share capital, reserves and profit for the period	261,202	251,098	10,104	4.02
Indirect customer deposits	443,788	396,614	47,174	11.89
Insurance deposits	55,865	54,232	1,633	3.01
Grand total	**2,068,345**	**2,309,484**	**-241,139**	**-10.44**

Due from customers

The gross figure for due from customers amounts to € 507.4 million, up by +3.04% with respect to the previous year, while the net book value is 491.9 million, also up with respect to the previous year (+2.96%).

The table below provides the breakdown by technical type and the changes recorded during the year (in euro units):

Item	2023	2022	Change	
			Absolute	%
Portfolios	1,964,081	894,576	1,069,505	119.55
Current accounts	31,772,017	31,968,036	-196,019	-0.61
Direct salary-backed loans	192,066,315	223,130,895	-31,064,580	-13.92
Advances	32,657,406	20,961,880	11,695,526	55.79
Sundry loans	826,963	3,944,463	•3,117,500	-79.03
Loans and other financing	224,087,757	188,923,764	35,163,993	18.61
Bad loans	14,240,785	13,514,344	726,441	5.38
Other loans	21,942	374,547	-352,605	-94.14
Gross lending	**497,637,266**	**483,712,505**	**13,924,761**	**2.88**
Operating loans	476,061	491,204	-15,143	-3.08
Other receivables	9,324,434	8,243,809	1,080,625	13.11
Total gross loans	**507,437,761**	**492,447,518**	**14,990,243**	**3.04**
Write-downs	15,571,399	14,736,525	834,874	5.67
Total net loans	**491,866,362**	**477,710,993**	**14,155,369**	**2.96**
Proprietary securities	210,805,701	230,961,640	-20,155,939	-8.73
Net book value	**702,672,063**	**708,672,633**	**-6,000,570**	**-0.85**

In terms of total volumes, gross economic loans confirm the predominance of medium/long-term operations (81.5%), represented in particular by the technical types of salary backed loans, mortgages and financing, with a lower impact for shorter-term exposures (15.3%). The remaining portion (3.2%) is represented by loans without fixed maturity dates, mainly relative to non-performing loans.

The trend by technical form shows an increase in short-term loans (+20.67%), mainly due to the rise in advances (+55.79%), against stability in current accounts (-0.61%) and an absence of “hot money” lines.

The longer-term component saw little change (+0.16%), given that the increase in mortgages and other financing (+18.61%) offset the decrease in salary-backed loans (-13.92%).

Operating loans can be attributed to loans deriving from provision of financial services and refer to commissions earned due to accruals that have not yet been collected by our partners.

The item Other receivables refers primarily to loans provided in favour of the investee BPL Sistemi e Servizi S.p.A. and the treasury deposit for management of the public entities' single treasury. Loans to the subsidiary provided the liquidity needed to partake in auction sales based on court orders, in order to be awarded the relevant properties.

From the perspective of risk mitigation, an aspect that is especially sensitive in the difficult economic context over recent years, the loan portfolio holds a balanced level of guarantees. At 31 December, 26.2% of the portfolio was supported by mortgage loans, 14.5% by public guarantees, predominantly MCC, ISMEA, SACE and CONSAP, 30.6% by salaries, and the remaining 28.7% is in any case supported by other collateral and/or personal guarantees.

More specifically, during 2023, 106 loans were activated by MCC (instalment-based and non instalment-based), with a total of around € 23 million provided.

With regard to the distribution of rating class in the portfolio, around 32% of the portfolio has a level "A" rating, 56% level "B", just over 6% level "C" and the remaining 5% is in the NPL (D) category. To continue ensuring good quality levels in the loan portfolio, the long-standing business relationship with CRIF continued, obtaining sector risk and ESG scores which are combined with the traditional assessment system utilised. The sector indicator continuously analyses 118 business sectors.

On the other hand, for the private sector digitalisation of the retail credit process continued, expanding the number of products placed using the PIU'CREDIX platform (current accounts, personal loans, mortgages, credit cards). This a BPL Group proprietary product which allows full automation of all stages, from granting through disbursement, with significant returns in terms of decision-making time, cost/benefit, and the Group's image.

The following table illustrates the breakdown of the portfolio by category of borrower:

Borrower category	Proportion 2023	Proportion 2022
Households	58.97%	65.19%
Non-financial companies	36.86%	31.74%
State and other entities	2.29%	2.04%
Financial companies	1.53%	0.74%
Other	0.35%	0.29%
Total	**100.00%**	**100.00%**

The breakdown by customer category shows the household sector predominates (58.97%), although its overall impact decreased with respect to 2022 due to the decrease in salary-backed loans, which involve private consumers, while the non-financial company sector saw a small increase (36.86%), in general confirming the Bank's retail nature, with the other sectors only residual.

The table below shows the classification of customers on the basis of segmentation for the purposes of attributing the *Internal Counterparty Rating*.

Borrower category	Proportion	Definition
Corporate	**33.95%**	Businesses with turnover of > € 2.5 million, or with credit agreed/used for cash of > € 1 million
Small Business	**17.45%**	Businesses with turnover of < € 2.5 million, or with credit agreed/used for cash of < € 1 million
Retail	**48.60%**	Private consumers

The portfolio continues to be granular, with the top ten clients representing 10.29% of the total.

The distribution of lending among the various classes of borrower was substantially similar to that of the previous year, with small and medium-sized enterprises, self-employed professionals and private consumers prevailing.

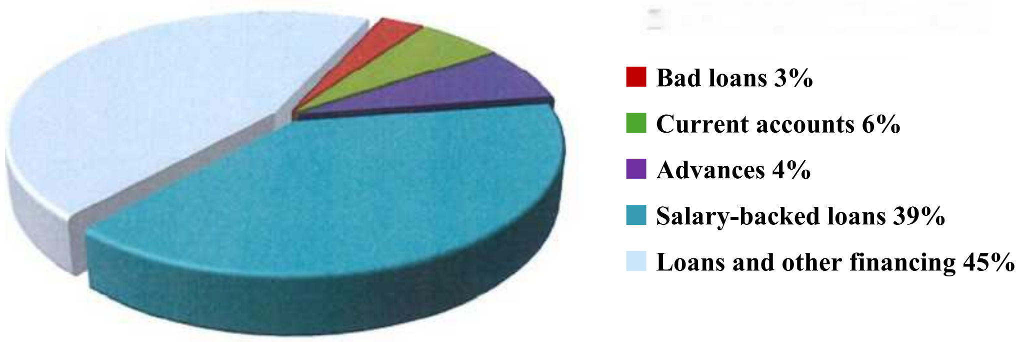
The unit amount of cash per loan was € 22,124, whereas productivity per individual employee was € 3.2 million, increasing slightly over the previous year.

The ratio between loans and direct deposits was at 90.82%, down with respect to the 96.30% recorded the previous year.

The average rate of return on loans was 2.86%, increasing from the previous year by 76 basis points.

Solutions offered in cooperation with commercial partners continued to demonstrate their importance, aimed at enriching the array of products available. In the personal loans area, products created with the partners Compass, Cofidis and Pitagora were associated with around € 4.1 million in amounts disbursed, and salary-backed loans for around € 2 million. Among the product offering to companies in the leasing segment, contracts totalling around € 0.7 million were signed through the partner Alba Leasing Spa.

Breakdown of customer loans
2023 Balance



Financial assets

Securities portfolio

The securities portfolio for the Bank amounted to € 657 million, with a decrease of € 43.9 million, or -6.26%, over the previous year. This represents over 41% of assets, showing a greater impact with respect to the previous year (2022: 37%). More specifically, 52.31% consists of government bonds (€ 343.7 million), 30.93% of securities issued by banks (€ 203.2 million), while the remaining 16.77% is spread among financial issuers and other issuers (€ 110.2 million).

The breakdown by security type is as follows: 34.85% (€ 229 million) is represented by BTPs and BOTs; 17.46% (€ 114.7 million) is represented by other government securities; 40.69% (€ 267.4 million) is represented by other bonds; and 7% is represented by shares and UCITS units (€ 45.8 million).

Below is a breakdown of portfolio securities by business model, based on their economic, equity and financial function:

- the portfolio measured at fair value impacting the income statement totalled € 17.1 million, showing a decrease of € 5.5 million (-24.86%), representing 2.6% of the total amount (2022: 3,22%). The item also contains € 227 thousand in listed derivative contracts and foreign exchange forward contracts;
- the portfolio measured at fair value through other comprehensive income (HTC&S) amounted to € 357.8 million, a decrease of € 40 million (-10.03%) compared with the previous year and represented 54.44% of the total amount (2022: 56.73%);
- the amortised cost value (HTC) portfolio totalled € 282.3 million, increasing by € 1.5 million, which represented 42.96% of the total amount (2022: 40,05%).

The figures above reflect the restructuring of the securities portfolio currently underway, which has increased the amortised cost portfolio in relation to the fair value portfolio, impacting on overall income. This trend responds to the need to make these investments support interest margins on a structural level, while at the same time, protecting the Bank's assets from market dynamics. The composition strategies of the aforementioned portfolios also aimed at achieving the natural objectives of prudence in terms of risk (credit, interest rate and liquidity).

Further quantitative information on financial assets and on the specific portfolios in which they are classified is provided in the relevant sections of the Notes to the Statements.

Share Capital and Reserves

Shareholders' Equity amounted to € 257.7 million, up by € 14.4 million (+5.92%) with respect to the figure for the previous year. The trend is mainly due to the contribution of shareholders, the allocation of a portion of the profit for the year to reserves, changes in the valuation reserves for financial assets measured at fair value through other comprehensive income, and actuarial gains and losses associated with provisions for employee severance indemnities and the additional pension fund. Allocation to reserves of part of the profit forms a significant source of self-funding and provides an illustration of our intention to reinvest part of the income generated in corporate operations, having positive effects on the capital value of the company's shares.
The valuation reserve from financial assets measured at fair value through other comprehensive income shows a positive balance of € 1.3 million compared to the negative € 10 million the previous year, whereas reserves for defined benefit plans show a substantially stable negative balance of € 1.3 million.

The table below provides an analysis of the balances of the individual components (in thousands of euro) and the respective changes that occurred.

Items	2023	2022	Change	
			Absolute	%
Share Capital (6,915,969 shares with a nominal value of € 3.00)	**20,314**	**20,748**	**-434**	**2.09%**
Treasury shares (-)	**-1,167**	**-3,366**	**2,199**	**-65.33%**
Reserves:	**140,422**	**136,067**	**4,355**	**3.20%**
- Legal Reserve	34,043	33,262	781	2.35%
- Statutory Reserve	96,652	91,296	5,356	5.87%
- Merger Reserve (pursuant to art.7 Law 218/90)	3,658	3,658	-	-
- Treasury share purchase reserve - available -	4,369	3,952	417	10.55%
- Treasury share purchase reserve - unavailable -	1,167	3,366	-2,199	-65.33%
- Other reserves	533	533	-	-
Share premium reserve	**81,793**	**85,141**	**-3,348**	**-3.93%**
Valuation reserves:	**16,319**	**4,694**	**11,625**	**247.66%**
- Special revaluation law reserves	13,329	13,329	-	-
- Property, plant and equipment reserve (deemed cost)	3,007	3,007	-	-
- Financial assets measured at fair value through other comprehensive income	1,301	-10,402	11,703	-112.51%
- Defined-benefit plans (actuarial gains/losses) reserve	-1,318	-1,240	-78	6.29%
Grand total	**257,681**	**243,284**	**14,397**	**5.92%**

The Equity, as well as being an expression of the Bank's book value, performs the fundamental function of providing support for corporate expansion and is a primary guarantee against the various operating risks intrinsic to the business.

The portion of profits destined for the reserves, based on the proposed division of profits for 2023, amounts to € 812 million. Therefore, considering the proposal to add to the dividend for the year with the distribution of € 4.1 million to be taken from the statutory reserve, after approval of the division, assets will amount to € 254.4 million, up with respect to the figure the previous year (+2.74%).

The entire asset aggregate represents 46.84% of direct customer deposits and 52.62% of net loans provided to customers. These indicators confirm the principle of prudence on which the Bank has always developed its business.

The own Funds aggregate at year-end was € 252.5 million, coming down on the previous year by € 6.7 million (-2.58%), representing an amount that is considerably higher than what is required by the Supervisory Authority's prudential regulation.

Capital ratios, represented by the ratio between Common Equity Tier 1 (CET 1) and risk-weighted assets (CET 1 capital ratio), between Tier 1 capital and risk-weighted assets (Tier 1 capital ratio) and between all own funds and risk-weighted assets (Total capital ratio) were recognised as 45.03% for the three indicators (2022: 42.3%), as capital is solely represented by primary elements.

For additional information, reference is made to "Part F" in the Explanatory notes.

Share Capital and Reserves
2023 Balance