Customer deposits

Direct deposits

Within the item financial liabilities measured at amortised cost under Balance Sheet liabilities, Due to customers and Securities in issue represent the aggregate of direct deposits from customers, which came to € 1,912 million in total, recording a decrease of € 165 million with respect to the figure the previous year (-7.92%).

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

Item	2023	2022	Change	
			Absolute	%
Savings deposits	96,444,188	83,734,105	12,710,083	15.18
Current accounts	1,800,780,368	1,975,984,056	-175,203,688	-8.87
Other technical types	233,578	56	233,522	n.s.
Certificates of deposit	15,406	15,406		
Customer deposits	**1,897,473,540**	**2,059,733,623**	**-162,260,083**	**-7.88**
IFRS 16 Financial liabilities	14,050,344	16,305,172	-2,254,828	-13.83
Total	**1,911,523,885**	**2,076,038,795**	**-164,514,911**	**-7.92**

In compliance with the IFRS 16 accounting standard, due to customers also includes discounted debt for future rent against leasing contracts signed for capital assets. The amount of the relative liability at the end of 2023 was € 14.1 million, down by € 2.3 million or 13.83%.

The following analysis refers to the customer deposits segment, which totals € 1,897 million, indicating a decrease of € 162 million (-7.88%).

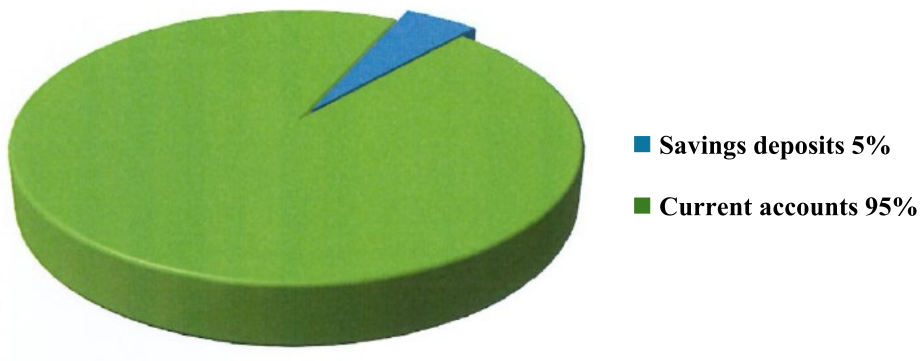
The details indicate the following trends:

- savings deposits amount to € 96.4 million, up by € 12.7 million, or 15.18%. Specifically, ordinary deposits amount to € 92.6 million, whereas time deposits were at € 3.8 million;
- current accounts amount to € 1,801 million, with a drop of € 175 million, or 8.87%. These represent the largest portion of customer deposits segment and include term deposit accounts for € 2.6 million (12 million in 2022);
- other technical types refers for the most part to deposits made through cards with IBANs;
- certificates of deposit totalled € 15 thousand at the end of the year, representing a residual component of deposits.

Customer deposits represented 84.83% of balance sheet liabilities, and are made up almost entirely by due to customers, represented by deposits and current accounts.

Breakdown of direct deposits from customers

2023 Balance



The average remuneration rate for total deposits was 0.83%, up by 70 basis points with respect to the end of 2022.

The increase in interest rates with its effects on the real economy led savers to diversify their funds into more remunerative options.

The breakdown by investor category shows that the non-financial companies segment predominates, with a contribution of € 937 million, or 49.40% (2022: 42.14%) in line with the consumer household sector which contributed € 696 million, or 36.69% (2022: 36,78%). Producer households contributed € 163 million, or 8.57% of the aggregate (2022: 8.33%), while public administrations contributed € 28 million, or 1.45% of the total. The remaining contributions come from non-profit institutions for € 46.8 million, financial companies for € 23.6 million and other residual categories for € 3.5 million.

Geographical distribution confirms the predominance of the province of Rome with 62.51% of the total, followed by the province of Latina with 30.68%, the province of Frosinone with 3.82% and the province of Viterbo with 2.85%. The province of Rieti, newly established, contributed 0.14%. Geographical data is substantially in line with the previous year.

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

Type	Amounts 2023	Proportion % 2023
Non-financial companies	937,376,581	49.40%
Consumer households	696,030,652	36.69%
Producer households	162,577,743	8.57%
Public administrations	27,569,638	1.45%
Non-profit institutions	46,834,974	2.47%
Financial companies	23,595,184	1.24%
Other	3,488,768	0.18%
Total	**1,897,473,540**	**100.00%**

Customer deposits were distributed over 59,096 accounts with an average unit amount of € 32,108, whereas in relation to the average number of employees the productivity indicator is € 6.2 million.

Indirect deposits

Indirect deposits in financial instruments amounted to € 705 million at the end of the year and decreased by € 112 million compared with the previous year, or 13.68%. The same aggregate inclusive of insurance deposits came out at € 846.7 million, showing a decrease of € 102 million, or 10.72%, 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	300,904	477,136	-176,232	-36.94
Mutual funds and SICAVs	403,875	339,360	64,515	19.01
Total indirect deposits in financial instruments	**704,779**	**816,496**	**-111,717**	**-13.68**
Insurance deposits	141,947	131,914	10,033	7.61
Grand total	**846,726**	**948,410**	**-101,684**	**-10.72**

The decline in managed deposits can be partially attributed to the repositioning of customer portfolios, as a consequence of the changes in the interest rate situation.

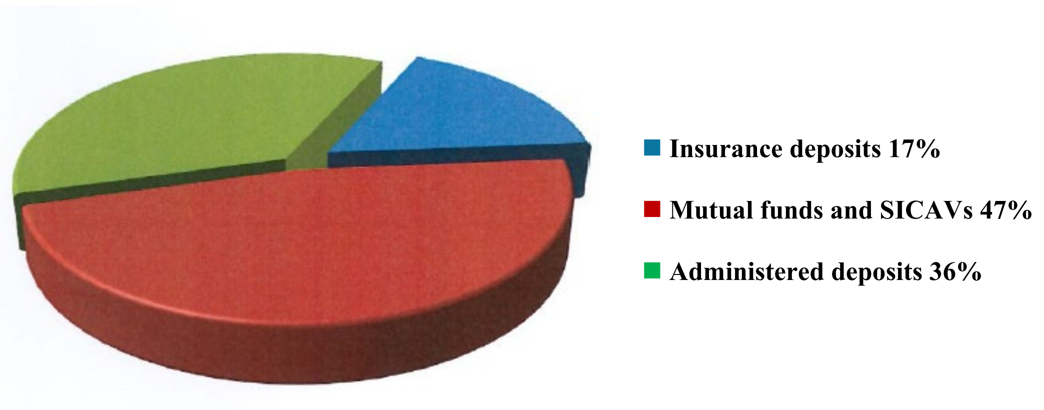
The ratio between managed and administered funds at the end of 2023 was 134% (2022: 71%), with the administered portion falling with respect to the figure last December and the managed portion rising, benefiting from the recovery of the stock markets.

More specifically, indirect administered deposits decreased by € 176.2 million or 36.94% in their various components, whereas the managed component, comprising mutual funds, and SICAVs increased by € 64.5 million compared to the end of 2022 (+19.01%).

Life insurance deposits, reached € 141.9 million at the end of 2023, recording an increase of € 10 million over the previous year, or 7.61%.

Breakdown of indirect and insurance deposits from customers

2023 Balance

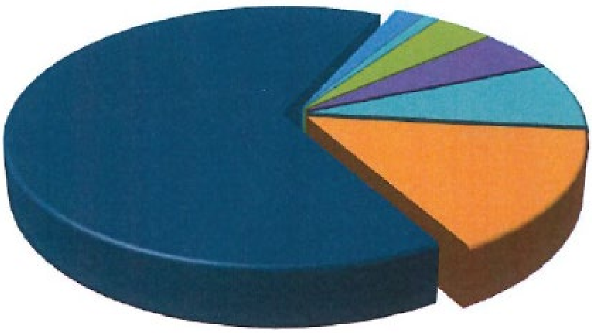


Total customer deposits amounted to € 2,744 million, a decrease of € 263.9 million (-8.77%), with direct deposits representing around 69% direct deposits and indirect deposits the remaining 31%, as can be seen from the table below (in thousands of euro).

Item	2023	2022	Change	
			Absolute	%
Direct deposits	1,897,474	2,059,734	-162,260	-7.88
Indirect deposits in finan. instrum.	704,779	816,496	-111,717	-13.68
Insurance deposits	141,947	131,914	10,033	7.61
Grand total	**2,744,200**	**3,008,144**	**-263,944**	**-8.77**

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 € 2,218 million.

Adding indirect and insurance deposits to the above aggregate gives the Bank's total intermediation capacity, which came out at € 3,065 million, as illustrated in detail in the table below.

Potential intermediation (in thousands of euro)

Item	2023	2022	Change	
			Absolute	%
Direct customer deposits	1,897,474	2,059,734	-162,260	-7.88
Bank deposits	36,059	34,732	1,327	3.82
Other liabilities	50,347	37,174	13,173	35.44
Share capital, reserves and profit for the period	234,280	214,490	19,790	9.23
Indirect customer deposits	704,779	816,496	-111,717	-13.68
Insurance deposits	141,947	131,914	10,033	7.61
Grand total	**3,064,886**	**3,294,540**	**-229,654**	**-6.97**

Due from customers

Lending activity in 2023 was strong, even if the current restrictive monetary policies impacted the cost of lending.
Gross due from customers amounts to € 1,593 million, increasing in relation to the previous year by € 80.2 million (+5.30%).
The net amount for the same aggregate is € 1,531.4 million, recording an increase of € 66.8 million (+4.56%).

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	9,257,801	11,048,400	-1,790,599	-16.21
Current accounts	141,578,277	131,657,738	9,920,539	7.54
Direct salary-backed loans	18,126,925	8,445,722	9,681,203	114.63
Advances	178,423,453	181,362,854	-2,939,401	-1.62
Sundry loans	589,697	932,648	-342,951	-36.77
Loans and other financing	1,199,508,746	1,136,617,652	62,891,094	5.53
Bad loans	42,675,891	39,833,171	2,842,720	7.14
Other loans	76,003	41,960	34,043	81.13
Gross lending	**1,590,236,793**	**1,509,940,145**	**80,296,648**	**5.32**
Operating loans	2,765,630	2,889,779	-124,149	-4.30
Total gross loans	**1,593,002,423**	**1,512,829,924**	**80,172,499**	**5.30**
Write-downs	61,630,985	48,263,235	13,367,749	27.70
Total net loans	**1,531,371,438**	**1,464,566,689**	**66,804,750**	**4.56**
Proprietary securities	273,019,456	366,556,211	-93,536,755	-25.52
Net book value	**1,804,390,894**	**1,831,122,900**	**-26,732,006**	**-1.46**

In terms of total volumes, gross economic loans confirmed a predominance in relation to medium/long-term operations (75%), consisting mainly of the technical types of mortgages and financing, with a lower impact for shorter-term exposures (22.2%). The remaining portion (2.8%) is represented by loans without fixed maturity dates, relative to bad loans.

The trend by technical form shows an increase in short-term lending (+3.46%), due to the increase in current accounts (+8.85%), in sundry advances (+10.08%) and in unsecured loans (+36.41%), while a decrease was seen in the technical forms of portfolio (-16.21%), advances subject to collection (-4.64%) and import/export (-10.43%).

The longer-term component also increased (+5.81%), due to the € 48 million rise in mortgage loans, for 7.61%, as well as in personal loans (+19.25%) and direct salary-backed loans (+€ 9.6 million).

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.
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, 40% of the portfolio was supported by mortgage loans, 34% by public guarantees, predominantly MCC, ISMEA, SACE and CONSAP, whereas the remaining 26% unsecured portion of the portfolio is supported by personal guarantees.

With regard to the distribution of rating class in the portfolio, over 56% of the portfolio has a level "A" rating, more than 31% level "B", just over 6% has level "C" and the remainder is in the NPL (D) category. The current economic situation, with high inflation and a deteriorating economic scenario caused in part by the conflicts in Europe and the Middle East, has had only a partial impact on the overall high quality of credit and the NPL level, which rose to 6.2% in terms of total loans, up by 1.2 points over 2022.

Signs of concern have been noted in Stage 2, or underperforming loans, exposures which have demonstrated a significant increase in credit risk but without any objective evidence of impairment. In essence, this category includes the forborne, overdue not impaired and downgraded portfolios and totalled € 202.3 million at 31/12 (€ 168.6 million at 12/2022). For this segment, which has the potential of being transferred to Stage 3, the Bank has implemented targeted activities to limit the volumes, promptly assessing the ability of loan recipients to continue to operate as going concerns. In this view, the long-term business relationship with CRIF continued, which guarantees the Bank specific forward looking sector risk scores (118 business sectors), which are combined with the traditional assessment system utilised.

In the "private" segment the credit digitalisation process was completed, which by using the PIU'CREDIX platform, owned by the BPL Group, has now made the process from granting through to providing the products on offer totally automatic (current accounts, loans, mortgages, credit cards). The simplicity in terms of management, digital acquisition of documents and rapid decision making which characterise the platform offer greater efficiency and effectiveness for retail loans, with returns for the Group from an economic and image perspective. In 2023, 3000 positions were evaluated through the platform for a total amount disbursed of around 60 million (of which 30 million for mortgages).

The table below illustrates the breakdown of the portfolio by category of borrower, which has not changed substantially from 2022:

Borrower category	Proportion 2023	Proportion 2022
Non-financial companies	67.79%	70.10%
Households	28.15%	26.42%
Financial companies	3.74%	3.11%
State and other entities	0.00%	0.00%
Other	**0.32%**	**0.37%**
Total	**100.00%**	**100.00%**

The breakdown by customer category shows a predominance by the non-financial companies (67.79%) and households (28.15%) sectors, with the other sectors remaining 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	**56.26%**	Businesses with turnover of > € 2.5 million, or with credit agreed/used for cash of > € 1 million
Small Business	**25.95%**	Businesses with turnover of < € 2.5 million, or with credit agreed/used for cash of < € 1 million
Retail	**17.79%**	Private consumers

The portfolio continues to be granular, with total credit spread over more than 26,316 thousand customers: the top ten customers represent 6.4% 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 amount of cash per loan was distributed among 26,316 customers, with an average unit amount disbursed of € 60,429, whereas productivity per individual employee was € 5.2 million, increasing slightly over the previous year (2022: 4.9 million).

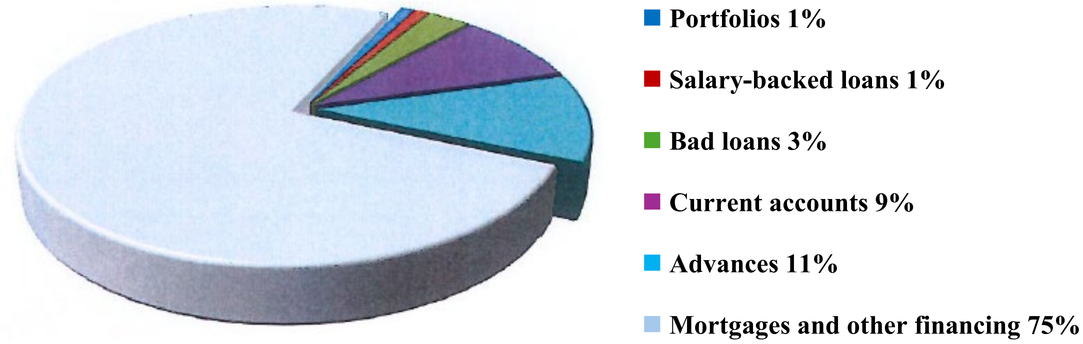
The ratio between loans and direct deposits was 83.81%. Using the average values, this ratio was 84.03% (2022: 74,62%).
The average rate of return on loans was 4.82%, increasing from the previous year by 220 basis points (2022: 2,62%).
Solutions offered in cooperation with commercial partners continued 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 € 10.6 million in amounts disbursed, and salary-backed loans for around € 0.75 million.

Among the product offering to companies in the leasing segment, contracts totalling around € 7.7 million were signed through the partner Alba Leasing Spa. In addition, factoring agreements were signed for a total of € 145.1 million through our partners Factorit Spa and Banca IFIS Spa.

Breakdown of customer loans

2023 Balance



Financial assets

Securities portfolio

The securities portfolio for the Bank amounted to € 422.9 million, with a decrease of € 90.1 million, or -17.56%, over the previous year. This represents 18.9% of assets (2022: 21,6%). More specifically, 63.05% consists of government bonds (€ 266.7 million), 23.21% of securities issued by banks (€ 98.1 million), while the remaining 13.74% is spread among financial issuers, public issuers and other issuers (€ 58.1 million).

The breakdown by security type is as follows: 53.56% (€ 226.5 million) is represented by BTPs and BOTs; 9.49% (€ 40.2 million) is represented by other government securities; 36.04% (€ 152.4 million) is represented by other bonds; and 0.91% is represented by shares and UCITS units (€ 3.8 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 through profit and loss is € 3.9 million (2022: € 4.3 million) and represented 0.91% of the total amount;
- the portfolio measured at fair value through other comprehensive income (HTC&S) amounted to € 106.4 million (2022: € 103.5 million) and represented 25.16% of the total amount (2022: 20.18%);
- the portfolio measured at amortised cost amounted to € 312.6 million, down by € 92.6 million compared with the previous year (-22.83%), representing 73.93% of the total amount (2022: 78,98%).

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.

The composition strategies of the aforementioned portfolios aimed at achieving the natural objectives of prudence in terms of risk (credit, interest rate and liquidity).
The figures above reflect the structure of the securities portfolio, in which the portfolio at amortised cost contributes more than the fair value through other comprehensive income portfolio. 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).

Share Capital and Reserves

The Bank's shareholders' equity amounted to € 214.6 million, an increase of € 11.2 million (+5.5%) over the figure for the previous year. The trend is mainly due to 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 profit or loss deriving from actuarial hypotheses associated with provisions for employee severance indemnities and the additional pension fund. Allocations to reserves of part of the profit forms a significant source of self-funding and represents our intention to reinvest part of the income generated in corporate operations.

The valuation reserve from financial assets measured at fair value through other comprehensive income showed a negative balance of € 7.1 million with a positive change of € 5.2 million on the previous year, whereas reserves for defined benefit plans show a positive balance of € 189 thousand.

The table below shows the balances for the individual components.

Items (in € thousand)	2023	2022	Change	
			Absolute	%
Share Capital (498,531 shares)	**34,372**	**34,372**		
Reserves:	**7,191**	**1,081**	**6,110**	**565.22%**
- Legal Reserve	863	308	555	180.19%
- Statutory Reserve	6,029	474	5,555	1,171.94%
- Other reserves	299	299		
Share premium reserve	**180,001**	**180,001**		
Valuation reserves:	**-6,958**	**-12,059**	**5,101**	**42.30%**
- Financial assets measured at fair value through other comprehensive income	-7,147	-12,309	5,162	41.94%
- Defined-benefit plans (actuarial gains/losses) reserve	189	250	-61	-24.40%
Grand total	**214,606**	**203,395**	**11,211**	**5.51%**

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.

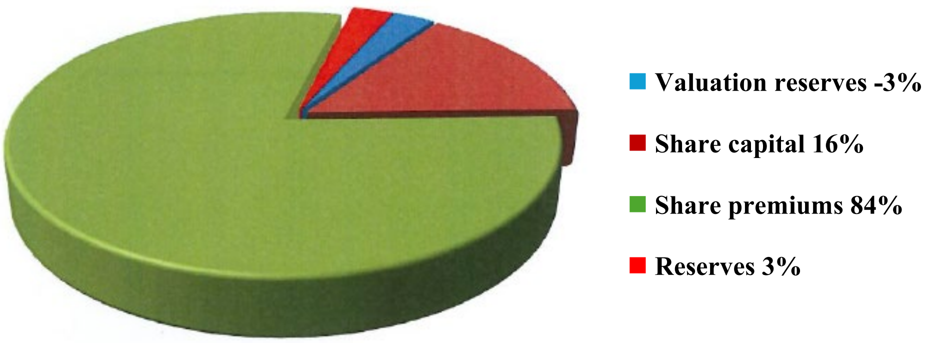
The portion of profits destined for the reserves, based on the proposed division of profits for 2023, amounts to € 7.7 million. Therefore, after approval of the division, assets will amount to € 222.3 million, up with respect to the figure the previous year (+6.11%). The increase is attributable to the valuation effects of financial assets measured at fair value through other comprehensive income, which caused a contraction in the negative valuation reserves, as well as the allocation of profit to equity.

At year end, the own funds aggregate rose from € 209.5 the previous year to € 221.4 million, an increase of € 11.8 million (+5.65%). The aggregate 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 total own funds and risk-weighted assets (Total Capital ratio) were recognised as 21.93% for the three indicators (2022: 21.21%), as capital is solely represented by primary elements.
The entire asset aggregate represents 11.67% of direct customer deposits (2022: 10.17%) and 14.46% of net loans provided to customers (2022: 14,31%). These indicators confirm the principle of prudence applied by the Bank in developing its business.

Share Capital and Reserves

2023 Balance



Shareholders and own shares

Share capital consists of 498,531 shares, held at 31/12/2023 by 197 shareholders (155 natural persons and 42 legal persons). Of these, Banca Popolare del Lazio is the majority shareholder, accounting for 99.55% of equity (equivalent to 496,287 shares). The other shareholders do not hold significant equity investments.