Directors' report on operations

Dear Shareholders,

Our bank, as the parent company of the Banca Valsabbina S.C.p.A. Banking Group, registered in the relevant register under number 5116.9, is required to prepare the consolidated financial statements as from the 2023 financial year as a result of the acquisitions of the companies mentioned in the following section.

Composition and development of the banking group

The Banking Group consists of the Parent Company Banca Valsabbina S.C.p.A. and its Subsidiaries Integrae SIM S.p.A., Prestiamoci S.p.A. and Pitupay S.p.A., the latter being a direct subsidiary of Prestiamoci S.p.A. The Parent Company holds 78.63% of Integrae SIM and 100.00% of Prestiamoci, which holds 100.00% of Pitupay.

A. Equity investments in fully-controlled companies

Company name	Operating office	Head Office	Shareholding relationship		% voting rights available
			Investor company	% held	
line basis					
Integrae SIM S.p.A.	Milan	Milan	Banca Valsabbina S.C.p.A.	78.63%	78.63%
Prestiamoci S.p.A.	Vimodrone	Milan	Banca Valsabbina S.C.p.A.	100.00%	100.00%
Pitupay S.p.A.	Vimodrone	Milan	Prestiamoci S.p.A.	100.00%	100.00%

Integrae SIM acts as an independent capital markets operator for small- and mid-cap companies, assisting them in the process of issuing equity and fixed income instruments, with or without a listing on the markets; if the issued instrument is listed, it supports the company with specialist and equity research activities. Integrae SIM is authorised by CONSOB to provide the services of dealing on own account, execution of orders on behalf of customers limited to the subscription and purchase of instruments issued by them, placement without irrevocable commitment to the issuer and acceptance and transmission of orders. The company, which has its registered and operating office in Milan, was established in 2009.

Prestiamoci is a fintech company operating in the digital lending sector through its proprietary platform of the same name. In particular, the company is active in the provision of personal loans to households; it is also expanding its product range to include digital financing solutions for Professionals, the VAT number holders and sole traders. Prestiamoci was established in 2009 under the name of Agata S.p.A. and adopted its current name in 2017.

Pitupay was authorised by the Bank of Italy to provide payment services in 2015, and actually started operations in 2016.

Pitupay's activity, in its legal capacity as a Payment Institution, is focused on providing services to peer-to-peer platforms, including its subsidiary Prestiamoci. Its activities have also opened up operations to other platforms that do not compete with Prestiamoci.

For the performance of the subsidiaries during the year, see the relevant section below.

Acquisition of control of the company Integrae SIM S.p.A. and of the company Prestiamoci S.p.A. (and therefore indirectly of the control of Pitupay S.p.A.)

Following the granting of the necessary authorisations by the Supervisory Authority, Banca Valsabbina acquired the shareholdings leading to the control of the following companies:

- Integrae SIM S.p.A., an investment company registered with the Bank of Italy under number 16471;

- Prestiamoci S.p.A., a financial intermediary pursuant to Article 106 of the Consolidated Banking Law registered with the Bank of Italy under number 33608. Indirectly, Banca Valsabbina also acquired control of Pitupay S.p.A. - fully owned by Prestiamoci - a fully operational payment institution pursuant to Article 114 of the Consolidated Banking Law (T.U.B.) and registered with the Bank of Italy with number 36057.

Denominazione imprese	Data di acquisizione del controllo	Quota partecipativa			Fair value corrispettivo per acquisto interessenza euro/000			Fair value attivo al netto passivo della partecipata per la quota di pertinenza del gruppo	Avviamento
		Ante acquis. del controllo	In sede acqu del controllo	TOTALE	Ante acquis. del controllo	In sede acqu del controllo	TOTALE		
Integrae SIM S.p.A. '(1)	15/09/2023	26,30%	52,33%	78,63%	500	8.587	9.087	3.572	(4) 5.515
Prestiamoci S.p.A.'(2) '(3)	24/10/2023	9,86%	90,14%	100,00%	245	1.431	1.676	520	1.156

(1) ante acquisizione del controllo era già partecipazione di collegamento
(2) ante acquisizione del controllo era interessenza inserita nel ptf FVOCI
(3) controlla direttamente Pitupay per il 100%. Fair value elementi attivo al netto passivo da subconsolidato di Prestiamoci con Pitupay
(4) oltre a 3.838 mila euro relativi alla rivalutazione della quota partecipativa già detenuta ante acquisizione del controllo

On 15 September 2023, Banca Valsabbina acquired control of its former investee Integrae SIM S.p.A., acquiring an additional 52.33% shareholding in the month, compared to the 26.30% previously held, thus increasing its stake to 78.63%. The immediate disbursement for the acquisition of the new shares was Euro 6.1, to which another maximum disbursement of Euro 3 million must be added qualifying as a an earn-out; the fair value of this future disbursement was quantified and recognised in the financial statements under equity investments with a balancing entry of Euro 2.5 million.

Including the shares already held prior to the acquisition of control, the total value of the equity investment recognised in the separate financial statements of Banca Valsabbina is

Euro 9.1 million. In accordance with the accounting techniques required by IFRS 3 "Business Combinations", an accounting revaluation of the shares already held was carried out at the conventional date of 30 September 2023 followed by the first-time consolidation. This consolidation, by eliminating the parent company's share in the equity of Integrae Sim with the value of the revalued investment, resulted in goodwill of Euro 9.3 million. It should be noted that (noting that the deadline for determining the precise value of acquired assets/liabilities under GAAP is 12 months from the acquisition date), no assets or liabilities of the subsidiary with a fair value other than the book value have been temporarily identified. The revaluation of the investment, which is only recognised in the consolidated financial statements, resulted in an after-tax income of Euro 3.6 million. Equity attributable to non-controlling interests, also at the date of first consolidation, amounted to Euro 971 thousand.

On 24 October Banca Valsabbina acquired control of Prestiamoci S.p.A. - reaching 100.00% in early November - and thus indirectly of Pitupay, a payment institution already owned by Prestiamoci as a 100.00% subsidiary. With the acquisition of additional shares compared to those already held, the Bank increased its stake from 9.86% to 100.00%. The fair value of the consideration determined for the acquisition of new shares was Euro 1.4 million. The first-time consolidation, carried out using the conventional date of 30 September 2023, resulted in a goodwill of Euro 1.2 million. It should be noted that (noting that the deadline for determining the precise value of acquired assets/liabilities under GAAP is 12 months from the acquisition date), no assets or liabilities of the subsidiary with a fair value other than the book value have been temporarily identified.

Following the acquisition by Banca Valsabbina, Prestiamoci carried out a share capital increase of Euro 5.5 million to support and expand its activities, which was fully subscribed by the sole shareholder, Banca Valsabbina. The total value of the equity investment recognised in the separate financial statements increased from Euro 1.7 million to Euro 7.2 million.

Further information on the accounting for business combinations is given in Part G "business combinations involving companies or business units" of the Explanatory Notes.

It should be noted that the company Valsabbina Real Estate srl in liquidation, previously a wholly-owned subsidiary of Banca Valsabbina, was formally closed in the second half of 2023; it should be noted that due to the limited size of this subsidiary (assets of less than Euro 10 million), no consolidated financial statements were prepared in previous years.

Banca Valsabbina also owns equity investments in Credit Service S.p.A., Fleap S.p.A. and Consulting S.p.A., which can be classified as subject to significant influence, for a reduced total investment of Euro 1.5 million.

General economic and reference context

The Group is mainly active in the banking sector, with a network of branches covering a large part of northern Italy. During the year, it acquired control of companies active in securities brokerage and consumer credit.

For a description of the general economic environment and reference markets, please refer to the Parent Company's Report on operations, which accompanies the financial statements.

Balance sheet and income statement results of the group

The following is a summary of the main balance sheet and income statement figures for the Banking Group; for a more detailed comment, considering the size of the subsidiaries and therefore their limited impact on the values of the consolidated situation compared to the situation of the Parent Company taken individually, please refer to the Report on Operations of Banca Valsabbina accompanying the separate financial statements.

It should also be noted that:

- as these are the first consolidated financial statements, there is no comparison with the previous year;

- amounts in the tables in this section are presented in thousands of euros unless otherwise stated.

Please also note that the "Consolidated Non-Financial Statement", prepared in accordance with Legislative Decree No. 254 of 2016, is published in a separate document.

Dynamics of financial aggregates

Shareholders' equity

Values as at 31/12/2023	Total	of which attributable to the group	of which attributable to non-
1. Share capital	106,956	106,550	406
2. Share premium reserve	228,717	228,717	-
3. Reserves	87,183	86,612	571
Income-related	90,275	89,704	571
a) legal	38,809	38,238	571
b) statutory	101,807	101,807	-
c) own shares	10,100	10,100	-
d) other	(60,441)	(60,441)	-
Others	(3,092)	(3,092)	-
4. Capital instruments	-	-	-
5. (Own shares)	(5,679)	(5,679)	-
6. Valuation reserves	(16,047)	(16,040)	(7)
Financial assets measured at fair value through other comprehensive income	9,843	9,843	-
Financial assets (other than equity securities) measured at fair value through other comprehensive income	(26,696)	(26,696)	-
Actuarial gains/loss on defined-benefit pension plans	(173)	(166)	(7)
Special revaluation laws	979	979	-
7. Profit (loss) for the year	52,166	52,153	13
TOTAL	453,296	452,313	983

Consolidated shareholders' equity as at 31 December 2023, including the profit for the period, amounted to Euro 453 million, of which Euro 452 million attributable to the group and Euro 1 million attributable to non-controlling interests (minority shareholders of Integrae SIM).

For the purpose of determining profit or loss for the period, a separate section is devoted to the description of economic performance.

As required by Bank of Italy Circular 262 "Bank Financial Statements", a reconciliation of the parent company's equity and profit to the consolidated equity and profit is also presented in a separate section.

A summary of the main capitalisation ratios as at 31 December 2023 is shown in the table below:

	31/12/2023
Consolidated shareholders' equity/customer deposits	8.61%
Consolidated shareholders' equity/loans and receivables with customers	11.89%
Consolidated shareholders' equity/total assets	6.41%
Texas ratio*	22.36%
Net non-performing loans/Consolidated own funds	20.52%
Net bad loans/Consolidated own funds	9.28%

*equal to the ratio of net non-performing loans to equity including the result for the period minus intangible assets

Own funds, reconciliation with book equity and solvency ratios. Stability and liquidity ratios

On a transitional basis, consolidated own funds amounted to Euro 469.8 million for the portion attributable to the group, while the portion attributable to non-controlling interests contributed Euro 0.3 million. As a result, consolidated own funds totalled Euro 470.1 million.

Noting that own funds also include the portion of the profit/(loss) for the year that will not be distributed, calculated on the basis of the parent company's proposed allocation of the profit/(loss) for the year that will be submitted to the Shareholders' Meeting, the table below shows the reconciliation between book equity and the supervisory aggregate, also detailing the portion attributable to the Group and to non-controlling interests and own funds under the fully loaded and transitional regimes.

Amounts in Euro	Attributable to the Group	Attributable to non-controlling interests[1]	TOTAL
BOOK EQUITY AS AT 31/12/2023	**452,313,650**	**982,501**	**453,296,151**
Differential between 10,100,000 (limit for buy-back of own shares) and value of own shares	(4,421,074)	-	(4,421,074)
Goodwill net of tax liabilities relating to goodwill	(17,854,191)	-	(17,854,191)
Software not being amortised and other intangible assets to be deducted	(1,990,273)	-	(1,990,273)
Insufficient Calendar Provisioning Coverage	(101,699)	-	(101,699)
Deferred tax assets to be deducted	(960,269)	-	(960,269)
Dividends likely to be distributed	(17,758,413)	-	(17,758,413)
Netting of equity attributable to non-controlling interests	-	(982,501)	(982,501)
Elements of CET1 - Common Equity Tier 1 attributable to non-controlling interests	-	155,921	155,921
Elements of AT1 - Additional Tier one attributable to non-controlling interests	-	52,902	52,902
TIER1 elements	**409,227,731**	**208,823**	**409,436,554**
Equity instruments and subordinated loans	58,924,860	-	58,924,860
Elements of Tier2 attributable to non-controlling interests	-	69,608	69,608
TIER2 elements	**58,924,860**	**69,608**	**58,994,468**
FULLY LOADED OWN FUNDS	**468,152,591**	**278,431**	**468,431,022**
IFRS 9 transitional regime and Reg. 873/2020 (known as CRR Quick-fix Art. 473 bis) [2]	1,638,053	-	1,638,053
Total transitional regimes	**1,638,053**	**-**	**1,638,053**
TRANSITIONAL REGIME OWN FUNDS	469,790,644	278,431	470,069,075

[1] Equity attributable to non-controlling interests can only be counted for a portion defined in accordance with Articles 81 to 88 of Regulation (EU) 575/2013.
[2] From 1 January 2023, the IFRS 9 transitional regime relating to the increased provisions made during the transition to this accounting standard will no longer apply. The sterilisation of higher provisions for performing loans from 1 January 2020 will remain in place until 2024.

Profit for the period and Dividends likely to be distributed (Amounts in Euro)	31/12/2023
Profit for the period	52,165,831
Dividends likely to be distributed [3]	(17,758,413)
Part of the profit calculated in Own Funds	**34,407,418**

[3] Equal to Euro 0.50 for each share issued by the Bank, amount determined in accordance with Regulation 241/2014 art. 2 para. 2.

The solvency ratios under the transitional regime were 16.48% for the Total and 14.41% for Tier 1, with risk-weighted assets of Euro 2,851,850 thousand. Under the fully loaded regime, the ratios were 16.44% and 14.36%, respectively, with risk-weighted assets of Euro 2,850,212 thousand.

These ratios are therefore higher than those required of the bank on an ongoing basis, as communicated by the Bank of Italy and calculated in accordance with the S.R.E.P. exercise (CET1 8.80%, Tier1 10.60% and Total 13.00%).

On the other hand, with regard to the liquidity and stability profiles required by the supervisory authorities to safeguard the technical solvency of intermediaries, the following is set out.

The consolidated LCR (Liquidity Coverage Ratio) given by the ratio between the reserve of liquid assets and the net outflow of liquidity envisaged over a 30-day stress period, which must be more than 100%. This indicator is designed to ensure that banks have sufficient high quality (uncommitted) liquid reserves available to meet outflows in a 30-day stress situation. As at 31 December 2023, the consolidated LCR ratio was 219.99%, equal to the ratio between the liquidity buffer of Euro 1,495.02 million and the expected net outflow (30 days) of Euro 679.6 million (net liquidity outflow);

The Net Stable Funding Ratio (NSFR) is given by the ratio of available stable funding to required stable funding and measures the entity's ability to have sufficient stable funding to meet its customer's funding needs over a 1-year period. This ratio must be greater than 100%. As at 31 December 2023, the consolidated NSFR ratio was 139.93%, equal to the ratio between the available stable funding of Euro 4,920.48 million and the required stable funding over a 1-year period of Euro 3,516.29 million.

Own shares

As at 31 December, the "own shares" in portfolio amounted to 779,205 for an equivalent of Euro 5,678,926 million, at an average unit value of Euro 7.2881 (2.194% of the existing shares); they amounted to 862,498 for an equivalent of Euro 6 million and 80 thousand as at 31 December 2022.

With regard to changes during the year, the bank purchased 350,438 shares for an equivalent of Euro 2,676,329 (average unit price Euro 7.63), of which 12,154 shares were withdrawn as part of insolvency procedures/garnishments or as a result of third-party attachments notified to the bank; 433,731 shares were also sold by the bank on the market for an equivalent of Euro 3,085,449 (average unit price Euro 7.11).

The subsidiary companies do not hold own shares.

Total customer deposits, direct and indirect

The group's total customer deposits as at 31 December 2023 amounted to Euro 8,389 million, broken down into direct deposits of Euro 5,263 million - represented in liability items 10 b) and 10 c) - and indirect deposits of Euro 3,126 million. As mentioned in general in the introduction, almost all values for this aggregate pertain to the parent company (Euro 8,361 million, of which Euro 5,235 million for direct deposits and Euro 3,126 million for indirect deposits), as the subsidiaries do not substantially operate in customer deposits. The picture - by technical form - at the end of the year was as follows:

(amounts in Euro 000)	31/12/2023
Current accounts and unrestricted deposits	3,386,807
Time deposits	1,591,296
Repurchase agreements	-
IFRS 16 Liabilities	7,303
Other deposits	128,758
b) Due to customers	5,114,164
Bonds	54,873
Subordinated bonds	92,551
Certificates of deposit	1,286
c) Securities issued	148,710
Total direct deposits	5,262,874
Indirect	3,126,088
Total deposits	8,388,962

In addition to traditional customer deposits such as on-demand deposits (current accounts) and time deposits (savings deposits, time deposits, ordinary and subordinated bonds), payables to vehicle companies concerning asset securitisation transactions without derecognition for accounting purposes are included in "other deposits".

The group's indirect deposits as at 31 December 2023 amounted to Euro 3,126 million, fully contributed by the parent company, and are divided into the following instruments:

(amounts in Euro 000)	31/12/2023
Government securities	660,258
Italian and foreign shares	306,465
Corporate and foreign bonds	125,557
Mutual funds	1,161,887
Insurance policies	871,921
Total Indirect Deposits	3,126,088

Thus, 65% of the aggregate is made up of asset management instruments (mutual funds and insurance policies), with the remaining part consisting of assets under administration.

Loans to customers and credit quality

Loans to customers are recorded under item "40b) Financial assets measured at amortised cost - Loans and receivables with customers" together with debt securities issued by non-bank counterparties.

The situation - by technical form - as at 31 December 2023 was as follows:

Loans to customers by technical form of disbursement	31/12/2023
Current accounts	436,023
Mortgages	2,911,618
Personal loans	37,482
Other loans	330,210
Non-performing loans	96,476
Loans	3,811,809
Debt securities	1,338,712
Total loans to customers	5,150,521

When intercompany transactions are eliminated, the parent company contributes approximately Euro 3,770 million to the aggregate, and the subsidiaries approximately Euro 41 million; these are mainly personal loans granted by the company Prestiamoci, mainly to consumer households. For a more detailed description of the phenomena relating to loans and receivables with customers, please refer to the Report on Operations in the separate financial statements, chapter "Loans".

It is also worth mentioning the presentation of "Credit quality" at consolidated level, both at stock and index level, as shown in the tables below.

Loans to customers for Credit quality	Gross exposure	Gross exposure	Collective impairment	Net exposure	% of total net exposure
a) Bad loans	100,327	56,728	-	43,599	1.14%
b) Unlikely to pay	82,833	36,484	-	46,349	1.22%
c) Past due loans	8,377	1,849	-	6,528	0.17%
Total non-performing loans	**191,537**	**95,061**	**-**	**96,476**	**2.53%**
d) Performing loans	**3,743,195**	**-**	**27,862**	**3,715,333**	**97.47%**
Total Loans	3,934,732	95,061	27,862	3,811,809	100.00%

Credit quality ratios	31/12/2023
Percentage out of gross loans and receivables	
% of bad loans out of total gross loans and receivables	2.55%
% of unlikely to pay out of total gross loans and receivables	2.11%
% of past due loans out of total gross loans and receivables	0.21%
% of non-performing loans out of total gross loans and receivables	4.87%
Coverage percentages	
Bad loans	56.54%
Unlikely to pay	44.05%
Past due loans	22.07%
Total non-performing loans	49.63%
Performing loans	0.74%
Percentage out of net loans and receivables	
% of bad loans out of total net loans and receivables	1.14%
% of unlikely to pay out of total net loans and receivables	1.22%
% of past due loans out of total net loans and receivables	0.17%
% of non-performing loans out of total net loans and receivables	2.53%

The texas ratio of 22.36%, which is the ratio of net non-performing loans to book equity (including the profit/(loss) for the period but deducting intangible assets), is added to the above ratios.

Financial Assets in securities and financial assets/liabilities to banks

Including exposures to banks and cash, recorded under asset items 10. and 40.a), the total financial assets held by the Group amounted to Euro 2,456 million, compared to Euro 2,468 million reported in the financial statements of the Parent Company.

Considering that the subsidiaries Prestiamoci and Pitupay do not have any securities of their own, that Integrae owns only Euro 2.5 million (equity securities recorded under financial assets held for trading), and that intra-group eliminations are limited, for a more detailed description of financial assets, please refer to the Report on Operations of the Parent Company's financial statements.

It should also be noted that the item "Equity Investments" in the consolidated financial statements includes the equity interests held in Fleap, Consulting and Credit Service - classified as subject to significant influence - and characterised by a limited total book value of Euro 1.5 million; while the equity investments held in subsidiaries are eliminated, compared to the separate financial statements, because they are subject to line-by-line consolidation.

With regard to financial liabilities - due to banks, the same considerations apply as those made for assets in the Parent Company's separate financial statements.

Financial assets	31/12/2023
10. Cash and cash equivalents	**78,445**
- Cash	21,019
- Current accounts and demand deposits with Central Banks	37,848
- Current accounts and deposits with banks	19,578
20. Financial assets measured at fair value through profit or loss	**154,592**
a) financial assets held for trading	5,174
b) financial assets designated at fair value	20,983
c) other financial assets mandatorily measured at fair value	128,435
30. Financial assets measured at fair value through other comprehensive income	**793,457**
40. Financial assets measured at amortised cost	**1,428,050**
a) loans and receivables with banks	89,337
- of which debt securities	1,867
- of which loans	87,470
b) loans and receivables with customers by debt securities	1,338,713
70. Equity investments	**1,545**
TOTAL	**2,456,089**
of which:	
cash and cash in hand	78,445
loans and receivables with banks for loans	87,470
Government securities	1,641,448
other bonds	474,911
mutual investment funds	94,142
equity securities and equity investments	55,704
insurance policies	20,983
derivative contracts	2,986
	2,456,089

Financial liabilities	31/12/2023
10. Financial liabilities measured at amortised cost	**1,184,522**
a) due to banks	1,184,522
TOTAL	**1,184,522**

Goodwill

For the reconstruction of the goodwill recognised in the consolidated financial statements, please refer to the table below, bearing in mind that the goodwill recognised in the parent company's separate financial statements derives from the merger operations of Cassa Rurale di Storo (Euro 1,982 thousand) and Credito Veronese (Euro 5,411 thousand).

Description	INTEGRAE	PRESTIAMOCI	TOTAL
Goodwill from separate financial statements BV (A)			7,393
Goodwill already included in the financial statements of the subsidiaries (B)	66	50	116
Goodwill on first-time consolidation	5,515	1,156	6,671
Due to the occurrence of FV share already held	3,838		3,838
Total goodwill on first-time consolidation (C)	9,353	1,156	10,509
Total goodwill from consolidation (A+B+C)	9,419	1,206	18,018

Profitability

Assuming that the economic results of the subsidiaries are included in the consolidated presentation only for the fourth quarter of the financial year (conventional date of first-time consolidation 30 September 2023), the overall consolidated profit for 2023 amounts to Euro 52 million and 166 thousand, of which Euro 52 million and 153 thousand is attributable to the Group and Euro 13 thousand to non-controlling interests.

INCOME STATEMENT	31/12/2023
Net interest income	153,078
Net fee and commission income	62,797
Dividends, trading and valuation income	29,357
Net interest and other banking income	245,232
Net impairment losses on financial assets at AC and FVOCI	(35,730)
Modification gains (losses) without derecognition	(157)
Net profit (loss) from financial operations	209,345
Personnel expenses	(74,391)
Other administrative expenses	(66,614)
Net accruals to provisions for risks and charges	(261)
Operating costs	(136,668)
Gains (losses) on equity investments and disposals of investments	2,936
Goodwill impairment losses	(1,066)
Profit from continuing operations gross of taxation	74,547
Income taxes for the year	(22,381)
Profit (Loss) for the year	52,166
Profit (loss) for the year attributable to non-controlling interests	13
Profit (loss) for the year attributable to the parent company	52,153

As with the balance sheet items, the income statement items also essentially refer to those of the Parent Company. Further details can be found in the Parent Company's Report on Operations.

Net interest income amounted to Euro 153.1 million, representing 62.4% of the net interest and other banking income, with interest income of Euro 255.8 million and interest expense of Euro 102.7 million.

Net fee and commission income amounted to Euro 62.8 million and represented 25.6% of the net interest and other banking income; they consist of fee and commission income of Euro 70.9 million and fee and commission expense of Euro 8.1 million.

Total *Net interest and other banking income* amounted to Euro 245.2 million and, in addition to the contribution of the components already discussed, also took into account the effects of the sale and valuation of financial assets in the trading portfolio (Euro 14.0 million), the sale of financial assets in the FVOCI and AC portfolio (Euro 10.0 million), the net result of financial assets designated at fair value and compulsorily measured at fair value (Euro 3.4 million) and the dividend component (Euro 2.0 million).

The *Result from Financial Operations* - amounting to Euro 209.3 million -, includes the effects of net impairment losses on loans and receivables (Euro 33.3 million) and owned debt securities (Euro 2.4 million), assets recorded in the accounting portfolios managed at amortised cost and FVOCI.

The *Operating costs* amounted to Euro 136.7 million; personnel expenses (including non-employee personnel, directors and auditors) of Euro 74.4 million, administrative expenses of Euro 66.6 million, provisions for risks of Euro 0.3 million, depreciation on tangible assets of Euro 5.4 million, and amortisation on intangible assets of Euro 1.3 million all contribute to the aggregate. Finally, other operating income, which amounted to Euro 11.3 million net of charges, contribute to the aggregate with a positive sign compared to the other financial statement items mentioned previously.

The *cost/income* ratio, which represents the ratio of operating costs to net interest and other banking income, is 55.7%.

The item *Net gains (losses) on equity investments* (gains of Euro 2.9 million) includes Euro 3.8 million from the revaluation of the equity investment already held in Integrae prior to the acquisition of the majority shareholding and Euro 0.9 million in losses from write-downs of subsidiaries or associates. *Goodwill impairment losses*, amounting to Euro 1.1 million, were made following the results of the impairment test on the component pertaining to the former Credito Veronese. This results in a *Consolidated profit before taxes* of Euro 74.6 million; with a total tax burden of Euro 22.4 million, the *Consolidated net profit* amounts to Euro 52.2 million.

The table below shows the contribution of each company to the Group's profit.

Formation of group profit

Group companies	Profit (Loss) for the year*	Profit (loss) attributable to the parent company	Profit (loss) attributable to non-controlling interests
Banca Valsabbina S.C.p.A.**	53,643	53,643	-
Integrae SIM S.p.A.	61	48	13
Prestiamoci S.p.A.	(1,557)	(1,557)	-
Pitupay S.p.A.	19	19	-
Total	52,166	52,153	13

* for subsidiary companies, this is the result of the fourth quarter of 2023 (conventional date of first-time consolidation 30 September 2023)

** including capital gains in the first-time consolidation deriving from the measurement of the non-controlling interest already held in Integrae SIM for Euro 3,572 thousand

Reconciliation statement of the parent company's shareholders' equity and profit to the consolidated shareholders' equity and profit

In accordance with the instructions of the Bank of Italy, a reconciliation statement between the shareholders' equity and the profit/(loss) for the year of the Parent Company (separate financial statements) and the consolidated shareholders' equity and profit/(loss)for the year as at 31 December 2023 is attached to this report.

	Shareholders' equity	-of which: profit/(loss) for the year
Shareholders' equity of the Parent Company	450,236	50,071
First-time consolidation adjustments, measurement of non-controlling interests	3,573	3,573
First-time consolidation adjustments, equity attributable to non-controlling interests	970	-
Contribution from subsidiaries to reserves	(5)	-
Pro-rata share of profit/(loss) of subsidiary companies	(1,478)	(1,478)
Consolidated shareholders' equity and profit (loss)	**453,296**	**52,166**
-of which attributable to non-controlling interests	452,314	52,153
-of which attributable to the group	982	13

Information on the operating trend of subsidiary companies

Considering that the 2023 financial statements of the subsidiary companies are attached to the Explanatory Notes of the separate financial statements pertaining to the Parent Company, at the end of Part H, a brief description of the results achieved by them for the year follows.

With regard to *Integrae SIM*, the net profit/(loss) for the period was a net profit of Euro 1,222 thousand against Euro 954 thousand in the previous year, after a tax burden of Euro 632 thousand.

Fee and commission income of Euro 7,916 thousand (+Euro 342 thousand in 2022), generated by the placement of securities, trading orders and consulting activities, contributed to the profit. The costs borne by the company consisted mainly of personnel expenses (Euro 3,794 thousand) and other administrative expenses (Euro 1,732 thousand), as well as depreciations/amortisation and other operating expense totalling Euro 550 thousand.

The company's assets amounted to Euro 9,562 thousand against Euro 9,906 thousand as at 31 December 2022, while equity, including the profit/(loss) for the period, amounted to Euro 4,598 thousand against Euro 3,987 thousand.

The profit/(loss) for the period was supported by the 11 transactions involving the placement of new companies on the stock market and a policy of revenue diversification.

The company is expected to continue its core business in 2024, focusing on the listing of SMEs on the Euronext Growth market in Milan and the provision of advisory, corporate broking and debt capital market services.

With regard to Prestiamoci, the loss for 2023 was Euro 2,991 thousand, compared to a loss of Euro 1,405 thousand at the end of 2022. The change in impairment losses on loans and receivables compared to the previous year (Euro 2.2 million vs. Euro 1.3 million) substantially justifies the change in the result. A positive net interest income of Euro 787 thousand, net fee and commission income of Euro 398 thousand, and operating costs of Euro 1,979 thousand, an aggregate that includes personnel expenses of Euro 827 thousand and other administrative expenses of Euro 745 thousand, all contributed to the profit/(loss) for the year. The company did not recognise any tax assets in the income statement for the year.

The assets, amounting to Euro 45.2 million, contain net loans and receivables with customers of Euro 39.5 million; of these, Euro 30.8 million are securitised loans that do not qualify for derecognition in the accounts (receivables assigned but not derecognised). These receivables are offset by due to SPVs of Euro 30.5 million, which are included in financial liabilities measured at amortised cost. The balance of the liabilities also includes an amount due to the parent company (credit process) of Euro 8.7 million.

In November, after the parent company Banca Valsabbina acquired full control of the company, a share capital increase of Euro 5.5 million was fully subscribed by the sole shareholder. Equity as at 31 December 2023, including the loss for the period, thus amounted to Euro 4.5 million against Euro 2.0 million a year earlier.

The year 2023 was characterised by a 30% decrease in disbursements, mainly due to two factors: 1) the running out of the funding secured by a securitisation transaction - relating to loans disbursed by the company - which took place in the first four months of 2023 due to the natural end of the ramp-up period 2) the strategic decision of the company to reduce the credit supply until the completion of the acquisition by Banca Valsabbina.

After the transitional period just described, the first few months of Banca Valsabbina's control have already seen a higher volume of disbursements than before, with a better risk profile due to the origination based on the Parent Company's customers.

With regard to the business development, the company developed a multi-year business forecast that takes into account the synergistic contribution of the shareholder in terms of funding availability, origination to its customers and advisory support with a view to achieving break-even volumes.

Pitupay recorded a profit for the year of Euro 11 thousand compared to a loss of approximately Euro 19 thousand in 2022. Net interest and other banking income amounted to Euro 245 thousand; the nature of the company's business does not incur any credit impairment costs, while operating costs amounted to Euro 231 thousand, resulting in a profit before tax of Euro 15 thousand.

Assets, which amounted to Euro 1,058 thousand, consisted of Euro 836 thousand in cash and cash equivalents related to which, on the liabilities side, the debt to lenders operating on the P2P platform of Prestiamoci is shown. Equity, including the profit/(loss) for the period, amounted to Euro 172 thousand against Euro 161 thousand at the end of 2022.

Human resources

As at 31 December 2023, the Group had 895 resources, 877 employees and 18 agency workers. Almost all of the Group's resources have permanent contracts (99.18% of resources) and work full-time (97.83% of resources).

With regard to employees, those of the Parent Company Banca Valsabbina (827 resources) and one resource of a subsidiary are covered by the CCNL (National Collective Labour Agreement) for Credit. All other employees of the subsidiaries are covered by the CCNL for trade. The total number of employees in the subsidiaries at the end of the year was 50.

Employees by gender and professional figure	CCNL FOR CREDIT			CCNL FOR TRADE			Total
	Managers	Middle Managers	3rd Professional Area	Managers	White Collars	White-collar apprentices	
2023							
Men	11	352	200	9	12	8	592
Women	-	125	140	5	10	5	285
Total	11	477	340	14	22	13	877

As regards the breakdown of employees by age group and professional figure and the breakdown by qualification, reference can be made to the next two tables.

Employees by gender and professional figure	CCNL FOR CREDIT			CCNL FOR TRADE			Total
	Managers	Middle Managers	3rd Professional Area	Managers	White Collars	White-collar apprentices	

Employees by qualification	2023
Degree	494
High school	379
Middle school	4
Total	877

Financial statement ratios

RATIOS							2023
2023							
<30 years	-	-	80	-	3	11	94
30-50 years	5	337	226	9	13	2	592
>50 years	6	140	34	5	6	-	191
Total	11	477	340	14	22	13	877

Report on Corporate Governance and ownership structures pursuant to Article 123-BIS of the TUF

STRUCTURAL RATIOS	
Uses/Total assets	53.93%
Loans/Direct deposits	72.43%
Average employees per branch (no. of employees /no. of branches)	12.61
PROFITABILITY RATIOS	
Net interest and other banking income/total assets	3.47%
Profit (loss)/average shareholders' equity	13.00%
Profit (loss)/average total assets	0.74%
Net interest and other banking income/banking product	2.01%
Impairment losses on assets at amortised cost/net interest and other banking income.	14.66%
Tax rate	(30.02%)
Earnings (loss) per share issued	1.47
PRODUCTIVITY RATIOS (in Euro/000)	
Banking product per average employee (1)	14,253
Loans per employee (average)	4,453
Direct deposits per employee (average)	6,148
Indirect deposits per employee (average)	3,652
Net interest and other banking income per employee (average)	286.49
EFFICIENCY RATIOS	
Admin. expenses/average total assets	2.00%
Admin. expenses/net interest and other banking income	57.50%
Cost/income	55.73%
Adjusted cost/income (2)	57.58%
Admin. expenses/banking product	1.16%
Personnel expenses/average number of employees (in Euro 000)	83.78
ASSET QUALITY RATIOS	
Net non-performing loans/net loans	2.53%
Bad loans/net loans	1.14%
Impairment losses and losses on loans/net loans	0.88%
Adjustments on non-performing loans/gross non-performing loans	56.54% (3) 57.17%
Impairment losses on non-performing loans/gross non-performing loans	49.63% (3) 50.02%
Texas Ratio (4)	22.36%

(1) Direct and indirect deposits of customers plus customer loans

(2) Ratio of item 160+180+190 to 120+200

(3) Also including extinguished loans still held by the Bank

(4) Ratio of net non-performing loans to shareholders' equity (including profit/loss) less Intangible Fixed Assets

In accordance with the provisions of Article 123-bis of the Consolidated Law on Finance (TUF), the Bank, as an issuer of securities admitted to trading on regulated markets or multilateral trading facilities, provides the following detailed information on its corporate governance and ownership structure.

Changes in ownership structure as at 1 March 2023 (pursuant to Article 123-bis, par. 1, TUF)

Structure of the share capital (pursuant to Art. 123-bis par. 1, letter a), TUF)

The Bank is an issuer with shares widely distributed among the public in accordance with Article 2-bis of the Consob Regulation on Issuers. The share capital, entirely subscribed and paid up, amounts to Euro 106,550,481.00 divided into 35,516,827 ordinary shares with a nominal value of Euro 3.00 each.

The share capital structure consists only of ordinary shares, which have been listed on the Vorvel multilateral trading facility since 18 July 2016 (until 13 December 2022 called “Hi-MTF”).

Restrictions on the transfer of financial instruments (pursuant to Art. 123-bis, par. 1, letter b) TUF)

The Bank's Articles of Association provide for acceptance clauses only for the acquisition of Shareholder qualification by holders of shares, contained in Articles 8 and 9 of the Articles of Association.

In compliance with the regulations in force applicable to cooperative banks, Article 11 of the Articles of Association envisages that no one may own more shares than the maximum number permitted by law, set by Article 30 of the Consolidated Banking Law at 1% of the share capital and, therefore, i.e. 355,168 shares. The limit in question does not apply to UCIs in securities where the limits provided by the relevant regulations will apply.

Significant investments in capital, securities with special rights and shareholdings of employees (pursuant to Article 123-bis, par. 1, letter c), d) and e) TUF)

In compliance with the principle of the shareholding limit referred to in the previous paragraph, no person appears to hold, directly or indirectly, significant investments in capital pursuant to Article 120 of the Consolidated Law on Finance (TUF). The cooperative form of the Bank excludes the possibility of controlling positions.

Employees who are Shareholders exercise their voting rights in the same way as Shareholders in general.

Restrictions on voting rights (pursuant to Article 123-bis, par. 1, letter f) TUF)

The exercise of the right to vote is subject to the status of shareholder, which is acquired, following the resolution for approval by the Board of Directors, by registration in the

Shareholders' Register.

In order to take part in the Shareholders' Meeting and exercise a vote, it is necessary to have been a Shareholder for at least 90 days prior to the date set for the Shareholders' Meeting on first call (Article 24 of the Articles of Association).

Pursuant to Article 30 of the Consolidated Banking Law and Article 24 of the Articles of Association, each Shareholder may cast only one vote, regardless of the number of shares held.

Participation in the assets and profits is proportional to the shares held, however, if the aforementioned shareholding limit is exceeded and the excess shares are not disposed of within one year from the notification of the breach, the relevant property rights accrued up to the disposal of the excess shares shall be acquired by the Bank and allocated to reserves.

There are no further restrictions on voting rights.

Shareholders' agreements known to the Bank pursuant to Article 122 TUF (pursuant to Article 123-bis, par. 1, letter g) TUF)

The Board of Directors is not aware of the existence of shareholder agreements pursuant to Article 122 of the Consolidated Law on Finance (TUF).

Clauses in the presence of a change of control (pursuant to Article 123-bis, par. 1, letter h) Consolidated Law on Finance (TUF)

There are no agreements to which the Bank or its subsidiary is a party that become effective, are amended or terminate in the event of a change of control of the Bank.

Authorisations to increase the share capital and to purchase own shares (pursuant to Article 123-bis, par. 1, letter m) TUF)

At the date of this Report, there are no authorisations to increase the share capital pursuant to Article 2443 of the Italian Civil Code or to issue convertible bonds pursuant to Article 2420-ter of the Italian Civil Code.

As at 29 February 2024, the Bank held a total of 839,985 own shares (representing 2.36% of the share capital) purchased under the authorisations granted by the Shareholders' Meeting.

Management and co-ordination activities (pursuant to Article 2497 et seq. of the Italian Civil Code)

The Bank is not subject to management or co-ordination in accordance with Article 2497 et seq. of the Italian Civil Code.

The Bank does not comply with corporate governance codes of conduct promoted by regulated market management companies or trade associations.

Shareholders' Meeting (pursuant to article 123- bis, par. 2, letter c) TUF

The operating mechanisms of the Shareholders' Meeting, its main powers, shareholders' rights and how to exercise them are regulated in Articles 20 to 29 of the Articles of Association.

The Shareholders' Meeting for the approval of the financial statements as at 31 December 2023, convened for 20 April 2024 in first call and on 22 April 2024 in second call.

Board of Directors and Board Committees (pursuant to Article 123-bis, par. 2, letter d), TUF)

The Bank adopts the traditional system of management and control, under which the Board of Directors assumes the role of body with strategic supervision and management. The General Manager is also involved in the management of the company.

Pursuant to Article 30 of the Articles of Association, the Board of Directors consists of a minimum of 7 and a maximum of 13 members, including the Chairman and Deputy Chairman.

The Shareholders' Meeting of 2 May 2015 set the number of members of the Board of Directors at 10.

Moreover, Article 30 of the Articles of Association envisages that the Board of Directors must include at least 3 non-executive directors, that at least one quarter of the directors must meet the independence requirements set out in the laws and regulations in force from time to time and that the composition of the Board of Directors must also ensure a gender balance at least to the minimum extent required by the laws, regulations and supervisory provisions in force from time to time.

The Board of Directors in office is characterised by the presence of only non-executive Directors (10 out of 10 members), 2 of whom are independent and 3 of whom belong to the less represented gender.

The following table shows the composition of the Bank's Board of Directors specifying also that the Directors were members of the Board Committees.

The Board of Directors resolved, pursuant to Article 38 of the Articles of Association and in compliance with the relevant regulations and supervisory regulations, to set up a Risk Committee from among its members. It should also be noted that at its meeting of 8 April 2023, the Board of Directors decided to assign the role previously played by the Committee of Independent Directors to the two independent directors on the Board of Directors.

In carrying out their functions, the Committees have access to information and company functions required for the carrying-out of their duties and may use external consultants within the terms set by the Board of Directors.

The Risk Committee currently consists of three members, two of whom meet the independence requirements.

The Committee performs support functions for the Board in relation to risks and the internal control system, with the tasks envisaged by the supervisory provisions in force.

The following table shows the members of the Board of Directors with an indication of the office held and any other roles in the Board of Directors:

Office	Members	Independent director	Risk Committee
Chairman	Barbieri Renato		
Deputy Chairman	Pelizzari Alberto		
Director	Baso Andriano		
Director	Ebenestelli Aldo		
Director	Fiori Eliana		
Director	Gnecchi Flavio		
Director	Niboli Pier Andreino		
Director	Pandini Nadia	X	X
Director	Pezzolo De Rossi Simona	X	X
Director	Veronesi Luciano		X

The operation of the Board of Directors is regulated by the provisions of Articles 35-36 of the Articles of Association.

The Board of Directors met 27 times during 2023, always in person, with the exception of one meeting which was held by videoconference. The average duration of each meeting was 3 hours and the average attendance rate was 94.07%.

As from 1 January 2024 and to date, the Board of Directors has met 4 times.

During 2023, the Risk Committee met 4 times. The average duration of each meeting was 2.5 hours.

During 2023, the Independent Directors met 7 times. The average duration of each meeting was 50 minutes.

Board of Statutory Auditors (pursuant to Article 123-bis, par. 2, letter d), TUF)

The Board of Statutory Auditors, appointed by the Shareholders' Meeting in accordance with the provisions of the Articles of Association, performs the duties assigned by the regulations in force to the control body of a banking parent company, in accordance with the provisions of the law and regulations and the Articles of Association.

In accordance with the provisions of Article 41 of the Articles of Association, the Board is composed of 5 Acting Auditors (including the Chairman of the Board) and 2 Alternate Auditors, appointed by the Shareholders' Meeting.

The following table shows the composition of the Bank's Board of Statutory Auditors:

Office	Members
Chairman	Vivenzi Mauro Giorgio
Acting Auditor	Dorici Donatella
Acting Auditor	Garzoni Bruno
Acting Auditor	Mazzari Filippo
Acting Auditor	Pozzi Federico
Alternate Auditor	Apostoli Patrizia
Alternate Auditor	Arpino Riccardo

The operating procedures of the Board of Statutory Auditors are set out in Article 44 of the Articles of Association.

During 2023, the Board of Statutory Auditors met 24 times, with each meeting lasting an average of approximately 1 hour and 30 minutes.

The Board of Statutory Auditors also attended all 27 meetings of the Board of Directors held during 2023 and 4 convened from 1 January 2024 to date. It also attended with at least one representative all the meetings of the Risk Committee and attended the annual Ordinary Shareholders' Meeting in its entirety. As from 1 January 2024 and to date, the Board of Statutory Auditors has met 4 times.

Diversity policies (pursuant to Article 123-bis, par. 2, letter d-bis), TUF)

The Board of Directors and the Board of Statutory Auditors, as part of their self-assessment process, assessed the diversity profiles in terms of skills, experience, age, gender, international projection, tenure and territorial origin.

With regard to gender diversity, the Board of Directors has shown that three of its members belong to the less represented gender, while the Board of Statutory Auditors has shown that one Acting Auditor and one Alternate Auditor belong to the less represented gender.

The Board of Directors and the Board of Statutory Auditors have also taken steps, with a view to the forthcoming Shareholders' Meeting, which will be convened to partially renew the Board of Directors and fully renew the Board of Statutory Auditors, to draw up a document on their optimal qualitative and quantitative composition, in which they expressed their hope that in selecting the candidates to be submitted to the Shareholders' Meeting, the profiles of persons who, in addition to the legal and regulatory requirements, possess skills and experience that will foster debate and ensure internal dialogue within the bodies would be evaluated.

The Board of Directors also mentioned that the members of the Board cannot be older than 75 at the time of their appointment.

Characteristics of existing risk management and internal control systems in relation to the process of financial reporting (pursuant to Article 123- bis, par. 2, letter b), TUF)

For information on the characteristics of the existing risk management and internal control systems in relation to the financial reporting process, see the paragraphs on governance, risk management and internal control system of this report.

Other corporate governance practices

The Bank does not adopt any corporate governance practices beyond those required by law or regulation and described in this Report.

With regard to Article 123-bis, paragraph 1, letters i) and l), and paragraph 2, letter a) TUF, there is no information to be provided as they are not applicable to the Bank's situation.

Significant events occurring after the reporting period and business outlook.

With regard to the requirements of international accounting standard IAS 10 "Events occurring after the reporting period", it should be noted that no significant events occurred between 31 December 2023 and the date of approval of the draft consolidated financial statements by the Board of Directors, which was 13 March 2024.

The figures relating to Banca Valsabbina's operating performance and results of the operations confirm the strategic vision and the effectiveness of the measures taken so far in the financial year. The integration of the subsidiaries into the banking group is nearing completion, and the Bank's territorial expansion, as outlined in the Branch Plan, is expected to continue in new markets with high potential.

On the macroeconomic front, according to the ECB's latest bulletin, the Eurozone economy could strengthen in the medium term, while inflation is expected to ease in the short term. Therefore, the prospects for an economic recovery, which should make it possible to limit the risks of an increase in non-performing loans, and the decisions on the timing of the likely interest rate cut, which will determine the dynamics of net interest income in 2024, remain the main unknowns.

The aim for the coming year is therefore to continue to focus on developing and diversifying revenue sources, including through new subsidiaries. It is therefore reasonable to assume that the solidity, profitability and productivity ratios of the past financial year will also be confirmed in the coming year.

The Board of Directors