Annual financial report **2023**

GRUPPO CASSA CENTRALE
CREDITO COOPERATIVO ITALIANO

2

Cassa Centrale Banca Credito Cooperativo Italiano
Cooperative Banking Group

Annual financial report 2023

Contents

0

Composition of the corporate bodies and officers

Cassa Centrale Banca list of shareholders

Ordinary shareholders

ASSICURA - Società Responsabilità Limitata
BANCA ADRIA COLLI EUGANEI - CREDITO COOPERATIVO - Società Cooperativa
BANCA CENTRO EMILIA - CREDITO COOPERATIVO - Società Cooperativa
BANCA CENTRO LAZIO CREDITO COOPERATIVO - Società Cooperativa
BANCA DEL TERRITORIO LOMBARDO CREDITO COOPERATIVO - Società Cooperativa
BANCA DEL VENETO CENTRALE - CREDITO COOPERATIVO - Società Cooperativa
BANCA DELL'ALTA MURGIA CREDITO COOPERATIVO - Società Cooperativa
BANCA DI BOLOGNA CREDITO COOPERATIVO - Società Cooperativa
BANCA DI CARAGLIO, DEL CUNEESE E DELLA RIVIERA DEI FIORI - CREDITO COOPERATIVO - Società Cooperativa
BANCA DI CREDITO COOPERATIVO DEI CASTELLI E DEGLI IBLEI - Società Cooperativa
BANCA DI CREDITO COOPERATIVO DEI CASTELLI ROMANI E DEL TUSCOLO - Società Cooperativa
BANCA DI CREDITO COOPERATIVO DEL CIRCEO E PRIVERNATE - Società Cooperativa
BANCA DI CREDITO COOPERATIVO DELLA ROMAGNA OCCIDENTALE - Società Cooperativa
BANCA DI CREDITO COOPERATIVO DELL'ALTO TIRRENO DELLA CALABRIA VERBICARO (PROVINCIA DI COSENZA) - Società Cooperativa
BANCA DI CREDITO COOPERATIVO DI ABRUZZI E MOLISE - Società Cooperativa
BANCA DI CREDITO COOPERATIVO DI ALBEROBELLO, SAMMICHELE E MONOPOLI - Società Cooperativa
BANCA DI CREDITO COOPERATIVO DI ANAGNI - Società Cooperativa
BANCA DI CREDITO COOPERATIVO DI AQUARA - Società Cooperativa
BANCA DI CREDITO COOPERATIVO DI BARLASSINA (MILANO) - Società Cooperativa
BANCA DI CREDITO COOPERATIVO DI BRESCIA - Società Cooperativa
BANCA DI CREDITO COOPERATIVO DI CASSANO DELLE MURGE E TOLVE - Società Cooperativa
BANCA DI CREDITO COOPERATIVO DI CHERASCO - Società Cooperativa

BANCA DI CREDITO COOPERATIVO DI CONVERSANO - Società Cooperativa

BANCA DI CREDITO COOPERATIVO DI FLUMERI - Società Cooperativa

BANCA DI CREDITO COOPERATIVO DI LOCOROTONDO CASSA RURALE E ARTIGIANA - Società Cooperativa

BANCA DI CREDITO COOPERATIVO DI PIANFEI E ROCCA DE' BALDI - Società Cooperativa

BANCA DI CREDITO COOPERATIVO DI SAN GIOVANNI ROTONDO - Società Cooperativa

BANCA DI CREDITO COOPERATIVO DI SAN MARZANO DI SAN GIUSEPPE - TARANTO - Società Cooperativa

BANCA DI CREDITO COOPERATIVO DI SARSINA - Società Cooperativa

BANCA DI CREDITO COOPERATIVO DI SPELLO E DEL VELINO - Società Cooperativa

BANCA DI CREDITO COOPERATIVO LA RISCOSSA DI REGALBUTO - Società Cooperativa

BANCA DI CREDITO COOPERATIVO - LODI - Società Cooperativa

BANCA DI CREDITO COOPERATIVO VALDOSTANA - COOPERATIVE DE CREDIT VALDOTAINE - Società Cooperativa

BANCA LAZIO NORD CREDITO COOPERATIVO - Società Cooperativa per azioni

BANCA MALATESTIANA - CREDITO COOPERATIVO - Società Cooperativa

BANCA MONTE PRUNO - CREDITO COOPERATIVO DI FISCIANO, ROSCIGNO E LAURINO - Società Cooperativa

BANCA PREALPI SANBIAGIO CREDITO COOPERATIVO - Società Cooperativa

BANCA TERRITORI DEL MONVISO - CREDITO COOPERATIVO DI CASALGRASSO E SANT'ALBANO STURA - Società Cooperativa

BANCA 360 CREDITO COOPERATIVO FVG - Società Cooperativa

BANCO MARCHIGIANO CREDITO COOPERATIVO - Società Cooperativa

BCC FELSINEA - BANCA DI CREDITO COOPERATIVO DAL 1902 - Società Cooperativa

BENE BANCA CREDITO COOPERATIVO DI BENE VAGIENNA (CUNEO) - Società Cooperativa

BVR BANCA - Banche VENETE RIUNITE - CREDITO COOPERATIVO DI SCHIO, PEDEMONTE, ROANA E VESTENANOVA - Società Cooperativa

CASSA DI TRENTO, LAVIS, MEZZOCORONA, VALLE DI CEMBRA E ALTA VALLAGARINA - BANCA DI CREDITO COOPERATIVO - Società Cooperativa

CASSA PADANA BANCA DI CREDITO COOPERATIVO - Società Cooperativa

CASSA RAIFFEISEN DI SAN MARTINO IN PASSIRIA - RAIFFEISENKASSEN ST. MARTIN IN PASSEIER - Società Cooperativa

CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - Società Cooperativa

CASSA RURALE ALTOGARDA - ROVERETO - BANCA DI CREDITO COOPERATIVO - Società Cooperativa

CASSA RURALE DI LEDRO - BANCA DI CREDITO COOPERATIVO - Società Cooperativa

FFPB CASSA DI FASSA PRIMIERO BELLUNO - BANCA DI CREDITO COOPERATIVO - Società Cooperativa

CASSA RURALE ED ARTIGIANA DI BORGO SAN GIACOMO (BRESCIA) - CREDITO COOPERATIVO - Società Cooperativa

CASSA RURALE ED ARTIGIANA DI BOVES - BANCA DI CREDITO COOPERATIVO (BOVES-CUNEO) - Società Cooperativa

CASSA RURALE NOVELLA E ALTA ANAUNIA - BANCA DI CREDITO COOPERATIVO - Società Cooperativa

CASSA RURALE RENON - RAIFFEISENKASSE RITTEN - Società Cooperativa

CASSA RURALE VAL DI FIEMME - BANCA DI CREDITO COOPERATIVO - Società Cooperativa

CASSA RURALE VAL DI NON - ROTALIANA E GIOVO - BANCA DI CREDITO COOPERATIVO - Società Cooperativa

CASSA RURALE VAL DI SOLE - BANCA DI CREDITO COOPERATIVO - Società Cooperativa

CASSA RURALE VALLAGARINA - BANCA DI CREDITO COOPERATIVO - Società Cooperativa

CASSA RURALE VALSUGANA E TESINO - BANCA DI CREDITO COOPERATIVO - Società Cooperativa

CASTAGNETO BANCA 1910 - CREDITO COOPERATIVO - Società Cooperativa

CAVIT - Cantina Viticoltori Consorzio Cantine Sociali del Trentino - Società Cooperativa

CON.SOLIDA - Società Cooperativa Sociale

CONSORZIO LAVORO AMBIENTE - Società Cooperativa

CONSORZIO MELINDA - Società Cooperativa Agricola

CORTINABANCA - CREDITO COOPERATIVO - Società Cooperativa

CREDITO COOPERATIVO - CASSA RURALE ED ARTIGIANA DEL FRIULI VENEZIA GIULIA - Società Cooperativa

CREDITO COOPERATIVO CENTRO CALABRIA - Società Cooperativa

DZ BANK AG DEUTSCHE ZENTRALGENOSSENSCHAFTSBANK FRANKFURT AM MAIN

FEDERAZIONE DEL NORD EST CREDITO COOPERATIVO ITALIANO - Società Cooperativa

FEDERAZIONE DELLE BCC DEL FRIULI VENEZIA GIULIA - Società Cooperativa

FEDERAZIONE TRENTINA DELLA COOPERAZIONE - Società Cooperativa

FONDO COMUNE DELLE CASSE RURALI TRENTINE - Società Cooperativa

LA CASSA RURALE - CREDITO COOPERATIVO ADAMELLO GIUDICARIE VALSABBIA PAGANELLA - Società Cooperativa

PRIMACASSA - CREDITO COOPERATIVO FVG - Società Cooperativa

PROMOCOOP TRENTINA - Società per Azioni

ROMAGNABANCA CREDITO COOPERATIVO ROMAGNA EST E SALA DI CESENATICO - Società Cooperativa

SAIT CONSORZIO DELLE COOPERATIVE DI CONSUMO TRENTINE - Società Cooperativa

SICILBANCA CREDITO COOPERATIVO ITALIANO - Società Cooperativa

TRENTINGRANA CONSORZIO DEI CASEIFICI SOCIALI E DEI PRODUTTORI LATTE TRENTINI - Società Cooperativa Agricola

ZKB ZADRUŽNA KRAŠKA BANKA TRST GORICA ZADRUGA ZKB CREDITO COOPERATIVO DI TRIESTE E GORIZIA - Società Cooperativa

Preference shareholders

BANCA IFIS - Società per Azioni

BANCA POPOLARE ETICA - Società Cooperativa per azioni

CAMERA DI COMMERCIO INDUSTRIA AGRICOLTURA E ARTIGIANATO - TRENTO

CASSA RAIFFEISEN BASSA VENOSTA - Società Cooperativa

CASSA RAIFFEISEN DELLA VAL PASSIRIA - RAIFFEISENKASSEN ST. MARTIN IN PASSEIER - Società Cooperativa

CASSA RAIFFEISEN DI SAN MARTINO IN PASSIRIA - Società Cooperativa

COOPERATIVA PROVINCIALE GARANZIA FIDI - Società Cooperativa

DZ BANK AG DEUTSCHE ZENTRALGENOSSENSCHAFTSBANK FRANKFURT AM MAIN

MEDIOCREDITO TRENTINO-ALTO ADIGE - Società per Azioni

PROMOCOOP TRENTINA - Società per Azioni

PROVINCIA AUTONOMA DI TRENTO

Corporate officers and Independent Auditors

Board of Directors

Giorgio Fracalossi	CHAIRPERSON
Sandro Bolognesi	CHIEF EXECUTIVE OFFICER
Carlo Antiga	ACTING DEPUTY CHAIRPERSON
Enrica Cavalli	DEPUTY CHAIRPERSON
Paola Brighi	DIRECTOR
Isabella Chiodi	DIRECTOR
Carmela Rita D'Aleo	DIRECTOR
Maria Luisa Di Battista	DIRECTOR
Emanuele di Palma	DIRECTOR
Amelio Lulli	DIRECTOR
Enrico Macrì	DIRECTOR
Giorgio Pasolini	DIRECTOR
Claudio Ramsperger	DIRECTOR
Livio Tomatis	DIRECTOR
Roberto Tonca	DIRECTOR

Board of Statutory Auditors

Pierpaolo Singer	CHAIRPERSON
Lara Castelli	STANDING AUDITOR
Mariella Rutigliano	STANDING AUDITOR
Clara Carbone	ALTERNATE AUDITOR
Maurizio Giuseppe Grosso	ALTERNATE AUDITOR

General Management

Sandro Bolognesi	GENERAL MANAGER
Enrico Salvetta	ACTING DEPUTY GENERAL MANAGER

Independent Auditors

DELOITTE & TOUCHE S.p.A.

Executive Committee

Sandro Bolognesi	CHAIRPERSON
Carmela Rita D'Aleo	MEMBER
Claudio Ramsperger	MEMBER
Livio Tomatis	MEMBER
Roberto Tonca	MEMBER

Risks and Sustainability Committee

Maria Luisa Di Battista	CHAIRPERSON
Paola Brighi	MEMBER
Isabella Chiodi	MEMBER
Emanuele di Palma	MEMBER
Giorgio Pasolini	MEMBER

Appointments Committee

Enrico Macrì	CHAIRPERSON
Maria Luisa Di Battista	MEMBER
Amelio Lulli	MEMBER

Remuneration Committee

Isabella Chiodi	CHAIRPERSON
Enrico Macrì	MEMBER
Amelio Lulli	MEMBER

Independent Directors Committee

Paola Brighi	CHAIRPERSON
Maria Luisa Di Battista	MEMBER
Enrico Macrì	MEMBER

Report and Consolidated Financial Statements of the Cassa Centrale Group

Letter to the Shareholders

Dear Shareholders,

The year 2023 saw a wealth of activity and many positive results for our Cassa Centrale Group: all its constituent businesses once again demonstrated their capacity in terms of result generation, surpassing every optimistic expectation in terms of savings collected and new credit. The development of brokered volumes is testament to the trust of our shareholders and customers and, alongside the economic situation, made it possible to file the best annual financial result since the Group was formed and to further strengthen its capital, positioning us at the top levels of the banking system.

The year was also marked by the definitive return to in-person events, with many opportunities to meet with one another and to celebrate our identity and sense of belonging, dedicating time to our existence as a "Group of People". In particular, the first convention of people from the Industrial Group companies was held at the start of the year in Verona and in October, the entire Group convention met in Lisbon, following many years of absence.

We did not forget about the environment, and decided to offset the carbon dioxide emissions of both events by planting 8,500 trees, in a bid to do our part to re-establish the forests devastated by Storm Vaia.

2023 saw the signing of our Group's first supplementary agreement, a significant milestone in everyone's professional and personal growth, which are values that we practice in our day-to-day operations.

2023 was also the year of maturity for the launch of the Group's second national identity campaign, "Founded on common good", which will see us through the next two years with the aim of enhancing the concrete and daily contribution of the Group's Affiliated Banks to the economic, social and cultural development of communities and territories.

In 2023 we also sought to lift the spirits of the populations and companies badly affected in May by the flood in Emilia-Romagna, by creating a solidarity initiative, which, thanks to contributions from all Affiliated Banks, the companies Allitude, Assicura Agenzia and Broker, Claris Leasing and Rent, NEAM and Prestipay, the cooperative shareholders and the customers of the Group, made it possible to achieve a considerable result (the fundraising exceeded one million 400 thousand euros), allocated to support tangible initiatives that promoted recovery in the territories affected and assisted people and micro-enterprises in their recovery after the emergency phase.

2023 saw more frequent relations with the Supervisory Authority with reference to the entire Group: the unique construction as a significant Cooperative Banking Group and our role as Parent Company require us to continuously represent our specificities, and the need for a gradual process, in proportion to the importance of the role played in the development of communities. This role was also recognised by the President of the Republic at the celebrations of the 140th year since the foundation of Credito Cooperativo, which took place in 2023.

We are strongly committed to strengthening the managerial top line with professionals who can manage change and contribute to the achievement of the Plan objectives. Therefore, the reorganisation of the Parent Company and its subsidiaries continued through the addition of 6 new Chiefs at the Parent Company and through a governance update. By instating CEOs at Claris and Prestipay, joining the CEOs already present at Allitude and Assicura, we have guaranteed even stronger operating synergies with Cassa Centrale Banca.

An update of the Articles of Association of the Affiliated Banks was also initiated.

In late June we approved the update to the Group Strategic Plan, which sets ambitious targets within our autonomous process of growth for the 2023-2026 period.

The Strategic Plan is developed across four key areas: commercial development and higher efficiency of the business model, which are the keystones for change, whereas attention to capital and risk profiles and enabling factors such as human capital and the integration of ESG factors constitute the essential framework for a successful yet sustainable business. The Sustainability Plan was then approved in November, identifying the key ESG projects across five areas: Environment, Communities & Shareholders, ESG Governance, People, and Customers.

We are determined to offer credit solutions to assist businesses – especially micro and small enterprises that operate in traditional sectors and form the Group's scope of reference – in the ecological and digital transition required to remain competitive on the market.

We feel a strong responsibility in guiding savers towards investments in projects and companies with a sustainable business model (GSS – Green, Social, Sustainable) and, at the same time, we intend to fund the "transition" of mortgage loans towards more energy sustainable homes equipped to face climate change.

The Plan that we approved, and which we will update in June, is a development programme that seeks to go beyond the consolidation of results and carve out new growth inspired by our Group identity values.

***

As for the economic and financial result for 2023, capital ratios were confirmed at the highest levels of the Italian banking sector, with a CET1 ratio of 24.6% and consolidated equity of EUR 8.2 billion.

Overall funding grew by 9.6% to EUR 113 billion, a figure that confirms the trusted placed by saver-customers in the BCC-CR-Raika that make up the Group.

Direct funding increased by 2.7% compared to 2022, to reach EUR 69 billion. Indirect funding benefited from the positive trend on the markets during 2023, which supported asset management products and the strong increase in returns on government bonds and drove the interest of savers towards assets under administration. On the whole, indirect funding in late December 2023 reached EUR 44 billion with a 23% increase on December 2022.

In a year characterised by a cooling off in the demand for credit, new disbursements exceeded EUR 8 billion, for gross credit exposure to customers of over EUR 50 billion. These figures confirm the importance of cooperative credit in offering support to the financial needs of households and SMEs in the operating regions.

The combined effect of the growth of performing loans and the constant reduction in impaired loans made it possible to gradually improve the gross NPL ratio, which fell to 4.2% (4.8% in 2022) and, alongside prudential hedging policy, led to a net NPL ratio of 0.7% (0.9% in 2022), which places the Group at the top of the national banking system. The coverage ratio of impaired loans, already at the highest levels of the Italian and European banking sector, further improved to 85%, compared to 82% in December 2022.

In December 2023, the LCR (Liquidity Coverage Ratio) was 275% (248% in December 2022) and the NSFR (Net Stable Funding Ratio) 168% (151% in late 2022). Both indicators remain well above the regulatory requirements, indicating a situation of abundant liquidity that has characterised the Group since its foundation.

A significant growth trend was therefore confirmed with even better financial results than the previous year, albeit in a context of great economic instability. Group net profit was EUR 871 million.

Net interest income for 2023 was EUR 2.4 billion, up by 30% compared to December 2022, whereas net fees and commissions in 2023 continued the expanding trend that has existed since the creation of the Group and grew by over 5% compared to 2022, amounting to EUR 795 million. The figure confirms the Group's growing ability to diversify its primary revenues, offering shareholders and customers an even larger number of products and services capable of satisfying the spectrum of financial, insurance and payment system needs. The most significant contribution mainly came from growth in wealth management and bancassurance commissions.

Net interest and other banking income therefore reached EUR 2.8 billion, up by 13% compared to the results achieved in 2022, improving on the challenging income targets that the Group had set itself in the 2023-2026 Strategic Plan.

Net provisions for loans amounted to EUR 80 million, highlighting a limited cost of risk, the consequence of the prudent provisioning policy adopted by the Group in the previous three-year period and of credit management mindful of the needs of shareholders and customers operating in the territories of reference of the BCC-CR-Raika that make up the Cassa Centrale Cooperativo Banking Group.

The Group's cost-to-income ratio (net of extraordinary and non-recurring items) was 52%, an improvement on financial year 2022 when it was 59%, despite the year having recorded a 9.5% increase in operating costs (EUR 1.7 billion) as a result not only of the inflationary trend which characterised the first half of 2023 in particular, but the solid investments in IT.

In line with the Group's strategic evolution, its aim to support regional control remained fast-moving, which we still consider a fundamental value of our way of banking (over the last two years we opened 50 new branches). The digital channels were developed with a focus on new technology, in order to satisfy the omnichannel service needs of shareholders and customers. We want to build a tangible link between the values that make our BCCs unique and the banking challenges of tomorrow.

***

Thinking about the present day, since April 2024 we have our new regional branch office in Milan, a prestigious and appropriate space for the high profile that the Group is taking on in the national banking world.

2024 marks two significant anniversaries for our history and our future: the fiftieth year since the foundation of Cassa Centrale Banca, and the first five-year period of the Cooperative Banking Group.

We will celebrate them together throughout the year and at a major four-day event held in Trento between 26 and 29 September.

***

As for the future, we believe that the results achieved to date, in combination with the Group's solidity and the consolidated synergies with the Affiliated Banks, will allow us to look optimistically at the complex and demanding challenges we all face.

Report on Consolidated Operations of the Cassa Centrale Group

2023 Financial Year

1. Composition of the Cassa Centrale Banca Credito Cooperativo Italiano Cooperative Banking Group

1.1 - The Cooperative Banking Group

On 2 August 2018, the Bank of Italy accepted the request of Cassa Centrale Banca - Credito Cooperativo Italiano S.p.A. (hereinafter also "Cassa Centrale Banca", "CCB", the "Parent Company" or the "Bank") to establish the Cassa Centrale Banca Credito Cooperativo Italiano Cooperative Banking Group (hereinafter also referred to as "Cassa Centrale Group", the "Group", "Cooperative Banking Group" or "GBC"), and, by resolution of the Directorate of 18 December 2018, the Supervisory Authority ordered the registration of the Cooperative Banking Group in the Register of Banking Groups, with effect from 1 January 2019.

The reform of Cooperative Credit was born from the Italian legislator's desire to strengthen the cooperative credit sector without distorting the local role and mutualistic purpose of the individual BCC-CR-RAIKAs, safeguarding the paradigm that distinguishes them.

In fact, the active participation of the shareholding base, with its stock of cooperative values and knowledge of the regional needs, finds an implementation channel in the Regional Shareholders' Meetings. Each meeting is not only an opportunity to share strategic projects of relevance to the entire Group, but also the joint responsibility of the partner BCCs to define the development guidelines that the banks themselves, under the direction and coordination of the Parent Company, will then be called upon to implement.

The activity of the Cooperative Banking Group was conducted while maintaining full focus on implementing the provisions of the Reform Law and subsequent amendments. The drive to combine the value and autonomy of a system of local banks - expression of the various territories - with the profitability, efficiency, growth and stability of a large Banking Group was particularly important.

Therefore, it is an original development model where difference is a value and local identity a principle.

The basis for the establishment of the Cassa Centrale Group is a contractual relationship between the Parent Company and the individual Affiliated Banks, namely the Cohesion Contract.

By means of the Cohesion Contract (Art. 37-bis of the TUB), the Affiliated Banks and the Parent Company regulate their mutual duties, responsibilities, rights and joint and several guarantees deriving from membership and affiliation with the Cooperative Banking Group, in compliance with the mutualistic aims that characterise Cooperative Credit Banks and in application of the principle of proportionality exercised according to the health status of the banks themselves (risk-based approach).

The Cohesion Contract provides, as a fundamental and constitutive element of the Group, for the joint and several guarantee of the obligations assumed by the Parent Company and the Affiliated Banks, in compliance with the prudential rules applicable to banking groups and individual member banks; this guarantee forms an integral part of the Cohesion Contract. Participation in the agreement is, in fact, an essential condition for adherence to the Cohesion Contract and therefore to the Cooperative Banking Group.

The guarantee between the Parent Company and the Affiliated Banks is reciprocal (cross-guarantee) and contractually regulated so as to have the effect of qualifying the liabilities of the Parent Company and the Affiliated Banks as joint and several obligations of all the parties to the agreement; in other words, all the Affiliated Banks and the Parent Company are obligated – both internally and externally – for all the obligations contracted by the Parent Company or any Affiliated Bank.

The Guarantee Agreement also provides for intra-group financial support mechanisms by which the members of the scheme provide each other with financial support to ensure solvency and liquidity; in particular, to comply with the prudential requirements and the requests of the Supervisory Authority, as well as to avoid, where necessary, being subject to the resolution procedures set out in Legislative Decree no. 180/2015 or to the compulsory liquidation procedure referred to in Articles 80 et seq. of the TUB.

If there is a need for intra-group financial support, the Parent Company may decide to activate the guarantee. The support initiatives for the Affiliated Banks, both capital and liquidity, necessary to ensure the solvency and liquidity of the individual members of the scheme, are carried out only by the Parent Company, using the financial resources made available by the members in execution of the Guarantee Agreement.

For further details on the guarantee scheme, please refer to the "Report on the guarantee scheme" attached to the separate financial statements of Cassa Centrale Banca in the annual financial report 2023.

1.2 - Organisation and structure of the Group

The reform of Cooperative Credit allowed to further strengthen the role of local banks typical of Cooperative Credit Banks. The Parent Company’s coordination role made it possible to eliminate certain weaknesses in terms of capital or business model that arose well before the Group’s operational start-up. The new organisational structure has undoubtedly contributed to the immediate and positive response that the Affiliated Banks have provided to the economic fabric of reference in the current and challenging macroeconomic context, which has been affected by the ongoing geopolitical challenges.

The corporate governance system of the Parent Company Cassa Centrale Banca is based on the central role played by the Board of Directors, which is responsible for defining the Group's strategic guidelines, on the transparency and collegial nature of management decisions, the effectiveness of the internal control system and the strict governance of potential conflicts of interest.

With reference to the regulation of potential conflicts of interest, specific documents and processes (regulations, Group policies, line controls, second-level controls, etc.) were introduced in order to monitor the various types of risks related to the particular structure of the Cooperative Banking Group in which the Affiliated Banks, placed under the control of Cassa Centrale Banca by virtue of the Cohesion Contract, are at the same time shareholders of the Parent Company.

As at 31 December 2023, the Cassa Centrale Group consisted of:

- the Parent Company, Cassa Centrale Banca;
- the Affiliated Banks that have adhered to the Cohesion Contract and the instrumental companies controlled by them;
- the financial and instrumental Companies directly and/or indirectly controlled by the Parent Company.

The updated list of companies included in the scope of consolidation of the Cassa Centrale Group is provided in the Explanatory Notes (Part A - Accounting policies, section 3).

1.3 - Corporate governance

The Cassa Centrale Group, in line with legal and supervisory regulations and in order to ensure an appropriate balance of powers and a precise distinction between the functions of strategic supervision, management and control, has adopted a "traditional" system of governance, based on the distinction between the Board of Directors, which has a guidance and strategic supervision function, and the Board of Statutory Auditors, which has a control function.

Below is an overview of the main corporate bodies with guidance and governance functions. Details of the powers reserved for the control bodies are provided in the chapter called "Risk management and internal control system" in this Report.

Shareholders' Meeting

The Shareholders' Meeting is a deliberative and collective body designed to express the Bank's wishes and to resolve, in line with the dictates of Art. 2364 of the Italian Civil Code and Art. 13 of the Articles of Association, on the following matters:

- the appointment of the members of the Board of Directors and of the Board of Statutory Auditors and determination of their compensation and responsibilities;
- the approval of the financial statements and the allocation and distribution of profits;
- the appointment of the company responsible for externally auditing the accounts upon a reasoned but non-binding proposal by the Board of Statutory Auditors;
- the approval of Remuneration and Incentive Policies for the Bank's Directors, Board of Statutory Auditors and staff, approving any plans based on financial instruments and the criteria for determining the compensation of any Directors and relevant staff in the event of early termination of employment or office;
- the approval and amendment of any shareholders' meeting regulations;
- the other matters assigned to its competence by the regulations in force at the time or by the Articles of Association.

The Board of Directors

The Board of Directors (hereinafter also referred to as the "BoD") is the body responsible for the strategic supervision and management of the company. For this purpose, the Board of Directors may carry out all the transactions that are necessary, useful or appropriate for implementation of the corporate purpose, whether they are ordinary or extraordinary in nature.

The Board of Directors of Cassa Centrale Banca consists of 15 members, including 4 Directors who meet the independence requirements, the Chairperson and one or two Deputy Chairpersons (one of whom is the Acting Deputy Chairperson). The Directors — no more than 10 — must be chosen from among individuals employed by the affiliate banks, and specifically individuals who hold or who have held positions in the administration or general management of the Affiliate Banks or the general management of Cassa Centrale Banca. Lastly, with the aim of guaranteeing gender balance within the Board of Directors, at least one third of the Directors must belong to the least represented gender.

The Articles of Association assign the strategic supervision function to the Board of Directors, delegating the management function to the Executive Committee and the Chief Executive Officer, which also carries out the functions of the General Manager. The Articles of Association also govern the powers, assignments and areas of competence of the Board of Directors in its collective form, which cannot be delegated, and, conversely, the functions and areas of competence of the delegated bodies appointed by it.

Chairperson of the Board of Directors

Pursuant to Circular 285, the Chairperson of the Board of Directors performs a decisive role in ensuring the smooth functioning of the Board of Directors, fostering internal dialectics and ensuring the balance of powers, in line with the tasks relating to the organisation of the Board's work and the circulation of information assigned to it by the Italian Civil Code.

Specifically, the Chairperson of the Board of Directors promotes the effective functioning of the corporate governance system, guaranteeing a balance of powers and acting as liaison with the internal control bodies and internal committees.

To effectively perform the duties of the position, the Chairperson may not have an executive role nor perform management functions.

In the event of absence or incapacity of the Chairperson of the Board of Directors, their functions shall be performed by the Senior Deputy Chairperson or, in the event of their absence or incapacity, by the other Deputy Chairperson. Before third parties the signature of the person replacing the Chairperson of the Board of Directors shall stand as evidence of their absence or incapacity.

Executive Committee

The Executive Committee, appointed by the Board of Director in the meeting of 30 May 2022, consisted of the Chief Executive Officer, who chairs it, and four Directors. Within the framework of the powers that the law and the Articles of Association do not reserve to the Board of Directors or to the Chief Executive Officer, the following matters are delegated to the Executive Committee:

- granting, classification and assessment of loans;
- real-estate transactions;
- issuing of debt instruments and transactions in financial instruments;
- implementation of corporate governance and risk management policies;
- internal organisation of the Company and the Cooperative Banking Group.

The Executive Committee also has the power to take in urgent circumstances decisions within the competence of the Board of Directors that are not reserved by law, by the Articles of Association or by provisions of the Cohesion Contract to the non-delegable competence of the Board of Directors, informing it in the next meeting.

Chief Executive Officer

The Board of Directors may appoint a Chief Executive Officer from among its members, to whom it entrusts the day-to-day management of the Parent Company in compliance with the general planning and strategic guidelines established by the Board of Directors. The Chief Executive Officer assumes the position and carries out the functions of General Manager pursuant to the Articles of Association.

Without prejudice to the competences assigned by the Articles of Association, in exceptionally urgent circumstances, after consulting the Chairperson of the Board of Directors, the Chief Executive Officer may take decisions on any transaction within the competence of the Executive Committee, provided they are not assigned by the mandatory provisions of the law or by provisions of the Articles of Association to the authority of the Board of Directors and of the Executive Committee as a whole. Decisions taken in this way must be reported to the Board of Directors and to the Executive Committee at the next meeting.

The Chief Executive Officer reports to the Board of Directors and to the Executive Committee, at least once a quarter, on the general management performance and its foreseeable outlook, as well as on the most significant transactions carried out by the Parent Company and the Group Companies.

Board Committees

In line with the provisions of article 31 of the Articles of Association, and in compliance with the provisions of Circular 285, the Board of Directors established Committees required by current regulations, made up of its members and formed by a minimum of 3 (three) and a maximum of 5 (five) non-executive Directors, the majority of whom are independent. Specifically:

- The **Appointments Committee** conducts investigations and provides advice to the Board of Directors on appointment of the members and on the composition of the Board of Directors of the Parent Company and, where required, of the Affiliate Banks, when the responsibility rests with the Board. It carries out the other duties assigned to it by regulations in force and/or by the Board of Directors.
- The **Remuneration Committee** submits proposals and provides advice on the fees and on the remuneration and incentive systems to be adopted by the Parent Company and, where required, by the Affiliate Banks, and carries out the other duties assigned to it by regulations in force and by the Board of Directors.

- The **Risks and Sustainability Committee** is responsible for the tasks assigned to it by the regulations in force from time to time and by the Board of Directors, also with regard to the Affiliated Banks and, in particular, it performs support functions for the Parent Company's corporate bodies with regard to risks and the internal control system, paying particular attention to all activities that are instrumental and necessary for the Parent Company's Board of Directors to arrive at a correct and effective determination of the Risk Appetite Framework (RAF) and risk management policies. The Sustainability and Identity Committee was merged into the Risks Committee, giving the latter an investigative, propositional and advisory role with regard to evaluations and decisions on matters of sustainability and the cooperative identity.

The Board of Directors also established the **Independent Directors Committee**, which performs the tasks set forth in Circular 285 on the subject of decision-making procedures relating to related-party transactions, as well as on the subject of equity investments held by banks and banking groups.

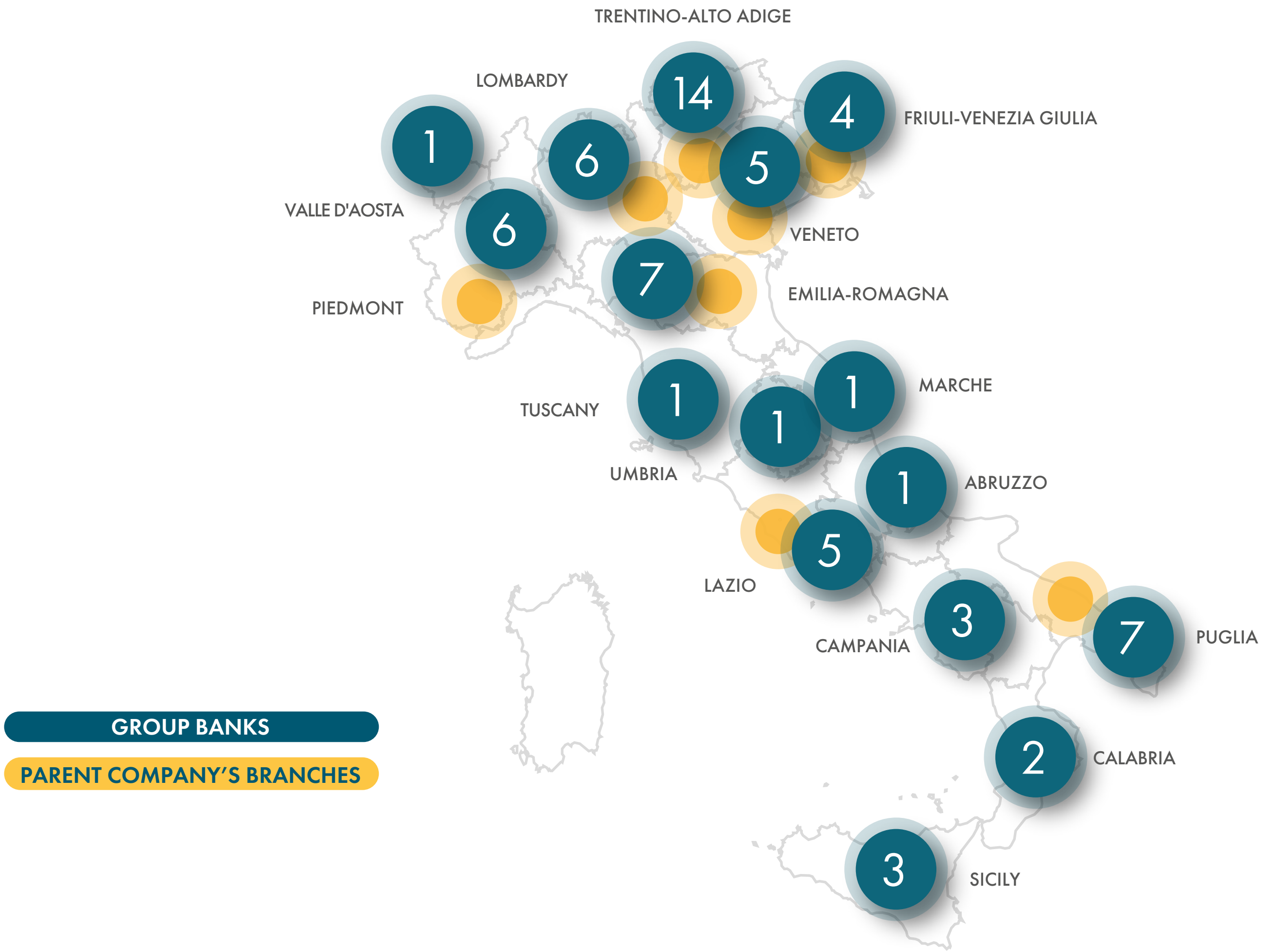
It should also be noted that, on the basis of the reference regulations, the Independent Directors meet separately from the other members of the Board of Directors periodically, at least once year, to discuss relevant issues.

For further information and a detailed description of the corporate governance system, please refer to the "Corporate Governance Project" available on the Cassa Centrale Banca website at www.cassacentrale.it, in the *"Governance"* section.

1.4 - Presence on the territory

Even before taking on the role of Parent Company, since its establishment Cassa Centrale Banca has been a reference partner for Cooperative Credit and a number of small and medium-sized banks not belonging to banking groups, sharing their values, culture, strategies and reference model.

Acting as a second-level bank, it provided support and impetus to the activities of the BCC-CR-RAIKA members and customers, with an offer that they themselves recognised as innovative, competitive and of quality. The role of provider of high added value advisory services in sectors such as wealth management, structured finance, public treasury management, etc. was also significant.



The presence of the Cooperative Banking Group, with the consequent transition from a network integration to a group approach, allowed the Affiliated Banks to further strengthen their primary role as local banks at the service of the territory and communities. The Group's business model envisages a widespread presence in the territory and a strong attention to the relationship with the customer (typically households and small economic operators), the territory and local institutions. Local Shareholders' Meetings have the objective of allowing for maximum participation and collaboration on the part of all the Affiliated Banks, through constant dialogue with the Parent Company, leveraging the common purpose, the responsibility and effective and widespread communication, as well as the integrated development of the Group's culture and strategies.

The relationship based on ongoing dialogue and the active involvement of its stakeholders is an expression of the responsibility that the Cooperative Banking Group feels towards the territory in which it operates.

As at 31 December 2023, the Group's geographical presence is characterised by 67 Affiliate Banks with 1,479 branches located across Italy and 14 regional offices of the Parent Company.

PRESENCE ON THE TERRITORY	31/12/2023					Total 31/12/2023	Total 31/12/2022	Change
	Trentino-Alto Adige	North East	North West	Central	South and the Islands			
OFFICES								
Parent Company	7	2	2	2	1	**14**	**14**	**0**
Affiliated Banks	14	9	13	16	15	**67**	**69**	**(2)**
BRANCHES								
Parent Company	1	0	0	0	0	**1**	**1**	**0**
Affiliated Banks	286	325	362	322	184	**1,479**	**1,474**	**5**

*Data referring to branches with CAB code

The special legal regulations, in relation to the mutualistic aims pursued, and the business model that characterises the BCC-CR-RAIKAs, are at the basis of the high number of members in the corporate structure. Cooperative Shareholders play a key role as they are a crucial resource for preserving the value of Cooperative Credit Banks. They are in fact the first customers, suppliers of their own equity, witnesses of the vitality of the company, as well as the creators of projects within the social and economic fabric.

As can be seen from the table below, the number of Shareholders as at 31 December 2023 is approximately 474 thousand, mostly concentrated in the Central and North areas of the country and up by 10,205 compared to December 2022.

AREA	31/12/2023					Total 31/12/2023	Total 31/12/2022	Change
	Trentino-Alto Adige	North East	North West	Central	South and the Islands			
No. of Shareholders	133,213	95,429	113,259	101,573	30,982	**474,456**	**464,251**	**10,205**
% of total	28.08%	20.11%	23.87%	21.41%	6.53%	**100%**		

1.5 - Mission, values and business model of the Affiliated Banks and the Group

The affiliated BCC-CR-RAIKAs are local banks which are an expression of the communities, established in the form of cooperative companies with prevalent mutuality. Consistent with the principles and values that inspired their birth in the late 19th century and accompanied their growth, they have always made a concrete contribution to the economic, social and cultural development of local communities. As stated in their Articles of Association, they have "*the purpose of favouring cooperative shareholders and members of local communities in banking operations and services, pursuing the improvement of their moral, cultural and economic conditions and promoting the development of cooperation and education in savings and pension planning as well as social cohesion and the responsible and sustainable growth of the territory in which they operate*". These concepts are also covered in the Articles of Association of the Parent Company Cassa Centrale Banca.

The sharing of the values that characterise the social function of cooperation underpins the modus operandi of the Affiliated Banks and at the same time represents a concrete wealth for the Communities in which they operate.

The commitment to the territory is implemented both in the active presence in the local economic system through reinvestment in the areas of competence of savings collected, and in the support of initiatives in favour of bodies and associations that make the non-profit sector their objective.

The social and service function of the Affiliated Banks is characterised by a qualified, updated and dedicated offer in which the services provided by the individual entities are flanked by the services and consulting provided by the Parent Company and the subsidiaries, which are designed to meet the organisational, business and compliance needs of the Affiliated Banks and to understand, anticipate even, the needs of Shareholders and customers.

The adoption by the Affiliated Banks of the Group Code of Ethics represents the formalisation of the commitment to translate the principles and values of all Group Companies into concrete and consistent conduct, also in the knowledge that taking social and environmental concerns into account helps to minimise exposure to banking and non-financial risks, and enhances reputation.

The activity of the Affiliated Banks is strongly oriented towards the provision of credit through traditional forms, such as mortgages and commercial loans, in order to better meet the financial needs of customers. Direct funding also consists of traditional offers such as deposit accounts, repos, current accounts, savings accounts and bonds, while indirect funding, and assets under management in particular, are characterised by the offer of products and services that combine profitability and risk containment.

Affiliated Banks are therefore the main interlocutors in the support and development of the real economy of the territories in which they operate, thanks to a specific offer of banking products and services that over the years has made it possible to maintain the stability of savings and a constant access to credit, also by enhancing the value of proximity information and relationships that is a unique characteristic that only local banks possess.

However, this has not prevented them from following the financial and technological evolution and innovation, through products, tools and advisory services consistent with the needs of a developed economy, expressed by most of the regions in which the Affiliated Banks are based, which found practical implementation in the offer of investment services as well as financial products.

2. Economic background

2.1 - International scenario and Italian context

The global recovery following the pandemic and Russia's invasion of Ukraine showed signs of a slowdown in 2023, with marked asynchrony in the trends across different world economic areas. The significant increase in interest rates due to the action implemented in the last 2 years by the Central Banks contributed to reducing the rate of inflation below the peaks reached in 2022 on the one hand, but it also had a negative effect on global growth. The estimates by the International Monetary Fund (hereinafter "IMF"), published in October 2023, showed that the growth of global GDP in 2023 would come in at 3%, down from 3.5% in 2022, before projecting a value of 2.9% for 2024. With regard to the main world economies in 2023, according to the IMF, GDP growth in the United States be 2.1% (1.5% for 2024), while the increase is expected to be 0.7% for the euro zone; this said, the forecasts envisage an improvement for 2024, with estimated growth of 1.2%.

In the euro zone, growth is still expected to cool. According to IMF estimates, inflation should fall from 8.4% in 2022 to 5.6% in 2023, before dropping again to 3.3% in 2024. According to these estimates, the drop in inflation will not lead to higher unemployment. Indeed, the rate is expected to fall slightly compared to 2022 levels, to 6.6% for 2023 and 6.5% for 2024.

As for the Italian economy, the macroeconomic scenario for 2023 is in line with the other large economies in the euro zone, in a context of general slowdown in economic activity that primarily affected Germany. According to ISTAT, a significant drop in inflation is occurring, driven by the strong slowdown in energy prices, which, combined with a gradual, albeit partial recovery in remuneration, could relaunch consumption by Italian households and businesses, while investments are expected to slow significantly compared to the previous two-year period. GDP growth is expected to be 0.7% in 2023, down on 2022, driven by internal demand, whereas overseas demand should provide a marginally negative contribution (-0.1%). As regards the Italian labour market, ISTAT expects the gradual downward trend in unemployment of the last two years to continue, with 7.6% expected in 2023 and 7.5% in 2024.

2023 was characterised by a slowdown in Italian inflation thanks to the drop in the costs of energy and agricultural raw materials. The change trend in the consumer price index stood at 8.2% in April, before falling to 5.3% in September and only increasing by 0.7% in November, the lowest level recorded since the second quarter of 2021. ISTAT estimates that, for 2023, the growth trend in the household expenditure deflator will fall to 5.4%, lower compared to the 7.4% recorded in 2022, reaching 2.5% in 2024.

2.2 - Financial and currency markets

For most of 2023, the world's main Central Banks persevered with their restrictive monetary policies, intervening on their benchmark rates with the aim of mitigating the continuing inflationary pressures.

In the first quarter of 2023, the European Central Bank decided to implement a quantitative tightening policy, reducing the amount of securities purchased, from 2014, as part of the asset purchase programme (APP). On average, the reduction amounted to EUR 15 billion per month. In relation to the pandemic emergency purchase programme (PEPP), the intention from the very first meeting in 2023 was to reinvest capital payments on maturing securities until 2024, continuing to apply flexibility to the reinvestment of repayments to counter the monetary policy transmission mechanism risks attributable to the pandemic.

In addition to quantitative tightening, the ECB deemed it appropriate to increase the interest rates by 50 basis points at the monetary policy meeting on 2 February 2023 as well as at the one on 16 March, bringing the main refinancing rate to 3.50%, the overnight deposit rate to 3.00%, and the marginal lending rate to 3.75%.

At the monetary policy meeting on 4 May 2023, the Governing Council decided to continue the lending restriction with an increase in the benchmark rates by one quarter of a percentage point, bringing the main refinancing rate to 3.75%, the overnight deposit rate to 3.25%, and the marginal lending rate to 4.00%. At the same meeting, the ECB Governing Council also announced the interruption, from July, to reinvestment of maturing securities as part of the APP.

At each of the following two meetings, on 15 June and 27 July, the ECB continued to raise the benchmark rates by 25 basis points, to counter the inflation that it still considered to be too high, despite several shy signs of mitigation. Furthermore, at the same meeting, a decision was made to zero out the remuneration of the compulsory reserves from 20 September, the start of the maintenance period.

At the meeting on 14 September 2023, the ECB, confirming expectations, announced another increase in the interest rates of 25 basis points. This was the last of ten consecutive increases in the benchmark rates by the European institute. This decision drove rates to record highs, namely the main refinancing rate to 4.50%, the overnight deposit rate to 4.00%, and the marginal lending rate to 4.75%. The Governing Council also sought to stress that the levels reached by the benchmark interest rates in the euro zone, if maintained for a sufficiently long period of time, would provide a substantial contribution to a prompt return of inflation to the target of 2%.

At the last two meetings of the year, the Governing Council made no changes to the rates. The more cautious approach was influenced by the gradual slowdown in inflationary pressures. The end of the cycle of hikes was accompanied by the plan to reduce the 2024 budget with the announcement of PEPP tapering worth EUR 7.5 billion for the second half of the year and the full stop of reinvestments at the end of the year, in addition to the maturity of the securities in the APP portfolio (approximately EUR 350 billion).

In the context of the TLTRO-III, in 2023 four of the eight tenders existing at the start of the year reached maturity. In addition to these, early voluntary repayment windows were recorded. Compared to the overall EUR 2,199 billion disbursed to banking counterparties in the euro zone as part of this series of operations, EUR 392.26 billion still remain at the end of 2023.

Across the Atlantic, the Federal Reserve increased the target range for Federal Funds interest rates by a total of 75 basis points to 5.00-5.25% in the first half of 2023. The US central bank intervened with 25-bp increases at the meetings in February, March and May, save for a pause in monetary restriction and leaving its benchmark rates unchanged at every subsequent meeting in 2023.

Due to the higher aggressiveness of the ECB compared to the Fed, on the Forex market the EUR/USD cross shifted in the twelve months of 2023 from around 1.0670 to 1.1130, marking a clear recovery in the single currency compared to 2022.

2023 proved to be a fast-paced year for returns on the main government bonds. The macroeconomic data, and the rate hikes by the Fed and the ECB especially, drove the changes in the curves. With the exception of a phase of volatility linked to negative events on the American banking system and the collapse of Credit Suisse, the most interesting changes were concentrated in the last quarter of the year. Between March and August, the return on the 10-year BTP saw rather limited changes within a restricted channel (4.00%-4.40%), before recording an upswing in the last quarter of the year (to around 5.00%), before retracing its steps to 3.60% at the end of the year on the basis of revised expectations on the possible downward cycle in the rates expected for 2024.

The 10-year BTP/Bund spread went from over 200 basis points at the start of the year to below around 160 basis points in December, including thanks to Italy's confirmed sovereign rating.

The same drivers that influenced the trend on the bond markets also guided the stock markets, with operators' attention focused on the monetary policy decisions of the central banks, then joined by the geopolitical issues in the Middle East. The main US stock index recorded a return of slightly under 25%, whereas European prices benefited from the slowdown in the anti-Covid restrictive measures in China, leading to strong recovery of luxury and retail sales securities. The rally also influenced Italian equity, with the main index showing one of the best performances in Europe (+28%). At sector level, the best performance came from bank securities and securities related to the automotive sector.

2.3 Italian banking system

According to ABI data[1], direct funding of Italian banks fell by 1.5% in December 2023 compared to the previous year, with an increase in the average rate of funding from 0.61% in December 2022 to 1.16% in December 2023. In particular, the average rate of bank funding on new operations recorded a gradual increase during the year, reaching 3.65% in the last month of 2023.

The data related to loans to customers reflect a mirror image of the dynamics of funding, with a 3.9% decline year-on-year as at June. The change is slightly mitigated by taking into consideration the exposure to households and non-financial corporations (2.2% decrease year-on-year). Additionally, there was a 4.42% rise as at December 2023 in the rate on new loans to purchase homes. The average rate on new loans to non-financial corporations, on the other hand, rose to 5.69%. With reference to credit quality, there was an increase in net bad loans, with a ratio of net bad loans to total loans that marginally exceeded 1% in late 2023 (compared to 0.81% in December 2022).

[1] ABI, "*Monthly Outlook on Economy and Financial-Credit Markets*", January 2024.

3. Significant events during the year

The main events that occurred during financial year 2023 are shown below.

3.1 - Business combinations between Affiliated Banks

In 2023, two business combinations between Affiliated Banks were recorded, which brought the number of Affiliated Banks from 69 at the end of 2022 to 67 as at 31 December 2023.

Details of the business combinations carried out are shown below:

- Banca Sicana - Credito Cooperativo and Credito Etneo - Banca di Credito Cooperativo: new name Sicilbanca - Credito Cooperativo Italiano, effective from 1 January 2023, Sicily region;
- BancaTer Credito Cooperativo FVG and Friulovest Banca - Credito Cooperativo: new name Banca 360 Credito Cooperativo FVG, effective from 1 July 2023, Friuli-Venezia Giulia region.

Business combinations between Affiliated Banks are part of the rationalisation of the regional control unit aimed at pursuing competitiveness and efficiency objectives. These transactions had no impact on the consolidated financial position as they are mergers between entities under common control.

3.2 - 2023-2026 Strategic Plan

On 29 June 2023, the Board of Directors of Cassa Centrale Banca approved the Group's Strategic Plan (hereinafter also referred to as "SP") with a 2023-2026 time period, which updates the 2022-25 SP approved last year.

The Plan was defined with the full involvement of the Affiliated Banks, as provided for in the Cohesion Contract, in a process whereby each legal entity of the Group defined its own individual SP, which then became part of the Group's consolidated SP.

The Strategic Plan identified four key areas of intervention:

- **business development based on the regional bank service model** by expanding the customer base, transforming the distribution model and enhancing services aimed at customers;
- **improved efficiency of the Group's business model** by enhancing tools and ICT processes, centralising administrative and back office activities, and digitalisation;

- **attention to capital and risk profiles** through proactively managing the loan portfolio, governing of financial risks, and evolving towards the Basel IV framework;
- **activation of enabling factors**, to be contextualised across the board, by developing and training human resources and integrating ESG models.

Each area of intervention consists of specific strategic objectives and targeted initiatives for their achievement.

The economic-financial and equity projections confirm the solid capital and liquidity position of the Group, define an evolution in profitability through a sustainable business model and full sustainability of the ICT investments required to guarantee adequate standards of service. Utmost attention is paid to actively managing credit risk and provisioning policies to face the many uncertainties characterising the current macroeconomic scenario.

The Group has adopted a so-called "rolling" logic in its strategic planning process, according to which the Plan is reviewed on an annual basis. This approach has been adopted taking into account that the Group has been operating since 2019 and is moving in a continuously and rapidly evolving market and regulatory environment.

3.3 - Impaired asset management and Group NPE strategy

In 2023, in an environment characterised by an uncertain macroeconomic framework due to potential negative implications arising from inflationary pressures and the consequent rise in interest rates, the Cassa Centrale Group, through dedicated structures within the Parent Company and the Affiliated Banks, continued to carefully monitor the quality of the loan portfolio and manage and reduce impaired assets.

In this context, the Parent Company prepared the new NPE Strategy and the related Group Operating Plan, with a 2023-2025 time frame. The NPE Strategy and Operating Plan were presented for approval before the Board of Directors of the Parent Company on 30 March 2023 and subsequently sent to the ECB.

The NPE strategy was developed keeping a prudent approach, considering the volatility of the available macroeconomic forecasts. This prudential approach was applied through the adoption of a particularly high provisional default rate for the 2023-2025 period compared to the figures of the last few years. According to this approach, the Group's NPE Strategy, nevertheless, predicts an additional reduction in the gross NPL ratio, which, at the end of the plan, is expected to fall to 4.2%. With regard to coverage levels, on the strength of the coverage levels that the Cassa Centrale Group had reached by the end of 2022 (81.7%), NPE Strategy forecasts a slight decrease in the index, nevertheless retaining a provisional level for 2025 of 70.3%, which appears to be somewhat higher than the figures of the Italian and European banking system. The combined effect of the reduction in the gross NPL ratio and the retention of a high coverage level on impaired loans will enable the Group to maintain a net NPL ratio of 1.3% at the end of the plan, lower than the average for the main Italian banking groups.

The final figures as at 31 December 2023 showed better results than expected, especially in terms of default rates, which currently do not yet show significant impacts arising from the rise in prices and interest rates. At December 2023, the Cassa Centrale Group achieved a default rate of around 1%, which is therefore much lower than the 2.0% estimate calculated during the preparation of the NPE Strategy. On the other hand, with regard to the recovery performance of impaired loans, the total reductions achieved during the year was in line with the total reductions planned in the Strategy. Total performing loans increased slightly compared to the figure at the end of 2022.

The combined effect of these dynamics on the entire loan portfolio led to the achievement as at 31 December 2023 of a gross NPL ratio of 4.2%[2] and a net NPL ratio of 0.7% against the targets for the end of 2023 of 4.6% and 1% respectively.

The positive performance, as regards the net NPL ratio, is also due to the maintenance of a prudent impaired exposures provision policy in view of the continuation of the macroeconomic uncertainty. This policy made it possible to maintain impaired exposure coverage of 84.8%, placing the Cassa Centrale Group among the top performers in Italy and Europe in terms of coverage ratio.

3.4 - Placement of the first public issue by Cassa Centrale Banca

On 8 February 2023, Cassa Centrale Banca successfully completed the public placement of the inaugural senior preferred bond. Worth EUR 500 million, the bond has a fixed rate, 4-year duration and is repayable early after 3 years. The bond was reserved for domestic and international institutional investors.

Part of the process to meet the MREL requirements, the bond was issued as part of the Euro Medium-Term Notes (EMTN) Programme worth EUR 3 billion, listed on the Irish Stock Exchange.

The security was issued at par value, with a 5.885% coupon and a rating from DBRS and Fitch equal to BBB (low) and BBB- respectively.

The operation saw steady participation from leading domestic and international investors, with extremely granular orders, collecting applications for over EUR 1,700 million from more than 150 investors.

The investors that participated in the operation were mainly fund managers (58%), banks (27%), insurance companies (7%), hedge funds (7%) and others (1%). In terms of geographic distribution, 33% was allocated to Italian investors, followed by the United Kingdom and Ireland (23%), France (16%), Germany and Austria (19%), Spain and Portugal (5%), Switzerland (2%) and others (2%).

3.5 - 2023 EBA EU-wide Stress Test

In 2022, the European Central Bank (ECB) informed the Group that it had been selected as one of the credit institutions to undergo stress testing conducted at European level by the European Banking Authority (EBA), launching at the end of January 2023.

The process involved the use of methodologies, scenarios and key assumptions developed in collaboration with the European Systemic Risk Board (ESRB), the ECB and the European Commission (EC), assuming a static balance sheet with reference date 31 December 2022.

The main objective of the test was to provide the Supervisory Authority, banks and other market operators with a common analytical framework that would allow for a comparative assessment of the resilience of the EU banking system in a hypothetical adverse macroeconomic scenario over a three-year period (2023-2025). In particular, the objectives of the stress test included:

---

[2] The gross and net NPL ratios were calculated based on the EBA data model ("EBA methodological guidance on risk indicators", last updated in October 2021).

- the assessment and comparison of the overall resilience of EU banks to serious economic shocks;
- the assessment of the capital levels of banks in relation to their ability to ensure support for the economy in periods of stress;
- the promotion of market discipline through the publication of consistent and granular data that can be compared at individual bank level;
- the contribution to the Supervisory Review and Evaluation Process (SREP).

The results communicated at the end of July confirmed the Cassa Centrale Group's capital strength and highlighted its significant resilience, including in the face of the particularly severe macroeconomic scenarios proposed in the stress test. The low of 18.52% achieved by the fully-loaded CET1 ratio in the adverse scenario at the end of 2023 against a starting value of 21.55% (thus falling by around 303 bps) would guarantee the maintenance of an extremely significant buffer in relation to the requirements assigned by the Supervisory Authority[3].

3.6 - Disputes

On 16 January 2020, the financial holding company Malacalza Investimenti S.r.l. (hereinafter also "Malacalza Investimenti") brought a civil action against Carige, FITD, SVI and Cassa Centrale Banca, contesting the validity of the resolution to increase the share capital by EUR 700 million approved by the Shareholders of Banca Carige in the Shareholders' Meeting of 20 September 2019 and submitting a claim for damages of over EUR 480 million (subsequently increased to approximately EUR 539 million), on account of the alleged nature of the resolution (reducing Malacalza Investimenti's shareholding from 27.555% to 2.016%).

The contested invalidity of the shareholders' meeting resolution (which can no longer be annulled as it has already been executed, with the subscription by Cassa Centrale Banca of the capital increase and the acquisition of an 8.34% shareholding) is based on the allegedly unlawful exclusion of the option right, failure to comply with the principle of accounting parity and the determination of the issue price of the new shares in breach of the criteria laid down by company law.

The same defendants, including Cassa Centrale Banca, were then sued in two further disputes by the shareholder Vittorio Malacalza and 42 other shareholders of Carige, with a claim for a further approximate total of EUR 11.4 million, plus revaluation and interest, based on assumptions and arguments coinciding with those put forward by Malacalza Investimenti.

The proceedings ended with a judgement of 15 November 2021 by which the Court of Genoa, in acceptance of the claims of the defendants, ascertained the validity of the capital increase resolution adopted by Carige on 20 September 2019 and rejected the claims for damages brought by the plaintiffs, ordering the latter to pay the legal costs.

In December 2021, Malacalza Investimenti S.r.l., Malacalza Vittorio and 5 small shareholders out of the initial 42 appealed against the first-level ruling before the Court of Appeal of Genoa, (with a reduction of the claims for damages, as regards the latter, from approximately EUR 8.4 million to EUR 84 thousand).

[3] Overall capital requirement (OCR) equal to 8.41% for the CET1 ratio and 13% for the Total Capital Ratio. In this regard, it should be noted that the capital of the Cassa Centrale Group is nearly entirely formed of CET1, i.e. high-quality instruments.

Cassa Centrale Banca appeared in the three lawsuits pending before the Court of Appeal, which were subsequently combined and are currently ongoing.

As a result of the assessments carried out with the support of solicitors, Cassa Centrale Banca, considering the risk of losing the case, decided not to make provisions for risks and expenses in line with the provisions of the IAS/IFRS international accounting standards.

3.7 - Rating updates

Fitch Ratings

On 9 November 2023, the agency Fitch Ratings released its updated ratings of the Cassa Centrale Group, confirming the "BBB-" long-term rating and Stable outlook. In its evaluation, Fitch offered a positive opinion of the Group's high level of capitalisation, also supported by a constant internal generation of capital and limited increases in RWA.

The Cassa Centrale Group also benefits from a significant diversification of exposure to customers with significant levels of guarantees and a continuous reduction of exposure to sovereign risk.

Lastly, there was a decreasing trend in impaired loans, which, alongside high levels of coverage, remains an important factor for reducing risk, also allowing for constant improvement to asset quality going forward.

DBRS Morningstar

Following the periodic update conducted on 6 February 2023 on the creditworthiness of the Cassa Centrale Group, the ratings agency DBRS Morningstar confirmed the ratings assigned previously, which saw the Group return to the Investment Grade category.

Therefore, the BBB rating (low) in relation to the Long-Term Issuer Rating and Long-Term Senior Debt profiles remained the same.

The Group's strengths were confirmed, including high levels of liquidity, capitalisation and funding. Asset quality continues to improve, with significant coverage for impaired loans.

Moody's

On 5 June 2023, the Cassa Centrale Group ended business relations with the ratings agency Moody's. The Group will continue to be assessed by DBRS Morningstar and FITCH Ratings.

3.8 - MREL Requirement

As part of the regulatory framework for the recovery and resolution of credit institutions and investment firms (the so-called BRRD), the Single Resolution Board (or SRB) communicated in April 2023 to Cassa Centrale Banca, as the Group's resolution entity, the Minimum Requirement of Eligible Liabilities (MREL[4]) to be met at a consolidated level for Cassa Centrale Banca and at an individual level for the Affiliated Banks identified as Relevant Entities by the relevant regulations in the 2022 resolution cycle. The MREL Requirement, formulated in accordance with Article 12 bis, paragraph 2), letters a) and b), of Regulation (EU) no. 806/2014, defined as a percentage of the total risk exposure amount (MREL-TREA) and as a percentage of the leverage ratio exposure[5] (MREL-LRE), was communicated by the Single Resolution Committee.

Given the general-hybrid approach adopted by the Single Resolution Committee, own funds on a consolidated basis shall be considered suitable to meet the consolidated MREL requirement, while the only eligible liabilities will be those issued directly by the Parent Company Cassa Centrale Banca (as the "central entity" of the Resolution Group) and that will comply with the eligibility conditions set out in Regulation no. 877/2019 ("SRMR2"). This consideration stems from the single-point-of-entry (SPE) Resolution Strategy defined by the Supervisory Authority for the Group, according to which resolution tools and powers would be applied exclusively to the Parent Company.

The minimum requirement for own funds and eligible liabilities on a consolidated basis (with which the Parent Company must comply) is 22.61% of TREA (to which the combined capital reserve requirement (CBR) of 2.5 per cent should be added) and 5.91% of LRE. The Parent Company is required to meet the above requirements by 1 January 2024. From 1 January 2022, the Group is required to meet an interim requirement of 18.20% of TREA (to which the combined capital reserve requirement (CBR) of 2.5 per cent should be added) and 5.91% of LRE. There are no subordination requirements to meet the above targets.

On 8 February 2023, Cassa Centrale Banca successfully completed the public placement of the inaugural senior preferred bond issue, as described in the dedicated section in this Chapter of the Report.

At the reference date of 31 December 2023, Cassa Centrale Banca complies with the mandatory intermediate level of the MREL requirement, both as a percentage of the total risk exposure amount (MREL-TREA) and as a percentage of the leverage ratio exposure (MREL-LRE), on a consolidated basis.

3.9 - European Central Bank credit and counterparty risk audit of the portfolio secured by commercial real estate

In January 2022, the ECB notified the start of an on-site inspection (or “OSI”), from March 2022, on credit and counterparty risk with the aim of assessing the compliance and implementation of IFRS 9. The audit focused on the segment of exposures to commercial real estate (exposures secured by commercial real estate), as part of a broader campaign of control and analyses conducted on the entire European banking system. The inspection team carried out a credit quality review on a sample group of positions and assessed the credit risk processes, including all ancillary aspects such as governance, credit processes, internal regulations, as well as the IFRS 9 models and rating systems adopted by the Group.

---

[4] Specifically, the MREL requirement allows each intermediary, in case of resolution, to have an adequate amount of capital resources and other liabilities to absorb losses and replenish capital. It aims to preserve financial stability by promoting an orderly and effective crisis management system. Failure to meet the MREL requirement can have a negative impact on the loss-absorbing capacity and recapitalisation of institutions, as well as on the overall effectiveness of the resolution.

[5] “Exposure to the leverage ratio” is the measure of total exposure calculated pursuant to Articles 429 and 429 bis of EU Regulation no. 575/2014.

The final report was provided on 6 June 2023 and includes the results of the inspection, namely the findings that will be discussed with the Supervisory Authority to define the related guidance and plan of expected maturities to be shared.

On 10 October 2023, the JST shared the definitive follow-up letter for the on-site inspection by the European Central Bank on the Group's Commercial Real Estate portfolio (so-called CRE OSI). The inspection was conducted between March 2022 and July 2022, with a focus on credit and counterparty risk and the aim to assess compliance and implementation of accounting standard IFRS 9.

The Group then began drafting the remedial plan, namely the identification of the corrective measures required to achieve the recommendations in the follow-up letter, in order to guarantee their completion in accordance with the terms set out by the Supervisory Authority.

The remediation plan was then launched in November 2023. It provides for guidance of the main corrective actions in accordance with the deadlines required by the Supervisory Authority, which sees the Group involved in the activities until 2025.

3.10 - European Central Bank inspection on IT risk

In November 2022, the ECB's on-site IT risk audit was completed, intended to assess the management of IT operations and IT projects, including any ancillary aspects related to this purpose and scope.

The outcome of the audit, communicated in early 2023, confirmed the correctness of the path undertaken, highlighting a number of points of concern and areas for improvement for which the Cassa Centrale Group took prompt action to define and implement a remedial plan that met the expectations of the Supervisory Authority, completion of which is expected before the end of 2024.

3.11 - European Central Bank internal governance and risk management audit

In January 2023, the ECB announced the initiation of an on-site internal governance and risk management audit. The audit, conducted starting from 20 March 2023, was completed at the end of June 2023.

In addition to examining and assessing the adequacy and quality of internal governance and risk management, the Supervisory Authority explored the Parent Company's ability to direct the Affiliated Banks, the management of internal regulations, the efficacy of processes to define the strategy of the GBC as a whole, as well as the risk-based model.

On 9 November 2023, the Parent Company received the draft audit report which included the results of the inspection, discussed on 24 November 2023 at the exit meeting and confirmed in the final report.

In March 2024, the JST shared the definitive follow-up letter, which did not contain any particular critical concerns. The Group then began identifying the corrective measures required to achieve the recommendations in the follow-up letter, in order to guarantee their completion in accordance with the terms set out by the Supervisory Authority.

3.12 - European Central Bank credit and counterparty risk audit (Retail SME OSI)

On 28 March 2023, the European Central Bank notified the Group of the start of an on-site inspection, as part of a broader campaign of control and analyses conducted on the entire European banking system, focused on credit and counterparty risk with reference to small and medium-sized enterprises (so-called Retail SME OSI).

The investigation phase began in June 2023 and ended in August. Considering the segmentation adopted by the Group as part of the rating systems and IFRS 9 models, the scope of the investigation was the Corporate portfolio, with a reference date of 31 December 2022.

The inspection team carried out a Credit File Review on a sample group of positions and assessed the credit risk processes, including all ancillary aspects such as governance, credit processes, control framework, internal regulations, as well as the IFRS 9 models and rating systems adopted by the Group.

On 14 November 2023, the draft of the end-of-audit report was shared, which summarised the main results of the inspection that were then confirmed in the definitive final report shared on 13 December.

3.13 - CONSOB audit of the status of the MiFID II adjustment regarding product governance and assessing the appropriateness/adequacy of operations and related compliance audit

On 22 February, CONSOB began auditing the Group's model for the provision of investment services. The audit focused on the status of the regulatory adjustment regarding investment services with specific reference to product governance and procedures to assess the appropriateness and adequacy of operations carried out on behalf of customers, as well as methods for subdividing and effectively performing compliance checks in the aforementioned areas.

CONSOB notified Cassa Centrale of the end of the audit on 7 November. The decisions resulting from the inspection will be made and communicated by the Supervisory Authority within six months from the aforesaid date.

3.14 - “Forbearance deep dive” by the European Central Bank

Following the in-depth examination conducted by the European Central Bank between October 2022 and January 2023, focusing on the forbearance process (so-called Forbearance Deep Dive), the Cassa Centrale Banca Group received the follow-up letter from the JST on 11 May 2023, which summarised the supervisory recommendations to cover aspects for improvement found in this area.

The audit was conducted thoroughly across the entire existing forborne framework, in order to check its solidity and efficacy, as well as the adequacy of the policies and procedures on forbearance measures.

In June 2023, the Group launched the remedial plan designed to incorporate the Supervisory Authority’s suggestions to strengthen the forbearance framework, and guarantee compliance with the envisaged terms and deadlines.

3.15 - Targeted analysis on management body effectiveness and diversity by the European Central Bank

In October 2023, the European Central Bank began analyses and assessments of the functioning, supervision and composition of the corporate bodies of Cassa Centrale Banca. The activity should be complete by the first half of 2024.

3.16 - Targeted review on Cyber Resilience questionnaire

On 5 July 2023, the European Central Bank requested that the significant institutions complete a questionnaire specifically designed to achieve a more detailed perspective of cyber resilience monitoring. This request aimed to integrate the findings made during the IT Risk Questionnaire as part of the SREP with more information about cyber risks.

The Authority’s initiative is part of a framework of growing and progressive attention towards cyber risks, which is widely covered in Regulation (EU) no. 2022/2554 (so-called DORA Regulation), as well as in the Cyber Resilience Stress Tests announced for 2024.

The Cassa Centrale Group completed and submitted the questionnaire, respecting the methods and deadlines defined by the JST, which then sent a feedback letter in March 2024 containing recommendations intended to remedy and/or improve the IT security reference framework.

Cassa Centrale Banca’s Action Plan, intended to satisfy the aforementioned recommendations, will be shared with the JST in April 2024, subject to approval by the BoD.

3.17 - Update to the Equity Investments of Cassa Centrale Banca

Exercise of the option to purchase the Prestipay S.p.A. share held by Deutsche Bank

In February 2023, Cassa Centrale Banca resolved to exercise the purchase option on the share package of the subsidiary company Prestipay S.p.A. held by Deutsche Bank and equal to 40% of its share capital. The purchase price of the share package was determined using a specific appraisal prepared by an independent expert. The closing took place in June 2023.

Liquidation of the subsidiary Centrale Casa S.r.l.

In April 2023, the extraordinary shareholders' meeting of Centrale Casa S.r.l., wholly owned by Cassa Centrale Banca, resolved to put the company into voluntary liquidation, as part of a wider process of Group reorganisation. The liquidation ended in November 2023.

Liquidation of Casse Rurali Raiffeisen Finanziaria S.p.A.

In April 2023, the Extraordinary Shareholders' Meeting of Casse Rurali Raiffeisen Finanziaria S.p.A. ("CCRFIN"), 50% owned by Cassa Centrale Banca and 50% by Raiffeisen Landesbank, resolved to put the Company into voluntary liquidation. This liquidation is not yet concluded.

3.18 - System operation to resolve the crisis situation of Eurovita S.p.A.

The Cassa Centrale Group joined the agreement between distributor banks, the 5 leading Italian insurance companies and a number of leading Italian banking institutions intended to find a solution to the crisis the insurance company Eurovita S.p.A. is experiencing. The agreement aims to guarantee the full protection of investors that have taken out Eurovita policies, preventing them from being exposed to any capital loss or waiver of accrued returns. In an intermediate phase, the distributor banks' insurance portfolio was taken over by the 5 insurance groups by establishing a new company owned by those insurance companies, named Cronos Vita Assicurazioni S.p.A..

The total amount of the Eurovita policies placed by Group customers was around EUR 402 million.

The agreement, signed by the Parent Company on 27 September 2023, and the subsequent authorisation granted by IVASS to transfer Eurovita's corporation abstract in favour of Cronos on 30 October 2023, removed the block on the option to exercise the right of early redemption on policies for the interested customers.

3.19 - Impacts related to the conflict in the Middle East

The Israel-Palestine conflict began on 7 October 2023 with cyber attacks on the platforms used to broadcast alerts to the Israeli population and the first rockets were fired at Israel shortly after.

This sequence of events highlights and consolidates how the virtual aspect of current conflict forms an integral part thereof, with increasingly more relevant and thus strategic impacts.

Furthermore, various threat actors launched IT attacks on both fronts, against organisations and countries in support of the State of Israel and against the Palestinian population. Between 7 and 17 October alone, there were at least 178 groups of cyber activists that participated in the conflict and experts believe that the hacktivism linked to the war between Israel and Hamas will be present throughout the entire duration of the conflict, extending to organisations and countries directly and indirectly involved in the events that take place in the contested territory.

In collaboration with Allitude, Cassa Centrale Banca raised the alert level and increased its continuous threat analysis, collection and enhancement of indicators of compromise shared by cyber threat intelligence sources. It also carried out targeted information and awareness activities, all of which concerned the Group, with the involvement of the corporate control functions and top management.

3.20 - Classification and measurement of loans to customers based on the general impairment model IFRS9

In order to calculate expected loss at 31 December 2023, the Cassa Centrale Group has incorporated into its IFRS 9 impairment model, consistently with the provisions of the standard, macroeconomic scenarios that include the effects of the war in Ukraine and the uncertain evolution of the economic and geopolitical environment, aspects which have a major influence on growth forecasts, the main macroeconomic variables and the financial indicators for 2024-2026, compared to the previous forecasts.

In order to determine the IFRS 9 value adjustments on the customer loan portfolio as at 31 December 2023, conservative criteria – in accordance with the IAS/IFRS accounting standards – were adopted, taking into account the uncertainty arising from the geopolitical context of reference and the significant increase in interest rates, made during 2023 and intended to contain the inflationary spiral.

In this context, in 2023 the Group maintained the existing system of minimum provisioning at geo-sectoral level, introduced in 2022, on the performing positions considered at-risk since they fall into the economic sectors most vulnerable to the indirect effects of the Russia/Ukraine conflict (so-called energy-intensive/gas-intensive sectors). Furthermore, in order to prevent negative impacts on credit risk associated with the increase in interest rates, the Group introduced another mechanism to determine appropriate levels of additional coverage (so-called add-on) to the exposure of variable rate mortgage loans in stage 2.

At the meeting of 25 May 2023, the Parent Company's Board of Directors approved, for all entities of the Group, the removal of the minimum allocation levels on the moratorium pursuant to the COVID-19 portfolio in place, as from the reporting date of 30 June 2023. This decision was supported by the analyses conducted during the first half of 2023 and the positive evaluation of the credit risk framework for the portfolio in question, compared to the current IFRS 9 model, in a deeply different context characterised by overcoming the COVID-19 emergency and which sees the recovery of ordinary amortisation conditions for the loans under previous moratorium.

For the purposes of calculating the expected loss as at 31 December 2023, the Cassa Centrale Group has used the three scenarios (mild, baseline, adverse), appropriately averaging their contributions, in accordance with the assessment of macroeconomic projections that expect continued high variability in the future.

Furthermore, additional corrective measures were introduced on PD and LGD parameters, with the intention to incorporate into the model and, therefore, influence the provisions relating to loans to customers, the initial impacts related to climate and environmental risks and, in a more extensive approach, the main ESG factors.

During the first quarter of 2023, the Group NPL Service and the Risk Management Department formally concluded their monitoring of the correct classification of loan positions, with reference to the evolution of credit risk of counterparties who, at the time, benefited from COVID-19 support measures, while ordinary monitoring cycles were carried out throughout 2023 on exposures to unlikely to pay and customers with positions in stage 2.

For more information, please refer to the detailed information in the Explanatory Notes to Section 5 - Other Aspects.

3.21 - Extraordinary tax calculated on higher net interest income

Article 26 (under "Extraordinary tax calculated on higher net interest income") of Decree Law no. 104 of 10 August 2023, published in the Official Gazette no. 186 of 10/08/2023 (converted with amendments by Law no. 136 of 9 October 2023 in the Official Gazette no. 236 of 09/10/2023), introduced an extraordinary tax for banks – for one financial year only – calculated on the increase in the net interest income between 2021 and 2023. The regulation contains:

- the provision for a one-off tax determined as 40% of the positive differential of the 2023 and 2021 interest margins, the latter increased by 10%, with a maximum limit of 0.26% of the exposure to risk on an individual basis (RWA) posted as at 31 December 2022 and to be paid by 30 June 2024; the extraordinary tax is not deductible for the purposes of income tax or regional tax on production activity;
- the possibility not to pay the aforementioned tax if, during approval of the 2023 financial statements, an amount no less than two and a half times the tax as determined above is allocated to a non-distributable reserve. To this end, the regulation states that the profits allocated to the legal reserve by the Cooperative Credit Banks pursuant to Article 37, paragraph 1 of the Consolidated Text of the Laws on Banking and Credit, as per Legislative Decree No. 385 of 1 September 1993, must be considered assigned to the non-distributable reserve;
- the eligibility, in the event of operating losses or operating profit for 2023 of an amount lower than the aforementioned non-distributable amount, to establish or supplement the reserve using as a priority the profits from previous financial years starting from the most recent ones, then other available capital reserves;
- the obligation to pay the tax plus legal interest in the event of its distribution.

During approval of the 2023 financial statements, the Affiliated Banks allocated to a non-distributable reserve the amount corresponding to 2.5 times the amount of the tax, making use of the option provided for by the Italian government.

3.22 - Changes to the Parent Company's organisational chart

Appointment of the new ESG Chief and Institutional Relations

At the meeting on 23 February 2023, the Board of Directors resolved to hire Roberta Famà as Chief of ESG and Institutional Relations of Cassa Centrale Banca, effective 1 May 2023.

Appointment of the new Chief of the NPL Department

At the meeting on 11 May 2023, the Board of Directors appointed Fabrizio Preti as Chief of the NPL Department of Cassa Centrale Banca, previously qualified as a Service, effective 1 June 2023.

Appointment of the new Chief Human Resources Officer

At the meeting on 25 May 2023, the Board of Directors resolved to hire Stefania Buratto as Chief Human Resources Officer of Cassa Centrale Banca, effective 1 September 2023.

Appointment of the new Chief General Counsel

At the meeting on 21 September 2023, the Board of Directors appointed Manuela Acler as Chief General Counsel of Cassa Centrale Banca, effective 1 October 2023.

Appointment of the new Chief Compliance Officer

At the meeting on 21 September 2023, the Board of Directors approved that, with the appointment of the new head of the General Counsel Department, the Compliance Department of Cassa Centrale Banca would be assigned ad interim to Paolo Martignoni, effective 1 October 2023.

Appointment of the new Chief Lending Officer

At the meeting on 23 November 2023, the Board of Directors appointed Letterio Merlino as Chief of the Credit Department of Cassa Centrale Banca, effective 18 December 2023.

Appointment of the new Chief Business Officer

At the meeting on 14 December 2023, the Board of Directors appointed Armando Franceschi as Chief Business Officer of the new Commercial Department, effective 1 January 2024.

3.23 - Significant regulatory events during the year

The reference regulatory context in which the Group operates, also following its recognition as a significant supervised entity, is broad and articulated and has led, over time, to a process of organisational and procedural adjustment. In 2023, various regulations affecting the banking sector came into force.

The main measures implemented by the Group with reference to the most important regulatory changes are set out below.

Transparency

Bank of Italy note on unilateral amendments to contractual conditions justified by the performance of interest rates and inflation

On 15 February 2023, the Bank of Italy published a communication on its website regarding unilateral amendments to contractual conditions justified by the performance of interest rates and inflation. The communication followed up on a note on the same subject sent to banks by the respective regional Bank of Italy branches (hereinafter, the "Note") and summarised its contents.

In the Note, after citing the previous measures on unilateral amendment to contractual conditions 2, the Bank of Italy made reference to the recent change in the macroeconomic conditions – and in particular the gradual increase in inflation and consequent monetary policy measures by the ECB to raise the interest rates – which led numerous intermediaries to implement unilateral amendments on the economic conditions of current accounts, justified by the increase in the general price index.

In this regard, considering that the rise in official interest rates in recent months could have positive effects for the profitability of banks and potentially offset the higher operating costs generated by inflationary dynamics, the Bank of Italy asked all banks to carefully assess, the adoption of any unilateral operations, on the basis of a balanced and all-encompassing approach, with a justified reason based on the rise in inflation.

The Bank of Italy also reiterated that the current phase of restrictive monetary policy follows a long period of extremely low or even negative interest rates, which had led numerous banks to adopt unilateral amendments on their economic conditions, which translated – specifically – to a lower rate of remuneration for current account deposits and/or higher current account management fees. In this regard, the Bank of Italy invited banks, if they had made this kind of amendment to current accounts, to "assess whether to revise the conditions applied in light of the change in context", specifying that this revision was necessary in cases where similar operations had been accompanied by the commitment to customers to review the amended conditions once the causes that had justified the change no longer exist.

The Parent Company, in the face of recognition of this kind of operation carried out by the banks, provided them with specific instructions to formalise the assessments required by the Note.

Bank of Italy supervisory guidelines on revolving credit

On 19 April 2023, the Bank of Italy published supervisory guidelines on its website on so-called revolving credit (hereinafter, the "Guidelines"), aimed at ensuring compliance with application practices and promoting conduct more mindful of the quality of consumer/customer relations.

Pursuant to the Guidelines, banks were required to perform a self-assessment of their structures, procedures and practices and, where corrective measures were required, the Bank of Italy expected that, within three months from the date of their issue (July 2023), a plan of actions to be implemented by 2023 would be prepared, providing appropriate communication to the Supervisory Authority.

Following the analysis carried out by the competent structures of the Parent Company (with active participation from the Compliance Department), it was deemed that:

- the Guidelines do not apply to the Group companies as producers of revolving credit;
- only 26 sections of the Guidelines identified as applicable to the distribution of third-party products are relevant for the distribution activity by the Parent Company and the Affiliated Banks of revolving credit cards;
- the distribution controls and internal regulations of the Group are compliant with the indications contained in the sections of the Guidelines under letter b), without prejudice to the opportunity to provide for specific references to revolving credit cards as part of the Group's general controls adopted for marketing third-party banking products that fall under Title VI of the TUB and without prejudice to the monitoring, by the Parent Company, of the progress made in adjusting to the Guidelines by the related producers.

Considering the outcome of the analysis conducted at the level of compliance with the Guidelines, it was not necessary to adopt a plan of actions to be communicated to the Bank of Italy or to be implemented by the end of 2023.

Supervisory Reports

Update of Bank of Italy Circulars nos. 272, 217, 148, 286 and 154 on supervisory reporting

The update to the said Bank of Italy Circulars made significant changes to supervisory reporting in the following areas:

- **Investment services**: changes to reporting relating to the Advisory Service and to the financial instruments of customers;
- **Payment services**: reports are requested on the portability of payment services (number of applications and compensation paid for delays), basic accounts (number of requests to open basic accounts in the period) and payment card disputes;
- **Returns**: new reports are requested on returns of sums unduly withdrawn from customers by banks, by type of product/service and regional distribution;
- **Unilateral changes**: a new report is envisaged on the unilateral changes to customer relations;
- **Complaints**: more details are requested in the report relating to the number of complaints received and a new report is introduced relating to the number of complaints managed after the deadline.

In particular, the new information base A7 "Customer relations" was introduced, the first of which is to be sent by 25 September 2023.

A specific adjustment project was initiated at the Parent Company, including with support from the IT outsourcer, intended to obtain the highest automation possible in the generation of data to be reported.

The Bank of Italy also intervened on 28 November by publishing Updates to Circulars nos. 286, 189, 148, 217, 115, 272 and 154. In particular, the updates are intended to:

- adjust the provisions relating to impaired credit exposures to the regulations on business crisis and insolvency set out by Legislative Decree no. 14 of 12 January 2019, as amended, which repealed the so-called "Insolvency Law", in Circulars nos. 272, 217, 148, 189, effective from the reporting date of 31 December 2023, and repealing the corresponding instructions contained in the previous update of such Circulars;
- supplement the provisions on payment statistics with information introduced by Regulation (EU) 2020/2011 of the ECB of 1 December 2020, in Circulars nos. 272 and 217, effective from the reporting date of 31 March 2024;

- restructure the recipients of the reporting provisions to be applied to groups of stock brokerage firms (SIM) on the basis of the provisions of Article 11, paragraph 1-bis of the Consolidated Law on Finance (TUF), in Circulars nos. 148 and 115, effective from the date of publication of the regulatory update;
- introduce two new items to purchases and transfers of loans, required for the analysis of the operating performance and the risk of financial intermediaries pursuant to Article 106 of the TUB specialised in the purchase and management of impaired exposures, similar to those already requested from the banks, in Circular no. 217, effective from the reporting date of 31 March 2024;
- provide more granular data on the sector breakdown of customers in the item on sector and regional data about the credit quality of loans, in Circular no. 272, with entry into force from 1 January 2025;
- govern the reporting obligations of crowdfunding providers, pursuant to the European regulations of reference, and the reporting obligations of banks that issue secured bank bonds, on the basis of the powers attributed to the Bank of Italy by the new regulations, in Circular no. 286, with application from the reports referring to the book date of 31 December 2023;
- amend the reporting templates and corresponding classification system, in line with new updates to the Supervisory Authority's reporting regulations, in Circular no. 154.

Transfer of the "Tax bonus" tax credit - Law no. 77 of 17 July 2020

As known, Law no. 77 of 17 July 2020, converting, with amendments, to the Relaunch Decree law, has strengthened tax deductions for seismic and energy upgrade interventions on national real estate assets, granting taxpayers the possibility of opting for the conversion of the tax deduction into a tax credit that can be transferred to third parties, mainly to credit institutions and suppliers.

Since the conversion into law of the Relaunch Decree, the tax deductions arising from construction works have undergone significant changes, both in terms of the procedure for exercising the option of sale or discount on the invoice as well as in terms of the time period within which the expenses are incurred.

With the conversion into law of Decree Law no. 11 of 16 February 2023 which, with a view to combating fraud in the construction sector, abolished the possibility granted to the taxpayer to transfer the credit to third parties, there will be a progressive reduction of transfers to credit institutions and suppliers, which will remain limited to exceptions of specific cases provided for by regulations.

The approach followed, with particular reference to the application of the accounting standard IFRS9, is the one identified both by the Italian Accounting Body (OIC) and by the Bank of Italy/CONSOB/IVASS Document no. 9 ("Accounting treatment of tax credits related to the Cura Italia and Rilancio Decree Laws acquired following their transfer by direct beneficiaries or previous purchasers"). Tax credits are, in fact, substantially similar to a financial asset in that they can be used to offset a debt usually paid in cash (tax debts), as well as being exchanged for other financial assets. The condition to be met is that the same tax credits may be framed in a business model of the entity. The Cassa Centrale Group includes tax credits in the hold-to-collect business model, as the intention is to hold these receivables until maturity.

If, according to a Group company, the actual or prospective individual ceiling has been exceeded and, on the basis of the transfer orders collected from its customers, in order to preserve the established commercial relationships, it enters into forward contracts to transfer tax credits with counterparties outside the Group, it is considered more appropriate from an accounting perspective to attribute these credits to the Hold To Collect and Sell business model, which better represents tax credits held for sale or, alternatively, for offsetting.

This business model provides for a measurement of the items at fair value through equity, i.e. at each accounting closing it is necessary to adjust the book value to align it with the fair value calculated and to measure at equity the delta between the fair value measurement and the one at amortised cost.

In light of the forward contracts and related transfer prices, it follows that the purchasers grant the entities of the Cassa Centrale Group purchase prices close to the book values at the presumed transfer date. Therefore, the book value of such loan portfolio as at 31 December 2023 is representative of the fair value found in the market transactions stipulated with counterparties outside the Group.

Investment services

ESMA guidelines on certain aspects of the MiFID II suitability requirements

On 3 April 2023, ESMA published the official Italian translation of the final report "Guidelines on certain aspects of the MiFID II suitability requirements", which updates the previous Guidelines on several aspects of the suitability assessment issued in 2018. The main updates concern the methods of acquiring and assessing the customer's sustainability preferences, which the intermediaries must consider, in the context of the suitability assessment of a financial investment, pursuant to Commission Delegated Regulation (EU) 2021/1253, which came into force on 2 August 2022.

The Parent Company took account of the ESMA indications reported in the documents mentioned in the previous paragraphs as part of the project to review the MiFiD questionnaire and the Group's suitability assessment model launched in 2022 and continued in 2023.

ESMA guidelines on product governance

On 3 August 2023, the ESMA published the official Italian translation of the Final Report "Guidelines on MiFID II Product Governance Requirements", which updated the previous Guidelines on product governance requirements pursuant to MiFID II issued in 2018.

Article 16, paragraph 3 and Article 24, paragraph 2 of the MiFID II establish that companies that create or distribute financial products must adopt adequate governance mechanisms to ensure that the companies guarantee the best interest of customers throughout all phases of the product life cycle.

These governance mechanisms must include the identification and periodic review of the target market of the end customer for each product and a distribution strategy consistent with the identified target market.

The product governance guidelines were updated, in particular, with reference to the integration of sustainability objectives into the process of defining the Target Market of a financial instrument, pursuant to Commission Delegated Directive (EU) 2021/1269.

The Parent Company has scheduled activities to adjust the Group's product governance model to the changes required by the ESMA Guidelines.

Updates to the MiFID II Directive (so-called Quick Fix)

Italian Legislative Decree no. 31 of 10 March 2023 was published in Official Gazette no. 71 dated 24 March 2023, in implementation of Directive (EU) 2021/338 (the Quick Fix Directive), amending the MiFID II Directive as regards customer information requirements (hereinafter, the "Decree").

The Decree, introducing the new paragraph 1-quater to Art. 21 of the Consolidated Law on Finance (TUF), approved the obligation of financial intermediaries to provide customers an electronic copy of all the information required by the regulation on investment services starting from 7 August 2023. In line with the provisions of European regulations, only retail investors may still choose to continue to receive a paper copy of the required information free of charge (opt-in). This option is not available to professional clients and qualified counterparties, which, starting from the aforesaid date, must receive this documentation in electronic format only.

The Parent Company has provided the banks with specific instructions to comply with the regulatory changes, with reference to new customers as well as existing ones as at 7 August 2023.

Remuneration policies

On 3 April 2023, ESMA published the official Italian translation of the "Guidelines on certain aspects of the MiFID II remuneration requirements". The document, entitled "**Guidelines on certain aspects of the MiFID II remuneration requirements**", constitutes an overall review of the "Guidelines on remuneration policies and practices", issued in June 2013 pursuant to Directive 2004/39/EC ("MiFID"), following the reform of remuneration and conflict of interest requirements associated with the introduction of the MiFID II Directive. The Guidelines became effective on 3 October 2023 and replaced the previous ones. For intermediaries that are also recipients of the prudential provisions on remuneration and incentives issued by the Bank of Italy pursuant to Art. 53, letter a of the Consolidated Law on Banking or Art. 6, paragraph 1, letter c-bis) of the Consolidated Law on Finance, the change to the ESMA Guidelines is carried out as part of the requirements of such provisions. The Parent Company, therefore, carried out analyses to evaluate the adjustment, where necessary, of the document on the Group's remuneration and incentive policies to be adopted in 2024.

Anti-Money Laundering

The regulatory framework on anti-money laundering and countering the financing of terrorism has been supplemented as follows.

On 31 March 2023, the EBA issued the final report regarding the change to the "*EBA Guidelines relating to risk factors of money laundering and terrorist financing (AML/CFT)*" dated July 2021, as well as the "*Guidelines on processes and controls for an effective management of AML/CFT risks in the provision of financial services*". The former provide indications relating to the actions that financial institutions should take when tackling the aforesaid risks in the event that the customer is a not-for-profit organisation (NPO). The latter concern the effective management of AML/CFT risks by entities that provide access to financial services and clarify the interaction between access to financial services and AML obligations.

The EBA also published the Italian translation of the "*Guidelines on the use of remote customer onboarding solutions*" on its website. These guidelines establish the measures that the required parties must adopt when choosing tools for remote customer identification and the common standards for developing and implementing remote customer identification processes.

In implementation of the aforesaid EBA guidelines, Bank of Italy Provision dated 13 June 2023 was published, in Official Gazette no. 150 of 29 June 2023, containing amendments to the Provision dated 30 July 2019, containing provisions on adequate customer verification. In particular, the third paragraph of Section VIII, Second Part of the Provision of 2019 was repealed, in addition to the related Annex 3. The amendment became effective on 2 October 2023.

On 6 April 2023, Bank of Italy launched the restricted meeting on the proposals to amend the "*Provisions on organisation, procedures and internal controls for anti-money laundering purposes*". The meeting was limited to the trade associations representing intermediaries. The amendments were intended to introduce the provisions of the EBA Guidelines not included within the current text. In particular, the changes impact the Second Part, relating to corporate bodies, the regulation of outsourcing the Function and that applicable to groups.

The Bank of Italy Provision dated 12 May 2023 was published in Official Gazette no. 121 of 25 May 2023 containing the adoption of the UIF measure relating to new anomaly indicators. The measure is effective since 1 January 2024 and summarises the indicators related to all recipients of the active collaboration obligations in a single text, with the aim of providing a useful tool to elevate the quality of collaboration.

On 29 May 2023, the Bank of Italy and UIF issued a notice on "*Reports and communications of suspicious transactions associated with implementation of the NRRP*". The notice reiterated the request to monitor transactions attributable to the measures of the Plan and to report suspicious transactions promptly to the UIF.

On 14 June 2023, IVASS published a reference document with a proposal to amend IVASS regulation no. 44/2019 intended to implement the *"EBA Guidelines on policies and procedures in relation to compliance management and the role and responsibilities of the AML/CFT Compliance Officer"*. The Guidelines are intended to harmonise the corporate governance structure and provide detailed instructions on the role and tasks of the corporate bodies and AML officers.

In the first half of 2023, the European Union published numerous Implementing Regulations concerning restrictive measures to counter the money laundering and the financing of terrorism, including measures to freeze the funds and economic resources of designated parties that have been added to dedicated sanction lists.

Privacy

On 11 January 2023, the Italian Data Protection Authority expressed a positive opinion of the layout of the legislative decree implementing the whistleblowing directive. The Parent Company analysed the considerations expressed by the Data Protection Authority within the opinion and assessed that all elements indicated had been taken into consideration in the Group's internal procedures.

On 9 March 2023, the Data Protection Authority approved the code of conduct for telemarketing and teleselling activities. The code of conduct, required and governed by Art. 40 of Regulation (EU) no. 679/2016 (hereinafter, the "GDPR"), guarantees an effective and uniform application of and compliance with national and European regulations on personal data protection. To apply to a given party, be it the Data Controller or the Data Processor, they must follow the code and comply with the indications therein. In this specific case, the Parent Company assessed that it was not necessary to follow this specific code of conduct, albeit recognising the value of its contents.

Legislative Decree no. 24 of 10 March 2023 took effect on 30 March 2023. In terms of personal data protection, Art. 14 of the decree led to a change for the Parent Company in the storage periods of personal data, now five years starting from the date of communication of the final outcome of the whistleblowing procedure.

Decree Law No. 48 of 4 May 2023, the Employment Decree, took effect on 5 May 2023. Among other things, the legislator supplemented the regulatory provision in the Transparency Decree with reference to automated decision-making systems that could affect employees. In particular, the decision-making or monitoring systems responsible for providing relevant indications for taking on or assigning the mandate, managing or terminating employment, assigning duties or tasks as well as indications affecting supervision, assessment, performance or compliance of the contractual obligations of employees must be "fully" automated.

In the first half of 2023, the European Data Protection Board ("EDPB") adopted two guidelines on personal data breach notification (Guidelines 9/2022) and data subject rights - Right of access (Guidelines 1/2022). The two documents, albeit not legally binding, provide important clarifications on topics relating to personal data protection. In particular, the Parent Company has analysed the published documents and compared them with its own internal policies and procedures and found there were no updates needed. Nevertheless, guidelines 1/2022 on data subject rights - Right of access were useful for providing feedback to a number of requests received from natural data subjects.

On 26 October 2023, the Italian Data Protection Authority adopted an interpretation of the exercise of the right of access by successors and inheritors of the personal data of deceased data subjects, with particular reference to those of beneficiaries of life insurance policies (see web doc. no. 9954881 on the institutional website of the Italian Data Protection Authority). With this interpretation, the Italian Data Protection Authority invites insurance firms – in their role as Data Controller – to provide feedback to requests for access submitted by successors and inheritors, verifying: that the individual who exercises the right of access to the data of the deceased is the holder of the substantive subjective right in terms of inheritance, corresponding to the quality of successor or inheritor; that the interest pursued is tangible and existing at the time of access to the data, instrumental or preparatory to defence of their inheritance right in a judicial setting.

This interpretation, albeit addressed directly to the Insurance Firms, in relation to which the banks operate as Data Processor for the distribution of insurance products, is under careful monitoring by the Parent Company since it could also have repercussions on several typical activities of the banks.

Administrative liability of entities

During the reporting period, Legislative Decree no. 231/2001 was subject to the following legislative amendments:

- Decree Law no. 2 of 5 January 2023 (converted with amendments by Law no. 17 of 3 March 2023), which introduced urgent measures for plants of national strategic interest with the aim of safeguarding certain industrial contexts that, due to high energy prices, among other things, are faced with a liquidity shortage. In particular, Art. 5 of the decree made the following changes to Legislative Decree no. 231/2001:
    - Art. 15 of Legislative Decree no. 231/2001 (Judicial Commissioner: added letter b-bis) to paragraph 1);
    - Art. 17 of Legislative Decree no. 231/2001 (Reparation for consequences of the crime: added paragraph 1-bis);
    - Art. 45 of Legislative Decree no. 231/2001 (application of precautionary measures: added a new sentence to paragraph 3);
    - Art. 53 of Legislative Decree no. 231/2001 (preventive seizure: added new paragraph 1-ter).
- However, considering that the provisions contained in the Decree Law involve industrial facilities that have been declared of strategic national interest pursuant to Art. 1 of Decree Law no. 207 of 3 December 2012, namely identified with specific Prime Ministerial decree (see Art. 1 of Decree Law no. 207/2012) it was considered that the provisions set out by Decree Law no. 2 of 5 January 2023 were not applicable to the Group.

- Legislative Decree no. 19 of 2 March 2023, implementing Directive (EU) 2019/2121 of the European Parliament and of the Council of 27 November 2019 amending Directive (EU) 2017/1132 as regards cross-border conversions, mergers and divisions, which imposes penalties in the event of inaccurate or misleading statements about the existence of the conditions required to issue the certificate envisaged by Art. 29 of the Decree. The same crime has been added to the catalogue of predicate offences, by amending Art. 25-ter, paragraph 1 of Legislative Decree no. 231/2001, which establishes a financial penalty of between 150 and 300 shares for the company.
- The assessment of the applicability to Parent Company of the offence of inaccurate or misleading statements for the issue of the aforementioned certificate relating to cross-border corporate transactions, taking into consideration the nature of its business, growth prospects and past, present and future strategies, has been carried out with a focus on the scope of the extraordinary corporate transactions and related preliminary activities in relation to documents and statements. The offence has not made any changes to the Model, since, considering the activities carried out by the Bank, the possibility that it would implement cross-border extraordinary transactions appears to be highly remote.
- Law No. 103 of 10 August 2023 containing the conversion into law, with amendments, of Decree Law No. 69/2023. The new legislation made changes to Legislative Decree no. 231/2001, in particular by introducing the following updates on confiscation and preventive seizure:
  - paragraph 2-bis.5 was added to Art. 19 on confiscation;
  - the following words were added to Art. 53, paragraph 1-ter on preventive seizure: "paragraphs 1-bis.1 and 1-bis.2" were replaced by the following: "paragraphs 1-bis.1, 1-bis.2, 1-septies, 1-octies, 1-novies and 1-decies".
- Law no. 137 of 9 October 2023, converting, with amendments, Decree Law no. 105 of 10 August 2023, containing urgent provisions on criminal procedure, civil procedure, fire-fighting in woodland, recovery from substance addiction, health, and culture, in addition to personnel of the magistracy and public authorities. This legislative provision made changes by (i) expanding the list of predicate crimes envisaged by Articles 24 and 25-octies.1 with the introduction of crimes of interference in auctions (Art. 353 of the Italian Criminal Code), interference in the contractor selection procedure (Art. 353-bis of the Italian Criminal Code), and fraudulent transfer of value, Art. 512-bis of the Italian Criminal Code, and by (ii) amending Articles 452-bis (environmental pollution) and 452-quater (environmental disaster) of the Italian Criminal Code on crimes against the environment, both referred to in Article 25-undecies (environmental offences) of Italian Legislative Decree no. 231 of 8 June 2001.

In relation to these latter two regulatory changes, analyses are ongoing to assess the related impacts on the Group's operations.

Whistleblowing

On 15 March 2023, Legislative Decree no. 24 of 10 March 2023 was published in the Official Gazette in implementation of Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of EU law, and containing provisions regarding the protection of persons who report breaches of national regulatory provisions.

The provisions set out by the aforesaid decree took effect on 15 July 2023, with the exception of parties in the private sector that employed an average of up to 249 subordinate workers with open-ended or fixed-term contracts in the last year, for which the effective date of the Decree has been postponed until

17 December 2023. The Decree expressly states that the provisions contained therein do not apply to reports of breaches where already governed on a compulsory basis by European Union or national acts. It follows that, similar to the provisions of the Decree, the regulations on reports of breaches currently envisaged by Art. 52-bis of the Consolidated Law on Banking and Bank of Italy Circular 285, in addition to regulations on anti-money laundering, also continue to be considered applicable.

The Decree also states that reports of breaches as per the Models adopted by the individual Companies or any of the provisions set out by Legislative Decree no. 231/2001 must be carried out through the channels envisaged by said Decree. In this regard, the Decree also specifies that the organisation and management models (where adopted by the Companies) must provide for internal reporting channels.

The main changes introduced by the decree on reporting breaches involve the following aspects:

- expanding the objective scope of breaches that can be reported;
- expansion from the perspective of the types of individuals who can make a report, including self-employed professionals and consultants who provide their services to parties in the private sector and shareholders and individuals with functions of administration, management, control, supervision or representation, including merely de facto. For all aforesaid individuals, the protection also applies during the probationary period and before or after establishment of the employment or other legal relationship;
- expanding the scope of individuals to which protection from retaliatory acts is granted, also extended, in addition to the aforementioned individuals who make a report, complaint or public disclosure, to those who could, however, receive such acts, including indirectly;
- in addition to the internal whistleblowing channel, providing:
  - the ability to use an external channel to make a report, entrusted to ANAC;
  - public disclosure (through the press, or electronic means or through means of distribution capable of reaching a large number of people);
- in relation to the internal whistleblowing channel, the whistleblower, in addition to the written report, must be given the ability to make an oral report (via telephone or voice messaging systems) or through a direct meeting with the party identified by the whistleblowing management body;
- assigning ANAC the responsibility for the enforceability of administrative financial penalties (up to EUR 50,000) in all situations of a breach of the regulations contained in the Decree.

In relation to the requirement for the Group to adjust to the provisions set out by Decree 24/2023, on 12 October 2023 the Board of Directors of the Parent Company adopted the update to the “Group Whistleblowing Regulations”; these Regulations provide for the management of all reports that fall within the scope of application of the Regulations through a single IT procedure, the application for which has been made available to the Group companies alongside the related reference manuals. Considering that Decree 24/2023 also required that reports of breaches of the Model or in any case of Legislative Decree 231/2001 must be subject to the related obligations and deadlines envisaged therein, on 14 December the Board of Directors of the Parent Company also adopted an update to the 231 Model used by the Parent Company, aligning it to such provisions.

Climate and environmental risks

On 19 December 2022, Regulation (EU) no. 2453/2022 of 30 November 2022 was published, in the Official Journal of the European Union, which introduced the implementing technical standards (EBA/ITS/2022/01) as regards the disclosure of environmental, social and governance (ESG) risks to be presented in the Public Disclosure document. Effective 31 December 2022, this Regulation introduced comparable disclosures that represent institutions' exposure to climate risks, as well as key performance indicators (KPIs) aimed at representing the funding granted towards activities classified as environmentally sustainable under the EU taxonomy.

ICT Compliance

40th update to Bank of Italy Circular 285/2013

On 3 November 2022, Bank of Italy published the 40th update to Circular 285/2013 concerning the amendment to Chapter 4 "The Information System" and Chapter 5 "Business Continuity" of Part One, Title IV of the Circular, in order to implement the "Guidelines on ICT and security risk management" (EBA/GL/2019/04).

The EBA Guidelines define a harmonised framework of ICT and security risk management measures that banks must adopt.

Chapter 4 no longer mentions ICT Compliance, but a second-level control function responsible for the management and supervision of ICT and security risks.

Its tasks include:

- helping to define the information security policy and being informed about any activity or event that could affect the Group's risk profile in a relevant way, significant operational or security incidents, as well as any substantial changes to the ICT systems and processes;
- be actively involved in the projects creating substantial changes to the information system and, in particular, in the risk control processes related to such projects.

The banks may establish a specific function or may assign these tasks to the risk control and compliance corporate functions, in relation to the roles, responsibilities and tasks specific to each of the two functions, provided that the correct performance of the tasks, the efficacy of the controls and the necessary technical expertise are ensured.

Impacts have been analysed in terms of organisation and operations arising from the new regulatory requirements and consequent adjustments and, in terms of macro-responsibilities, are already focused and overseen by the second-level corporate control functions. Therefore, for the purpose of implementing the new organisational model, Cassa Centrale Banca opted to assign the tasks of the new ICT and security risk control function to the existing second-level corporate control functions, as far as their competence is concerned.

Considering the measures implemented on the Parent Company's organisational structure, a precise review of the tasks and responsibilities currently borne by the line and control functions involved in the ICT and security risk management processes became necessary, with the dual objective of obtaining a clear allocation of the pertinent areas and assessing whether the existing information flows guarantee the effective monitoring and coverage of all relevant areas of operation.

By 1 September, a report had been sent to the Bank of Italy on the measures implemented to ensure compliance with the provisions reported in the 40th update and implementation of the Supervisory Authority's expectations had begun. These measures were aimed at the implementation of ICT and Security Risk controls carried out by the company control functions, where particular importance is assumed by the mechanisms for connection and operating coordination established between the ICT Compliance Service and the Operational Risk Management Office, in addition to the exchange of information flows with the Level 1 Functions, in order to ensure a holistic overview of the level of ICT and Security Risk.

Regulation (EU) 2022/2554 of the European Parliament and of the Council on digital operational resilience for the financial sector - DORA

The DORA Regulation was published on 14 December 2023. It aims to promote digital operational resilience, by regulating the operational risks arising from the growing interdependence among the financial sector and third-party service providers and to grant the Supervisory Authorities with suitable powers to monitor such risks. The DORA framework, which is part of the Digital Finance Package, is the first legislative act at European level that addresses the topic of digital operational resilience for financial services with a holistic approach. The DORA Regulation is based on the following pillars:

- creation of a common framework for harmonised management of ICT risks;
- harmonisation of the classification and reporting of ICT incidents with swift notification times (the same day as the event);
- to establish standards at EU level for digital operational resilience tests;
- to cover the minimum contractual elements to allow for complete monitoring of ICT third parties;
- to promote awareness and knowledge of ICT threats by sharing information at system level.

After conducting an analysis to assess compliance with the provisions of the Regulation, with the end goal of defining the Strategic Roadmap of measures for adjustment to the DORA, in the second half of 2023 Cassa Centrale Banca continued to coordinate and align the various functions involved, allowing for further cross-functional interdependencies to be addressed.

Furthermore, in this period, new accountabilities were consolidated (e.g. for the monitoring of third-party ICT suppliers), in order to promote the definition of a 2024 operational execution plan containing:

- the functions impacted by area of remit;
- the attribution of temporary accountabilities (e.g. for the end-to-end mapping of critical and important functions and related information assets, including third-party services and supporting ICT resources) that would be addressed in early 2024.

4. Operating performance of the Cassa Centrale Group

4.1 - Performance indicators of the Group

The main performance indicators for the period ended 31 December 2023 are shown below:

RATIOS	31/12/2023	31/12/2022	% change
STRUCTURAL RATIOS			
Loans to customers * / Total assets	53.5%	51.6%	3.7%
Direct funding / Total assets	77.0%	72.4%	6.4%
Net equity / Total assets	9.2%	7.8%	17.9%
Net loans / Direct funding from customers	69.4%	71.4%	(2.8%)
PROFITABILITY INDICES			
Net profit / Net equity (ROE)	10.6%	7.8%	35.9%
Net profit / Total assets (ROA)	1.0%	0.6%	66.7%
Cost / Income **	60.8%	62.6%	(2.9%)
Interest margin / Net interest and other banking interest	84.5%	73.4%	15.1%
Net fees and commissions / Net interest and other banking interest	28.1%	30.0%	(6.3%)
Net interest and other banking interest / Total assets	3.2%	2.7%	18.5%
OPERATING EFFECTIVENESS INDICES			
Operating costs / Traded volumes ***	1.1%	1.1%	n.s.
Traded volumes per employee (million) ****	13.2	12.8	3.1%

* Loans to customers include loans and advances to customers at amortised cost and fair value; thus differing from the exposures to customers shown in the financial statements;

** Indicator calculated as the ratio of operating costs to net interest and other banking income;

*** The traded volumes are calculated considering the gross performing loans to customers, the total funding excluding the repos component with Cassa di Compensazione e Garanzia and eligible MREL issues;

**** The number of employees of the Group is taken from the figure on the reference date.

The indicators shown represent the main operating trends of the Cassa Centrale Group as at the end of 2023.

With regard to structural ratios, loans to customers represent 53.5% of the total consolidated assets of the Cassa Centrale Group, confirming the predominant activity of the Affiliated Banks aimed at financing the reference territory, households and small economic operators in the context of their business activities. The index is higher than the findings at December 2022.

Direct funding from customers remained the Group’s main source of funding, accounting for 77% of total assets, an increase compared to the end of 2022.

In light of the change in lending activities, the ratio of net loans to direct funding from customers at 31 December 2023 confirms the Cassa Centrale Group's high degree of liquidity, at 69.4%, a slight decrease on the figure at the end of 2022.

With reference to profitability ratios, the ROE, calculated as the ratio of annualised profit for the period to equity, is 10.6%, while the ROA, calculated as the ratio of annualised net profit to the financial statements total, is around 1%.

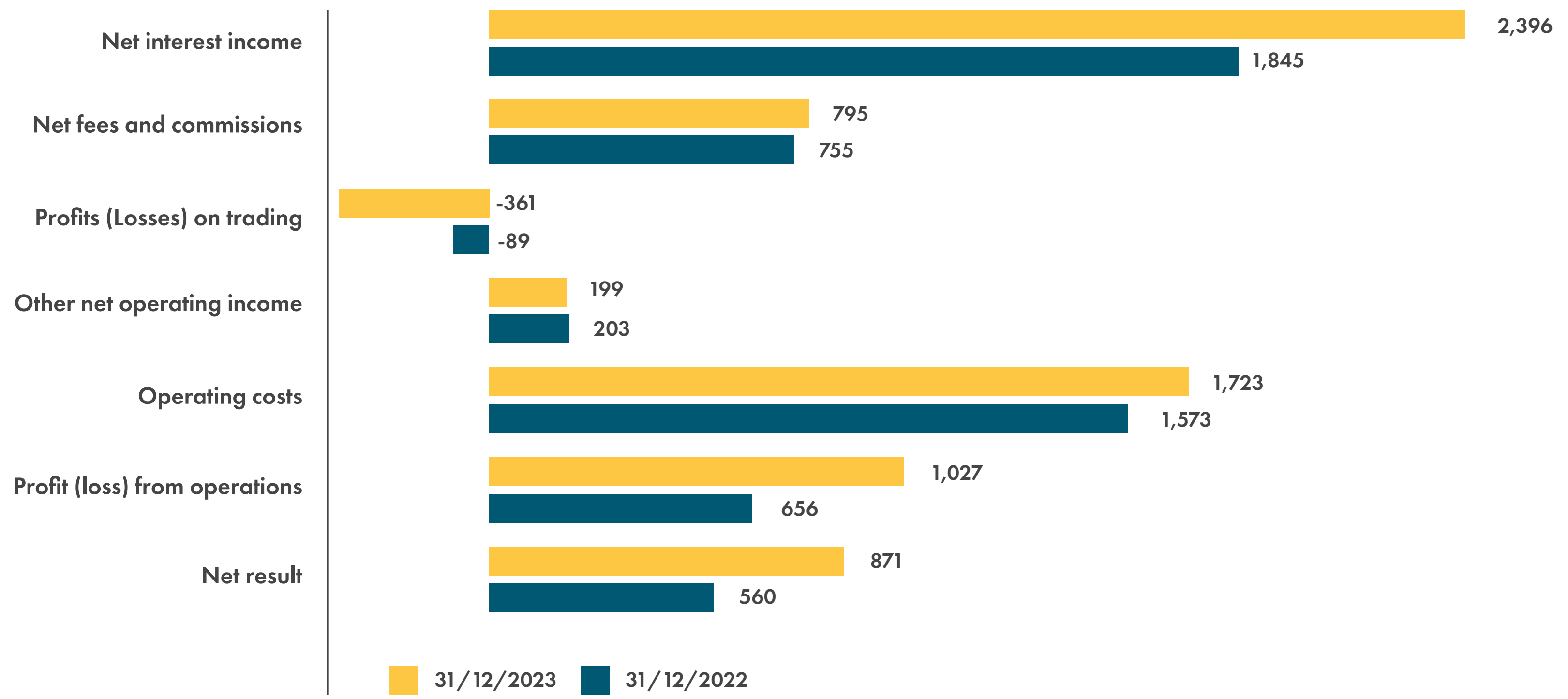
Productivity, measured through the index of traded volumes per employee, grew by 3.1% compared to the end of 2022, amounting to EUR 13.2 million and confirming the path undertaken by the Cooperative Banking Group to progressive increase industrial efficiency. The impact of operating costs on volumes traded was also confirmed to be in line with the figure at the end of 2022, equal to 1.1%.

The following paragraphs provide a brief description of the Group's main income statement and balance sheet aggregates, together with further management evidence commenting on the indicators previously reported.

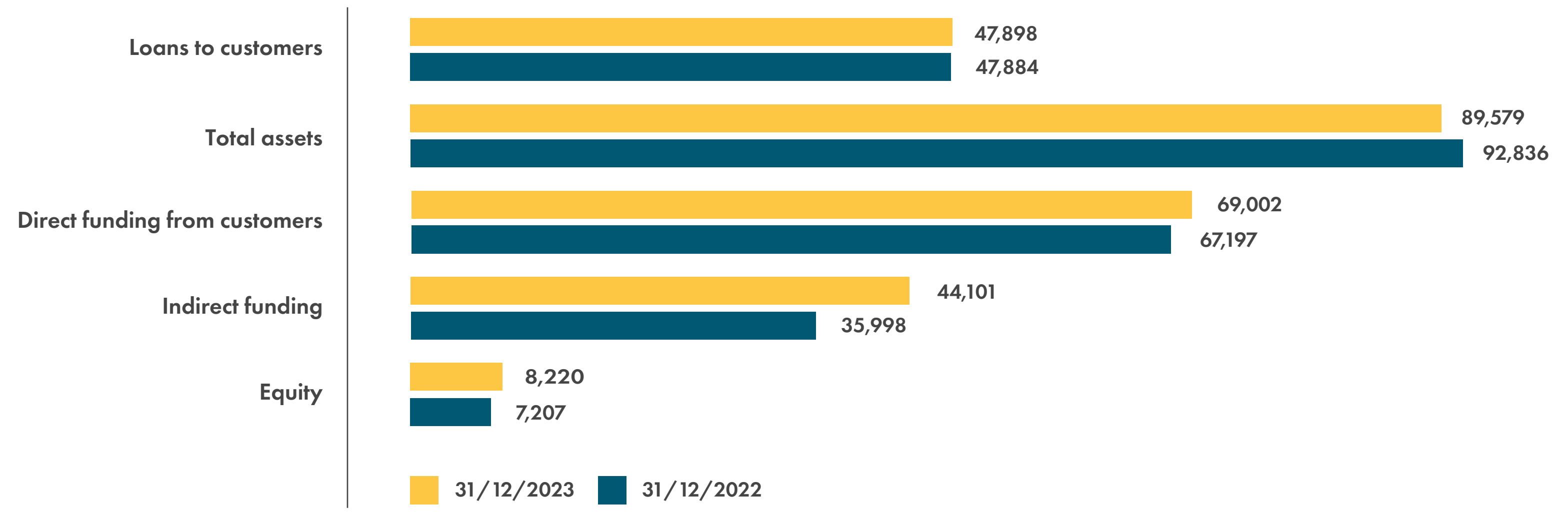
4.2 - Summary of results

A graphic representation of the results of the main items in the income statement and balance sheet is provided on the following page. Please refer to the specific sections for details of individual items.

Consolidated income statement figures (millions of euro)



Consolidated balance sheet figures (millions of euro)



4.3 - Economic results

Reclassified income statement[6]

(Figures in millions of euro)	31/12/2023	31/12/2022	Change	% change
Net interest income	**2,396**	**1,845**	**551**	**29.9%**
Net fees and commissions	795	755	40	5.3%
Dividends	4	4	-	0.0%
Profits (Losses) on trading**	(361)	(89)	(272)	n.s.
Net interest and other banking income	**2,834**	**2,515**	**319**	**12.7%**
Net value adjustments/write-backs	(81)	(273)	192	(70.3%)
Income from financial activities	**2,753**	**2,242**	**511**	**22.8%**
Operating expenses*	(1,905)	(1,760)	(145)	8.2%
Net allocations to provisions for risks and expenses	(13)	(12)	(1)	8.3%
Other income (expenses)	195	199	(4)	(2.0%)
Value adjustments to goodwill and other intangible assets	-	(1)	1	(100.0%)
Profit (loss) from disposal of investments and equity investments	(3)	(12)	9	(75.0%)
Gross current result	**1,027**	**656**	**371**	**56.6%**
Income tax	(156)	(94)	(62)	66.0%
Profit (loss) for the year for minority interests	-	(2)	2	(100.0%)
Net income of the Parent Company	**871**	**560**	**311**	**55.5%**

* This item includes staff expenses, other administrative expenses and operating amortisation/depreciation.

**This item includes Net result from trading, Profit/(loss) from disposal/repurchase of financial assets, and Net result from other financial assets and liabilities designated at fair value through profit or loss.

As at 31 December 2023, the net interest and other banking income of the Cassa Centrale Group stood at EUR 2.8 billion, up by EUR 319 million compared to the end of 2022. The Group's margins mainly reflect the trend in market rates on the yield of the loan portfolio and the growing return on the proprietary securities portfolio.

Net fees and commissions rose to EUR 795 million (28.1% of the net interest and other banking income), confirming the growing focus of the Cassa Centrale Group on the development of the service margin.

[6] In order to provide a better management representation of the results, the reclassified consolidated income statement figures differ from the layouts of the financial statements envisaged by Bank of Italy Circular no. 262 of 2005, 8th Update.

Net trading revenues were negative for EUR -361 million, mainly as a result of a repositioning of the financial investments in line with the new Group Proprietary Portfolio Strategy, which envisages a reduction in the incidence of investments classified in the HTC Business Model and a diversification of the same portfolio in terms of duration as well as issuer counterparties. This restructuring will reap tangible benefits over the financial years in the time frame covered by the new strategic plan.

Towards the end of 2023, write-downs totalled EUR -81 million. Total allocation for impaired loans rose to around 85%, even higher than the figure at the end of 2022, confirming the growing level of credit risk monitoring.

The change in operating expenses, up on the same period in 2022 (+8.2%), mainly reflects the dynamic in staff expenses and other administrative expenses, as shown in the following paragraphs.

Profit before tax amounted to EUR 1 billion, up sharply compared to the previous financial year (+56.6%), with the net profit pertaining to the Parent Company standing at EUR 871 million.

Net interest income

(Figures in millions of euro)	31/12/2023	31/12/2022	Change	% change
Financial assets measured at amortised cost not comprising loans	697	670	27	4.0%
Other financial assets and liabilities measured at FVTPL	3	5	(2)	(40.0%)
Other financial assets measured at FVOCI	262	170	92	54.1%
Financial instruments	**962**	**845**	**117**	**13.8%**
Net interest to customers (loans)	1,724	1,132	592	52.3%
Debt securities in issue	(119)	(33)	(86)	260.6%
Customer relations	**1,605**	**1,099**	**506**	**46.0%**
Net interest to banks	**(274)**	**(149)**	**(125)**	**83.9%**
Differentials on hedging derivatives	**15**	**(3)**	**18**	**n.s.**
Other net interest	**88**	**53**	**35**	**66.0%**
Total net interest income	**2,396**	**1,845**	**551**	**29.9%**

The net interest income at the end of 2023 stood at nearly EUR 2.4 billion, posting an increase of +29.9% (EUR +551 million) compared to the previous year.

This dynamic is mainly linked to the growing contribution of lending, totalling EUR 1.7 billion (+592 year-on-year), which, benefiting from the rise in market rates, led to a widening of the commercial spread. Financial instruments also made a significant contribution of EUR 962 million (EUR +117 million compared to the end of 2022) thanks to the increasing average profitability of the securities portfolio. In the interbank sector, negative interest was recorded totalling EUR -274 million as a result of the higher market rates and related impact on ECB refinancing operations.

Net fees and commissions

(Figures in millions of euro)	31/12/2023	31/12/2022	Change	% change
Fees and commissions income	**933**	**871**	**62**	**7.1%**
Financial instruments	149	128	21	16.4%
Management of collective portfolios	73	65	8	12.3%
Custody and administration	5	4	1	25.0%
Payment services	412	387	25	6.5%
Breakdown of third party services	110	111	(1)	(0.9%)
Financial guarantees given	16	16	-	0.0%
Financing transactions	121	117	4	3.4%
Foreign currency trading	1	1	-	0.0%
Other fees and commissions income	46	42	4	9.5%
Fees and commissions expenses	**(138)**	**(116)**	**(22)**	**19.0%**
Financial instruments	(13)	(12)	(1)	8.3%
Custody and administration	(17)	(16)	(1)	6.3%
Collection and payment services	(88)	(66)	(22)	33.3%
Servicing activities for securitisation operations	-	(2)	2	(100.0%)
Out-of-branch offer of financial instruments, products and services	(8)	(8)	-	0.0%
Other fees and commissions expenses	(12)	(12)	-	0.0%
Total net fees and commissions	**795**	**755**	**40**	**5.3%**

Net fees and commissions at the end of financial year 2023 stood at EUR 795 million, a +5.3% increase on the previous year, in line with the Group’s strategy to consolidate this revenue item.

Comparison with 2022 shows a growing contribution of the Payment Systems and Assets under Management segments, in line with the growth in Group net funding in this area.

The growth in fees and commissions income is reflected, pro rata, in the dynamics of fees and commissions expenses.

Net result from financial operations

(Figures in millions of euro)	31/12/2023	31/12/2022	Change	% change
Financial assets and liabilities held for trading	6	9	(3)	(33.3%)
- Derivative instruments	*1*	*6*	*(5)*	*(83.3%)*
- Other	*5*	*3*	*2*	*66.7%*
Net income from the sale of financial assets and liabilities	(374)	(63)	(311)	n.s.
Net result from hedging	-	1	(1)	(100.0%)
Dividends and similar income	4	4	-	0.0%
Net change in value of other financial assets and liabilities	7	(36)	43	n.s.
Total net result from financial operations	**(357)**	**(85)**	**(272)**	**n.s.**

The net result from financial operations at December 2023 amounted to EUR -357 million, down sharply from the previous year (EUR -272 million). This change is mainly attributable to the repositioning of the proprietary portfolio described above.

Operating costs

(Figures in millions of euro)	31/12/2023	31/12/2022	Change	% change
Administrative expenses	(1,762)	(1,627)	(135)	8.3%
- staff expenses	*(1,028)*	*(945)*	*(83)*	*8.8%*
- other administrative expenses	*(734)*	*(682)*	*(52)*	*7.6%*
Operating amortisation/depreciation	(143)	(133)	(10)	7.5%
Other provisions (excluding credit risk adjustments)	(13)	(12)	(1)	8.3%
- of which on commitments and guarantees	*(8)*	*(5)*	*(3)*	*60.0%*
Other operating expenses/income	195	199	(4)	(2.0%)
Total operating costs	**(1,723)**	**(1,573)**	**(150)**	**9.5%**

Operating costs amounted to EUR 1.7 billion, up by EUR 150 million (+9.5%) compared to the end of 2022.

Staff expenses for 1 billion were EUR 83 million higher than the comparative period, reflecting the increases attributable to provisions for early retirement and expenses for remuneration and contributions.

The Group posted an increase in other administrative expenses of EUR 52 million compared to the comparative period, mainly attributable to higher IT expenses and expenses for professional services to support the Group's requirements, in addition to a growing impact of indirect taxes. The increase in other administrative expenses is concentrated in the Group's central structures.

Depreciation/amortisation, amounting to EUR 143 million, was slightly higher than the figure from 2022 (+7.5%), while other operating expenses/income amounted to EUR 195 million, slightly down on 2022 (-2.0%).

At December 2023, the Group's Primary Cost-to-Income ratio, calculated as the ratio of operating costs to net interest and other banking income, net of extraordinary and non-recurring items, stood at 52%, down compared to the final figure for 2022.

Net value adjustments/write-backs to financial assets

(Figures in millions of euro)	31/12/2023	31/12/2022	Change	% change
Loans to customers	(80)	(277)	197	(71.1%)
- of which write-offs	*(6)*	*(6)*	-	*0.0%*
Loans to banks	1	7	(6)	(85.7%)
OCI debt securities	(1)	(2)	1	(50.0%)
Contractual changes without derecognitions	(1)	(1)	-	0.0%
(Net value adjustments)/write-backs	**(81)**	**(273)**	**192**	**(70.3%)**

In December 2023, net value adjustments totalled EUR -81 million. The Group's average coverage on impaired loans increased up to around 85%, as proof of the Group's close attention to monitoring credit risk.

4.4 - Financial position aggregates

Reclassified balance sheet[7]

(Figures in millions of euro)	31/12/2023	31/12/2022	Change	% change
Cash and cash equivalents	579	558	21	3.8%
Exposures to banks	911	913	(2)	(0.2%)
Exposures to customers	47,898	47,884	14	0.0%
of which at fair value	*126*	*233*	*(107)*	*(45.9%)*
Financial assets	35,575	39,130	(3,555)	(9.1%)
Equity investments	54	58	(4)	(6.9%)
Tangible and intangible assets	1,306	1,314	(8)	(0.6%)
Tax assets	585	783	(198)	(25.3%)
Other asset items	2,671	2,196	475	21.6%
Total assets	**89,579**	**92,836**	**(3,257)**	**(3.5%)**
Due to banks	10,216	16,391	(6,175)	(37.7%)
Direct funding	69,002	67,197	1,805	2.7%
- Due to customers	*63,299*	*64,114*	*(815)*	*(1.3%)*
- Debt securities in issue	*5,703*	*3,083*	*2,620*	*85.0%*
Other financial liabilities	9	9	-	0.0%
Provisions (Risks, expenses and personnel)	522	467	55	11.8%
Tax liabilities	49	36	13	36.1%
Other liability items	1,561	1,529	32	2.1%
Total liabilities	**81,359**	**85,629**	**(4,270)**	**(5.0%)**
Group's equity	8,220	7,207	1,013	14.1%
Consolidated equity	**8,220**	**7,207**	**1,013**	**14.1%**
Total liabilities and equity	**89,579**	**92,836**	**(3,257)**	**(3.5%)**

As at 31 December 2023, the Cassa Centrale Group's assets amounted to approximately EUR 89.6 billion (-3.5% compared to EUR 92.8 billion at December 2022) and consisted mainly of exposures to customers, which included loans measured at amortised cost and at fair value totalling EUR 47.9 billion, equal to 53.5% of total assets. Financial assets were down compared to the end of 2022, with loans to banks at EUR 911 million, stable compared to the end of the previous financial year, and the securities portfolio was affected by the gradual repayment of the ECB refinancing operations.

[7] In order to provide a better management representation of the results, the balance sheet figures differ from the layouts of the Financial statements envisaged by Bank of Italy Circular no. 262 of 2005, 8th update.

Liabilities are mainly made up of direct funding from customers which, at the end of 2023, stood at EUR 69 billion (+2.7% compared to EUR 67.2 billion in December 2022) and whose details are shown in the following table. Amounts due to banks, equal to EUR 10.2 billion, were significantly down compared to the figure at the end of the previous year (EUR -6.2 billion), and mainly refer to refinancing operations through the Eurosystem. Group equity was EUR 8.2 billion, including the profits made in the previous period.

Total customer funding

(Figures in millions of euro)	31/12/2023	% impact	31/12/2022	Change	% change
Current accounts and deposits on demand	57,588	83%	60,310	(2,722)	(4.5%)
Fixed-term deposits	3,049	4%	1,575	1,474	93.6%
Repos and securities lending	1,861	3%	1,480	381	25.7%
Bonds	956	1%	764	192	25.1%
Other funding	5,548	8%	3,068	2,480	80.8%
Direct funding	**69,002**	**100%**	**67,197**	**1,805**	**2.7%**

The total amount of direct funding from customers of the Cassa Centrale Group is around EUR 69 billion, recording a 2.7% increase (EUR +1.8 billion) compared to the previous financial year, albeit in a context characterised by high returns on government bonds which led to a partial reallocation of resources by customers towards indirect funding, in particular assets under administration. The analysis of direct funding shows a prevalence of short-term funding from customers, represented by current accounts and deposits on demand, equal to EUR 57.6 billion, down compared to December 2022 (-4.5%).

Fixed-term funding, in the form of deposits, repos and bonds, amounted to EUR 5.9 billion, equal to 8.5% of total direct funding volumes, up compared to the previous year (EUR +2.0 billion). At December 2023, repos include refinancing transactions on the market with the counterparty Cassa di Compensazione e Garanzia for a total of EUR 1.9 billion (compared to EUR 1.3 million in December 2022). The bonds product includes the Group's eligible MREL issue, for a nominal value of EUR 700 million.

(Figures in millions of euro)	31/12/2023	% impact	31/12/2022	Change	% change
Assets under management	**25,235**	**57%**	**23,314**	**1,921**	**8.2%**
Mutual funds and SICAVs	8,092	18%	7,087	1,005	14.2%
Asset management	9,155	21%	8,424	731	8.7%
Banking-insurance products	7,988	18%	7,803	185	2.4%
Assets under administration	**18,865**	**43%**	**12,684**	**6,181**	**48.7%**
Bonds	16,435	37%	10,449	5,986	57.3%
Shares	2,430	6%	2,235	195	8.7%
Indirect funding*	**44,100**	**100%**	**35,998**	**8,102**	**22.5%**

*Indirect funding is expressed at market values.

Indirect funding of the Cassa Centrale Group, valued on the market, amounted to EUR 44.1 billion in December 2023 (+22.5% compared to the end of December 2022), benefiting from the gradual conversion of direct funding to capture the current returns on government bonds.

Assets under management, valued on the market, stood at EUR 25.2 billion, an increase on the comparative period (+8.2%). The incidence of the AUM segment on total indirect funding is 57.2%. The Bancassurance segment, life, investments and pensions continued the growth trend of traded volumes (+2.4% compared to the end of 2022).

Assets under administration amounted to EUR 18.9 billion at December 2023, up by 48.7% compared to December 2022, driven mainly by the bond sector (+57.3%).

From the point of view of composition, although the largest volume is represented by assets under management, indirect funding reflects a balance between the individual forms of assets under administration and management, the result of policies of adequate and prudent diversification of investments implemented with customers.

Percentage composition of funding

PERCENTAGE COMPOSITION OF FUNDING	31/12/2023	31/12/2022
Direct funding	61.0%	65.1%
Indirect funding	39.0%	34.9%

The Group's total funding, consisting of total assets under administration on behalf of customers, amounted to EUR 113.1 billion as at 31 December 2023 and consisted of 61% of direct funding with the remaining 39% represented by indirect funding. The managed assets component accounts for 22% of total volumes.

Net loans to customers

(Figures in millions of euro)	31/12/2023	% impact	31/12/2022	Change	% change
Loans at amortised cost	**47,772**	**99.7%**	**47,651**	**121**	**0.3%**
Mortgage loans	*37,950*	*79.2%*	*37,931*	*19*	*0.1%*
of which adjustment for macro-hedging	*(79)*	*n.s.*	*(118)*	*39*	*(33.1%)*
Current accounts	*3,726*	*7.8%*	*3,646*	*80*	*2.2%*
Other loans	*3,757*	*7.8%*	*3,762*	*(5)*	*(0.1%)*
Finance leases	*827*	*1.7%*	*763*	*64*	*8.4%*
Credit cards, personal loans and salary-backed loans	*1,185*	*2.5%*	*1,094*	*91*	*8.3%*
Impaired assets	*327*	*0.7%*	*455*	*(128)*	*(28.1%)*
Loans at fair value	**126**	**0.3%**	**233**	**(107)**	**(45.9%)**
Total net loans to customers	**47,898**	**100%**	**47,884**	**14**	**0.0%**

In December 2023 the Group's net loans to customers amounted to EUR 47.9 billion. Almost all of these are loans at amortised cost, amounting to EUR 47.8 billion, substantially in line (+0.3%) with December 2022. The aggregate consisted mainly of mortgages, which amounted to around EUR 38 billion and accounted for 79.2% of total loans to customers, current accounts amounting to EUR 3.7 billion and other loans amounting to EUR 3.8 billion. The changing dynamic reflects the cooling of demand for loans in the current market rate environment, with limited changes in the different forms of demand and term loans. Net impaired assets were down 28% compared to December 2022 (EUR -128 million), thanks to the active management of impaired loans conducted by the Group.

Credit quality

The Group adopts a rigorous policy in the valuation of impaired loans. Part E of the Consolidated Explanatory Notes, to which explicit reference is made, provides details of all quantitative and qualitative information on risks and the related hedging policies. Loans granted to customers are the main sources of credit risk for the Group and require precise control and monitoring. A summary by degree of risk relating to loans to customers is provided on the following page.

Customer loans

(Figures in millions of euro)	31/12/2023			
	Gross exposure	Writedowns	Net exposure	Coverage
Impaired exposures at amortised cost	**2,150**	**(1,823)**	**327**	**84.8%**
Non-performing	627	(588)	39	93.8%
Unlikely to pay	1,462	(1,207)	255	82.6%
Overdue/past due	61	(28)	33	45.9%
- of which forborne	*947*	*(822)*	*225*	*86.8%*
Performing exposures at amortised cost	**48,200**	**(676)**	**47,524**	**1.4%**
- of which forborne	*727*	*(91)*	*636*	*12.5%*
Total customer loans at amortised cost	**50,350**	**(2,499)**	**47,851**	**5.0%**
Adjustment of the assets subject to macro-hedging	**(79)**	**-**	**(79)**	**0.0%**
Impaired exposures at fair value	**-**	**-**	**-**	
Performing exposures at fair value	**126**	**-**	**126**	**0.0%**
Total customer loans	**50,397**	**(2,499)**	**47,898**	**5.0%**

At December 2023, the Group had net loans to customers of EUR 47.9 billion, compared to a gross exposure of EUR 50.4 billion, and adjustment provisions totalling EUR 2.5 billion, allowing for an average portfolio coverage of 5.0%.

Net performing loans at December 2023 amounted to EUR 47.7 billion and accounted for 99.5% of total loans, while net impaired loans, amounting to EUR 327 million, accounted for 0.7%. These ratios confirm the attention of the Cassa Centrale Group to the management of impaired loans despite an economic context of great uncertainty.

The impaired loan portfolio, in terms of net exposure, had at the end of 2023 non-performing positions amounting to EUR 39 million written down by a total of EUR 588 million, and unlikely to pay amounting to EUR 255 million with value adjustments of EUR 1.2 billion, and overdue/past due for EUR 33 million with adjustments for EUR 28 million. Within impaired exposures, which are transversal to the degree of risk, there are forborne exposures of EUR 125 million, equal to 0.3% of total loans, a decrease of EUR 66 million compared to December 2022.

Performing loans, as at December 2023, show value adjustments of EUR 676 million, representing coverage of performing loans of 1.4%, confirmed as among the highest levels at systemic level. The item includes forborne positions of which the net value of EUR 636 million (1.3% of net loans), with a coverage ratio of 12.5% (11.1% as at December 2022).

The provisions for performing loans, together with the significant coverage of non-performing and unlikely to pay positions, which stood at 93.8% and 82.6% respectively (compared to 91.9% and 78.4% in December 2022), allow the Group to provide significant protection against credit risk in a highly uncertain economic context.

For the sake of completeness, customer loans at the end of the previous financial year are summarised below:

(Figures in millions of euro)	31/12/2022			
	Gross exposure	Writedowns	Net exposure	Coverage
Impaired exposures at amortised cost	**2,494**	**(2,039)**	**455**	**81.8%**
Non-performing	806	(740)	66	91.9%
Unlikely to pay	1,625	(1,274)	351	78.4%
Overdue/past due	64	(25)	38	40.0%
- of which forborne	*1,131*	*(940)*	*191*	*83.1%*
Performing exposures at amortised cost	**47,967**	**(653)**	**47,314**	**1.4%**
- of which forborne	*967*	*(107)*	*860*	*11.1%*
Total customer loans at amortised cost	**50,461**	**(2,692)**	**47,769**	**5.3%**
Adjustment of the assets subject to macro-hedging	**(118)**	**-**	**(118)**	**0.0%**
Impaired exposures at fair value	**-**	**-**	**-**	
Performing exposures at fair value	**233**	**-**	**233**	**0.0%**
Total customer loans	**50,576**	**(2,692)**	**47,884**	**5.3%**

The table below shows the main credit risk management indicators[8].

RISK MANAGEMENT RATIOS	31/12/2023	31/12/2022	Change
NPL ratio	**4.2%**	4.8%	(0.6%)
NPL coverage	**84.8%**	81.8%	3.0%
Texas ratio	**21.4%**	27.0%	(5.6%)

The NPL ratio as at 31 December 2023 is constantly lower than the December 2022 figure, at 4.2% (4.8% at the end of 2022). This decrease confirms the improvement in asset quality that the Cassa Centrale Group has pursued in recent years, with a progressive and constant decrease in the stock of impaired loans, in line with the guidelines issued by the Supervisory Authority.

The constant attention paid to the valuation of NPLs is also reflected in the level of coverage of bad loans, where the Group shows NPL coverage of 84.8%, up compared to the end of December 2022.

The active management of impaired loans and their progressive reduction is reflected positively in the Group's Texas ratio, which in December 2023 stood at 21.4% (27.0% at the end of 2022). The cost of risk[9] of the loan portfolio amounts to 17 bps.

[8] The indices – NPL ratio, NPL Coverage and Texas ratio (which, as its numerator, considers gross impaired loans) – were calculated based on the EBA data model (EBA methodological guidance on risk indicators, last updated in October 2021).

[9] The Cost of risk index is determined as the ratio between net adjustments and write-backs for credit risk and net customer loans.

Breakdown of the loan portfolio by sector of economic activity

(figures in millions of euro)

ECONOMIC SECTOR	31/12/2023		
	Gross exposure	Value adjustments	Net exposure
Public Authorities	290	(1)	289
Financial and insurance companies	602	(17)	585
Non-financial corporations	23,814	(1,589)	22,225
Consumer households and other non-classifiable businesses	25,691	(892)	24,799
TOTAL	**50,397**	**(2,499)**	**47,898**

(figures in millions of euro)

ECONOMIC SECTOR	31/12/2022		
	Gross exposure	Value adjustments	Net exposure
Public Authorities	286	(1)	285
Financial and insurance companies	815	(19)	795
Non-financial corporations	23,990	(1,752)	22,238
Consumer households and other non-classifiable businesses	25,485	(920)	24,565
TOTAL	**50,576**	**(2,692)**	**47,884**

In representing the loan portfolio by sector of economic activity, it is clear that the Cassa Centrale Group, reflecting the nature of the Affiliated Banks, has a prevalent allocation of loans to customers with counterparties represented by consumer households and non-financial corporations, which account for 51% and 47.3% of net exposures to customers, respectively.

Composition of financial instruments

(Figures in millions of euro)	31/12/2023	31/12/2022	Change	% change
SECURITIES PORTFOLIO				
Trading book assets (FVTPL)	163	233	(70)	(30.0%)
Financial liabilities	(1)	(1)	-	0.0%
Banking book assets (FVOCI)	11,050	10,919	131	1.2%
Financial fixed assets excluding loans (AC)	24,273	27,846	(3,573)	(12.8%)
Total securities portfolio	**35,485**	**38,997**	**(3,512)**	**(9.0%)**
DERIVATIVES PORTFOLIO				
Trading assets (FVTPL)	5	7	(2)	(28.6%)
Trading liabilities (FVTPL)	(4)	(7)	3	(42.9%)
Total derivatives portfolio	**1**	**-**	**1**	**-**
TOTAL FINANCIAL INSTRUMENTS	**35,486**	**38,997**	**(3,511)**	**-9.0%**

As at 31 December 2023, the portfolio owned by the Group amounted to EUR 35.5 billion, down compared to December 2022 (EUR -3.5 billion), reflecting the gradual repayment of ECB refinancing operations.

As a general rule, there was a decrease in nearly every segment. Specifically, financial assets measured at amortised cost (EUR 24.3 billion) showed a EUR 3.6 billion decrease compared to the previous financial year, while banking book assets (FVOCI) remained substantially unchanged at around EUR 11.1 billion.

OTC derivative activities are mainly related to hedging the interest rate risk of the Group's banking book and, residually, to brokerage carried out by the Parent Company on these types of instruments in favour of customer banks.

Financial assets

(Figures in millions of euro)	31/12/2023	31/12/2022	Change	% change
Debt securities	**35,203**	**38,655**	**(3,452)**	**(8.9%)**
- Obligatorily measured at fair value (FVTPL)	7	9	(2)	(22.2%)
- Measured at fair value through other comprehensive income (FVOCI)	10,923	10,800	123	1.1%
- Measured at amortised cost (AC)	24,273	27,846	(3,573)	(12.8%)
Equities	**146**	**133**	**13**	**9.8%**
- Obligatorily measured at fair value (FVTPL)	19	14	5	35.7%
- Measured at fair value through other comprehensive income (FVOCI)	127	119	8	6.7%
UCITS units	**137**	**210**	**(73)**	**(34.8%)**
- Obligatorily measured at fair value (FVTPL)	137	210	(73)	(34.8%)
Total financial assets	**35,486**	**38,998**	**(3,512)**	**(9.0%)**

At 31 December 2023, the Group's financial assets were nearly entirely formed of debt securities (99.2%). The latter are mainly government securities of euro area countries or supranational issuers.

Exposure to the banking system: net financial position

(Figures in millions of euro)	31/12/2023	31/12/2022	Change	% change
Loans to central banks	577	532	45	8.5%
Loans to other banks	334	381	(47)	(12.3%)
Current accounts and deposits on demand	*151*	*147*	*4*	*2.7%*
Fixed-term deposits	*10*	*2*	*8*	*n.s.*
Other loans	*173*	*232*	*(59)*	*(25.4%)*
Total loans (A)	**911**	**913**	**(2)**	**(0.2%)**
Due to central banks	(9,708)	(15,350)	5,642	(36.8%)
Due to other banks	(508)	(1,041)	533	(51.2%)
Current accounts and deposits on demand	*(342)*	*(412)*	*70*	*(17.0%)*
Fixed-term deposits	*(32)*	*(49)*	*17*	*(34.7%)*
Repos	*(120)*	*(476)*	*356*	*(74.8%)*
Other loans	*(14)*	*(104)*	*90*	*(86.5%)*
Total payables (B)	**(10,216)**	**(16,391)**	**6,175**	**(37.7%)**
NET FINANCIAL POSITION (A-B)	**(9,305)**	**(15,478)**	**6,173**	**(39.9%)**

At December 2023, total loans to banks amounted to EUR 911 million, remaining stable compared to the end of the previous year. This figure mainly reflects the liquidity held on the ECB target account, amounting to EUR 577 million. Interbank funding of EUR 10.2 billion was significantly down by EUR -6.2 billion compared to the previous period, as a result of the repayment of the ECB refinancing operations.

Eurosystem refinancing operations as at the end of 2023 amounted to a total of around EUR 9 billion, down sharply on the EUR 15.2 million in 2022.

Fixed assets

(Figures in millions of euro)	31/12/2023	31/12/2022	Change	% change
Equity investments	54	58	(4)	(6.9%)
Goodwill	27	27	-	0.0%
Tangible	1,222	1,234	(12)	(1.0%)
Intangible	57	53	4	7.6%
Total fixed assets	**1,360**	**1,372**	**(12)**	**(0.9%)**

Fixed assets as at 31 December 2023 amounted to EUR 1.4 billion (+0.9% compared to December 2022) and mainly consist of real estate for functional use. Other intangible assets are mainly represented by user licenses and software, while goodwill refers to assets with an indefinite useful life included in intangible assets, as detailed in part B of the consolidated explanatory notes.

Consolidated equity

(Figures in millions of euro)	31/12/2023	31/12/2022	Change	% change
Share Capital	1,271	1,271	-	0.0%
Own shares (-)	(868)	(867)	(1)	0.1%
Share premium	76	74	2	2.7%
Reserves	6,889	6,399	490	7.7%
Valuation reserves	(20)	(231)	211	(91.3%)
Equity instruments	1	1	-	0.0%
Profit (loss) for the year	871	560	311	55.5%
Group equity	**8,220**	**7,207**	**1,013**	**14.1%**
Consolidated equity	**8,220**	**7,207**	**1,013**	**14.1%**

4.5 - Reconciliation between the Parent Company's equity and profit for the year and the consolidated equity and profit for the year

(Figures in millions of euro)	Equity	Result for the period
Accounting balances of the Parent Company	1,187	31
Effect of the consolidation of subsidiaries	6,936	905
Effect of the measurement of associates using the equity method	63	(2)
Reversal of write-downs of equity investments and recognition of goodwill impairment	(24)	3
Elimination of dividends received from subsidiaries and associates		(60)
Other consolidation adjustments	58	(6)
Balances as per the consolidated financial statements	**8,220**	**871**

4.6 - Own funds and capital adequacy

Own funds and capital ratios

(Figures in millions of euro)	31/12/2023	31/12/2022
Common Equity Tier 1 capital - CET1	8,114	7,429
Tier 1 capital - Tier 1	8,115	7,430
Total own funds - Total Capital	8,115	7,432
Total risk-weighted assets	33,001	32,598
CET1 Capital ratio (Common equity Tier 1 capital/Total risk-weighted assets)	24.59%	22.79%
Tier 1 Capital ratio (Tier 1 capital/Total risk-weighted assets)	24.59%	22.79%
Total Capital Ratio (Total own funds / Total risk-weighted assets)	24.59%	22.80%

Risk Weighted Assets

(Figures in millions of euro)	31/12/2023	31/12/2022	Change	% change
Credit and counterparty risk	27,549	27,953	(404)	(1.4%)
Credit valuation adjustment risk	35	43	(8)	(18.6%)
Market risk	73	42	31	73.8%
Operational risk	5,344	4,560	784	17.2%
Total RWA	**33,001**	**32,598**	**403**	**1.2%**

Own funds, risk-weighted assets and solvency ratios at 31 December 2023 were determined on the basis of the prudential regulations applied to investment banks and companies and contained in Directive 2013/36/EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) of 26 June 2013, as amended by Directive 2019/878/EU (CRD V) and by Regulation (EU) 2019/876 (CRR II), respectively.

Total own funds of the Cassa Centrale Cooperative Banking Group consist of Tier 1 (T1) capital and Tier 2 (T2) capital. Specifically, Tier 1 capital consists of the sum of Common Equity Tier 1 (CET1) capital and Additional Tier 1 (AT1) capital.

The aforesaid aggregates include the effects of the IFRS 9 transitional regime, which, as at 31 December 2023, exclusively consists of the component arising from the dynamic approach, as introduced by Regulation (EU) 2017/2395 and amended by Regulation (EU) 873/2020 (so-called Quick Fix).

The adjustment to CET1, which provides for the re-inclusion of the “dynamic” component, took place as follows:

- 2022 – 75%
- 2023 – 50%
- 2024 – 25%

At the end of December 2023, the CET1, determined in accordance with the aforementioned standards and references, stood at EUR 8,114 million. Tier 1 amounted to EUR 8,115 million.

Own funds therefore amounted to EUR 8,115 million. Of the latter, CET1, which nearly accounts for the total (99.99 % of the total), has increased compared to the end of 2022 by a total of EUR 685 million (+9.22%) due to the algebraic sum of the performance of several of its constituent main items. In particular: (i) the increase in reserves (EUR +979 million), mainly attributable to the profit for 2023 included in CET1 (EUR +777 million), following the authorisation granted by the ECB on 9 February 2023 and the increase in OCI Reserves (EUR +211 million); (ii) the decrease in the IFRS 9 transitional regime component (EUR -204 million) arising from the lower contribution of the dynamic component (from 75% to 50%) and from the completion of the phase-out of the static component from January 2023. An additional decline recorded in the period is represented by the end of the transitional regime relating to unrealised profits and losses on government securities classified in the FVOCI portfolio (EUR -87 million). Changes in other items of CET1 were marginal.

As regards the other two Own Fund aggregates, the Additional Tier 1 component did not record any changes in the period compared to 31 December 2022, while the Additional Tier 2 component recorded a significant change in relative terms (EUR -2 million), but marginally if compared in absolute terms with the values of total Own Funds.

Risk-weighted assets at 31 December 2023 amounted to EUR 33,001 million, up 1.24% compared to the figure as at 31 December 2022 (EUR 32,598 million).

Additionally, from Q4 of 2022, for the purposes of calculating the capital requirements in relation to credit risk, the use of the external ratings issued by a recognised ECAI has not only been extended to the Central Governments or Central Banks portfolio and Exposures to Securitisation, but also to the regulatory portfolios Exposures to Entities and Exposures to Companies.

Following this change, the adopted rating agencies are as follows, grouped by relevant segment:

- Central Governments or Central Banks: Moody's;
- exposures to securitisation: Moody's;
- exposures to Entities: Moody's;
- exposures to companies: CRIF ratings.

This choice is based on the more general framework of a progressive optimisation of risk-weighted assets, launched by the Group in 2022, also in consideration of the expected benefits associated with application of the new Basel IV provisions.

As for the solvency ratios, the CET1 Capital ratio stood at 24.59% (22.79% in December 2022), the Tier 1 Capital ratio was 24.59 % (22.79% in December 2022) and the total Capital ratio was 24.59% (22.80% in December 2022). Excluding the effects of transitional regimes, with a view to full application of prudential provisions at the same reference date, fully loaded CET1 capital amounted to EUR 7,949 million and the related fully loaded CET1 Capital ratio is 24.20%; fully loaded Tier 1 capital amounted to EUR 7,950 million and the related fully loaded Tier 1 capital ratio is 24.21%; and finally, Total capital fully loaded amounted to EUR 7,950 million and the related fully loaded Total Capital ratio was 24.21%.

5. Main strategic business areas of the Cassa Centrale Group

The Cassa Centrale Group has developed its business and service model through an organisational structure divided into two main areas:

- the Affiliated Banks, which represent the Group's core business through the management of banking activities in the territory;
- the Industrial Group, including the Parent Company and the Companies that offer services to Affiliated Banks in finance, credit, insurance, ICT, NPLs and asset management.

* The Industrial Group refers to a management representation of the main strategic areas of the Group that contribute to the economic and financial results summarised below.

The definition of strategic business areas is consistent with the methods adopted by the governance function for making operational and strategic decisions and is based on internal management reporting.

5.1 - Affiliated Banks

The Affiliated Banks represent the most important part of the Cooperative Banking Group's consolidated assets and the strength of the Group's current and future development. The Affiliated Banks traditionally operate with the aim of fostering the development of communities and the local economy. The principles of mutuality, which characterise Cooperative Credit, allow the banks to play a fundamental role in the national banking industry and be an important reference point for households and small and medium-sized enterprises (hereinafter also "SMEs").

The Group's Strategic Plan aims to develop relationships with households and SMEs by making the most of the territorial network and exploiting synergies, the expansion of the commercial offer and economies of scale resulting from belonging to a Group of national importance.

In general, the structure of Cooperative Credit Banks reflects the nature of territorial banks, characterised by high customer funding deriving from historical ties with the territory to which they belong, a prevalence of loans to counterparties represented by households and small companies and a low loan-to-deposit ratio which, from a liquidity perspective, reflects the structural soundness of the Group and the investment of excess liquidity mainly in government bonds.

Below is a summary representation of the main income statement and financial aggregates of the Affiliated Banks, with a focus on the individual territorial areas in which the Group operates.

(Figures in millions of euro)

LOANS TO CUSTOMERS	31/12/2023					Total 31/12/2023	Total 31/12/2022	Change	% change
	Trentino-Alto Adige	North East	North West	Central	South and the Islands				
Gross customer loans	10,481	10,662	10,613	11,003	5,028	**47,787**	48,345	(558)	(1.2%)
of which performing	*9,948*	*10,282*	*10,237*	*10,526*	*4,705*	***45,698***	*45,924*	*(226)*	*(0.5%)*
of which non-performing	*533*	*380*	*375*	*478*	*323*	***2,089***	*2,421*	*(332)*	*(13.7%)*
Value adjustments	640	490	438	523	311	**2,402**	2,582	(180)	(7.0%)
Net customer loans	9,841	10,172	10,175	10,480	4,717	**45,385**	45,763	(378)	(0.8%)

Gross customer loans of the Affiliated Banks totalled EUR 47.8 billion as at 31 December 2023, down by -1.2% compared to the end of financial year 2022; the slight decrease recorded is attributable to the slowdown in demand for credit at systemic level resulting from the rise in market rates, as well as the drop in the stock of non-performing loans.

The regional analysis of the credit disbursed confirms that the operations of the Affiliated Banks are mainly concentrated in the northern part of Italy, in line with the territorial structure of the branches of the Cassa Centrale Group. Looking in detail at the various geographical areas into which the Group is divided, the allocation is homogeneous in four of the five areas, with the exception of the South and Islands areas which, has a lower incidence on total loans due to the smaller average size of each Affiliated Bank operating in that area.

During 2023, the decline in performing loans of the Affiliated Banks totalled EUR 226 million (-0.5%), with mixed dynamics across the various territorial areas. In particular, Trentino-Alto Adige (-1.8%) and the North-east (-0.9%) decreased, the North-west (-0.1%) and the Centre (-0.2%) remained essentially stable, while performing loans in the South and the Islands increased (+1.6%).

At the counterparty level, the significant exposure of the overall credit disbursed to households and local small and medium-sized enterprises was confirmed, demonstrating the central role of the Affiliated Banks in supporting the growth of the territory.

In 2023, the active management of impaired loans continued in line with the Cassa Centrale Group's strategy, making it possible to significantly reduce total non-performing volumes (-13.7% compared to the figure at the end of December 2022). In general, the ratio of impaired loans to gross loans to customers fell to 4.4%, with a regional trend that varied from 3.5% in the North West area to 6.4% in the South and Islands.

Confirming a strategy of the Cassa Centrale Group that is particularly attentive to credit risk management, and in the presence of a decrease in the total stock of impaired loans, provisions on bad loans of the Affiliated Banks were up to 85%, a further increase compared to 82% at the end of 2022. The average coverage levels of the Affiliated Banks remain among the highest in the national banking system.

(Figures in millions of euro)

FUNDING	31/12/2023					Total 31/12/2023	Total 31/12/2022	Change	% change
	Trentino-Alto Adige	North East	North West	Central	South and the Islands				
Overall funding	24,327	22,362	24,696	20,929	8,874	**101,188**	93,753	7,435	7.9%
Direct funding	15,169	14,625	15,055	13,615	7,218	**65,682**	64,665	1,017	1.6%
Indirect funding*	9,158	7,737	9,641	7,313	1,657	**35,506**	29,088	6,418	22.1%
of which administrated	*3,025*	*2,534*	*4,285*	*2,790*	*1,164*	***13,798***	*8,728*	*5,070*	*58.1%*
of which managed	*6,133*	*5,203*	*5,356*	*4,523*	*493*	***21,708***	*20,360*	*1,348*	*6.6%*

* Indirect funding is expressed at market values.

Overall funding of the Affiliated Banks stood at EUR 101.2 billion as at 31 December 2023, +7.9% compared to the end of 2022, showing the ability to attract new funding even in a unique economic phase such as the current phase.

Direct funding stood at EUR 65.7 billion, an increase of EUR 1 billion (+1.6%) compared to the previous financial year despite a context complicated by the contribution of returns on government bonds, which contributed to a partial reallocation of resources towards indirect funding under administration.

At area level, the annual performance of direct funding appears to have increased for all geographies, ranging from the South and the Islands (+0.6%) to the North East (+4.3%), with the only exception being Trentino-Alto Adige, where a year-on-year decrease was recorded (-0.7%).

The breakdown of direct funding among regional areas continued the trend described above for credit volumes.

The different regional areas show a structural surplus of resources in the ratio of lending to funding, which results in a high degree of liquidity for the Affiliated Banks and for the Cassa Centrale Group. The prudent approach to the investment of resources raised by depositors historically characterises the operations of the BCC-CR-RAIKAs.

Total indirect funding of the Affiliated Banks increased to EUR 35.5 billion[10] (+22% year-on-year), driven by the returns on government bonds, which increased the stock of indirect funding under administration, as well as by the positive market effect on the segment of indirect funding from the managed segment.

The impact of indirect funding on total funding was 35%, up compared to 31% at the end of 2022. The regional analysis shows that indirect funding as a percentage of total funding ranges from 39% in the North-west to 35% in the Centre, except for the South and Islands, where the ratio is 19%.

Looking specifically at the breakdown of indirect funding, the managed assets and insurance segment accounts for 61% of total indirect funding (down on the 70% at the end of 2022). This dynamic reflects the trend in indirect funding under administration described above.

The asset management, funds and SICAVs segment also grew again (+6.6%) after a particularly difficult 2022, driven by a positive market effect that strengthened the positive growth in net funding.

The Bancassurance segment continued the trend of constant growth (+2.4% year-on-year), also favoured by the new commercial partnership agreement with Assimoco.

Indirect funding from the managed segment remains a central objective for the Cassa Centrale Group, given the significant growth margins available to the Affiliated Banks compared to the rest of the banking industry, having historically favoured the placement of direct funding products in the past. The growth in this segment has been driven and accompanied by important investments in the specialist training of staff of the Affiliated Banks in order to increase their ability to offer Shareholders and customers a high level of advisory support. These investments, supported by the careful research of the Industrial Group's companies for products suitable for BCC-CR-RAIKAs' shareholders and customers, is gradually closing the gap with the system, while maintaining a high level of attention to the quality of the overall service offered to the savings customer.

(Figures in millions of euro)

MARGINS AND COMMISSIONS	31/12/2023					Total 31/12/2023	Total 31/12/2022	Change	% change
	Trentino-Alto Adige	North East	North West	Central	South and the Islands				
Net interest income	546	498	484	490	276	**2,294**	1,730	564	32.6%
Net fees and commissions	134	150	170	154	70	**678**	641	37	5.8%
Net interest and other banking income	521	553	612	610	344	**2,640**	2,301	339	14.7%

The net interest income of the Affiliated Banks at the end of 2023 totalled EUR 2.3 billion, recording a +32.7% increase year-on-year, driven by the growing contribution of lending as a result of the trend in market rates. The contribution of the proprietary portfolio was relevant also thanks to the active management of the portfolio in light of current returns. In the interbank sector, unlike 2022, negative interest was recorded as a result of the ECB rate hikes and related negative impact deriving from the cost of refinancing operations (TLTRO-III).

[10] Indirect funding is expressed at market values.

Overall, as a result of the above, the contribution of the net interest income to the overall profitability of the Affiliated Banks grew to 87% of net interest and other banking income (compared to 75% at the end of 2022).

The net commissions of the Affiliated Banks totalled EUR 678 million in 2023, up +5.8% compared to the end of 2022.

The commission margin contributes 26% on average to net interest and other banking income, with a regional incidence ranging from 28% in the North West to 20% in the South and Islands areas.

The trend of the net interest and other banking income of the Affiliated Banks (+14.7% compared to the previous year) is completed by the contribution from dividend and similar income, while the item relating to trading in the Affiliated Banks' own securities portfolio was negative, as a result of changes in the securities portfolio.

This development is carried out with a strong focus on the protection of shareholders and customers in compliance with the cooperative principles that are the basis of the operations of the Affiliated Banks. This development is carried out with a strong focus on the protection of shareholders and customers in compliance with the cooperative principles that are the basis of the operations of the Affiliated Banks.

5.2 - Industrial Group

The Industrial Group is represented by the Parent Company and the subsidiaries and associates that operate in different areas of activity, namely:

- ICT and back office services, with the subsidiary Allitude S.p.A. (hereinafter also "Allitude");
- leasing services, with the subsidiary Claris Leasing S.p.A. (hereinafter also "Claris Leasing" or "Claris");
- insurance services, with the subsidiaries Assicura Agenzia S.r.l. and Assicura Broker S.r.l. (hereinafter also "Assicura Agenzia" and "Assicura Broker");
- collective asset management services, with the subsidiary Nord Est Asset Management S.A. (hereinafter also "NEAM");
- consumer credit services, with the subsidiary Prestipay S.p.A. (hereinafter also "Prestipay");
- other ancillary services, with the subsidiaries Centrale Soluzioni Immobiliari S.r.l., Claris Rent S.p.A. and Centrale Trading S.r.l.

The main income statement and balance sheet aggregates of the Industrial Group as at 31 December 2023 are shown on the following page.

(Figures in millions of euro)

LOANS TO CUSTOMERS*	31/12/2023	31/12/2022	Change	% change
Gross customer loans	**2,608**	2,231	377	16.9%
of which performing	***2,547***	*2,157*	*390*	*18.1%*
of which non-performing	***61***	*74*	*(13)*	*(17.6%)*
Value adjustments	**95**	110	(15)	(13.6%)
Net customer loans	**2,513**	2,121	392	18.5%

*Management data including all intra-group eliminations.

With reference to loans to customers, the Industrial Group's contribution mainly refers to the brokerage activities of the Parent Company and its subsidiaries Claris Leasing and Prestipay.

Gross loans to customers totalled about EUR 2.6 billion, up EUR 377 million on the end of the previous year (+16.9%). Specifically, there was growth in the portfolio of the Parent Company, Prestipay (which continues to expand its consumer credit service) and, albeit to a lesser extent, Claris Leasing. Performing loans to customers include exposures in margins and default funds to Cassa di Compensazione e Garanzia related to repos, substantially in line with the previous year.

Total gross allocations came to approximately EUR 95 million, down compared to the EUR 110 million at the end of 2022 as a result of the reduction in the stock of bad loans thanks to their careful and prudent management. The latter decreased by around EUR 13 million compared to 31 December 2022 (-17.6%).

As a whole, net loans to customers of the Industrial Group grew by EUR 392 million compared to the end of 2022 (+18.5%), reaching approximately EUR 2.5 billion.

(Figures in millions of euro)

FUNDING*	31/12/2023	31/12/2022	Change	% change
Overall funding	**11,914**	9,441	2,473	26.2%
Direct funding	**3,320**	2,532	788	31.1%
Indirect funding**	**8,594**	6,909	1,685	24.4%
of which administrated	***5,067***	*3,956*	*1,111*	*28.1%*
of which managed	***3,527***	*2,954*	*573*	*19.4%*

* Management data including all intra-group eliminations.

** Indirect funding are expressed at market values; ETF financial products are included in the segment.

Total funding of the Industrial Group stands at EUR 11.9 billion and is almost entirely attributed to the Parent Company.

Direct funding (EUR 3.3 billion) grew by around EUR 0.8 billion. This increase is effectively due to the increase in Repos exposures to Cassa di Compensazione e Garanzia and by the increase in bond funding associated with the Group's MREL issue plan.

Indirect funding was EUR 8.6 billion, with around EUR 3.5 billion (41%) represented by the assets under management segment (with transactions mainly related to asset management products), while assets under administration amounted to EUR 5.1 billion and represents around 59% of total indirect funding, with transactions mainly on the bond market. Assets under administration and assets under management both increased compared to the figure at the end of the previous year, due above all to a positive market effect.

(Figures in millions of euro)

MARGINS AND COMMISSIONS*	31/12/2023	31/12/2022	Change	% change
Net interest income	**102**	115	(13)	(11.3%)
Net fees and commissions	**117**	114	3	2.6%
Net interest and other banking income	**194**	214	(20)	(9.3%)

* Management data including all intra-group eliminations and the residual economic results of fully consolidated entities other than the cohesion agreement.

Net interest and other banking income as at 31 December 2023 was down on the previous financial year, at EUR 194 million (-9.3%). The breakdown is nearly unchanged compared to the same period in 2022. The net interest income contributed 52%, with the commission margin contributing 60% (against approximately 53% for both components in the previous year).

In particular, the net interest income amounted to EUR 102 million and was down on the EUR 115 million of the previous year. Net fees and commissions totalled EUR 117 million, an increase of EUR 2 million compared to the same month in the previous year.

Below is a brief review of the Industrial Group, with particular focus on the activities carried out by the Parent Company and the service companies supporting the Affiliated Banks.

5.2.1 - Parent Company

The formation of the Group enriched the offer of financial products and services and strengthened the financial risk monitoring for the entire Group. The range of services offered by Cassa Centrale Banca is divided into the following areas:

- Finance;
- Credit;
- Consumer credit services;
- Payment systems;
- Governance and support.

5.2.1.1 - Finance

In the Finance sector, Cassa Centrale Banca offers its Affiliated Banks and client banks a complete range of services and products for access to financial markets and for offering depositing customers multiple investment solutions.

Cassa Centrale Banca offers services to access the main bond, equity and derivatives markets for retail customers and for management of the owned portfolio. In 2023, it carried out transactions on bond markets for approximately EUR 30.5 billion (down by approximately 11.2% compared to 2022) and stock markets for approximately EUR 2.4 billion (-18.4% compared to 2022).

As regards the commercial offer aimed at customers, Cassa Centrale Banca provides the Affiliated Banks with financial products and services used in the context of advisory activities. This quality catalogue is updated over time with developments and implementations intended to remain competitive on the market.

The main products and services offered are:

- **Asset Management**: Cassa Centrale Banca's Asset Management closed the second half of 2023 with EUR 11.9 billion [11] in assets under management and 105 thousand active accounts. Funding has been affected by the sudden change in the economic/financial framework, the ongoing geopolitical tensions and the strong upswing in rates of return, followed by the expected restrictive monetary policy, which gradually increased the appeal of government bonds. The six-month period closed with negative funding for approximately EUR 120 million, after recording a positive EUR 100 million in the first half of the year. The positive market effect did not only offset the marginal drop in business for the year, it increased the total assets under management. The trend on the main financial markets in 2023 led to a consistent improvement in the performance of the management lines. Yields for European government bonds continue to offer attractive investment opportunities. On the equity side, the portfolios are mainly invested on the developed markets, especially in US equities, while exposure remains marginal in emerging areas. As part of its decisions on investments referring to the portfolio management lines offered to customers, Cassa Centrale Banca adopts a series of measures in order to integrate and assess the risks and main negative effects on sustainability factors. These measures have made it possible to classify the management lines as financial products that promote, among other things, environmental or social characteristics or a combination of the two ("light green" financial products) and take into consideration the main negative effects on sustainability factors through the detection and monitoring of specific indicators linked to environmental and social issues.
- **Funds Partner**: the fund placement platform called Funds Partner is available to Affiliated Banks and client banks and includes the NEF Fund as well as third-party funds. This is a useful tool for advisors who can access a universe of around 3 thousand funds available through a platform on which Cassa Centrale Banca has activated a process of definition and maintenance of the list of funds that can be placed (funds with capitalisation of less than EUR 100 million and a track record of less than 3 years are excluded). The platform offers numerous tools provided by Morningstar, the reporting provided by the 14 investment houses and the "example portfolios" compliant with the MiFID risk profile. For these houses, Cassa Centrale Banca also carries out the service of entity appointed to perform payments. Assets placed up to the end of the second half of 2023 amounted to around EUR 6.7 billion with regard to NEF and EUR 3.1 billion for third parties.
- **Advanced Advisory services**: the advanced advisory service is provided to customers of 14 banks. Cassa Centrale Banca supports these Banks as advisor in identifying the best investment strategies.

[11] The amount refers to Asset Management opened directly with Cassa Centrale Banca for approximately EUR 3.2 billion, Asset Management placed through Affiliated Banks and customer banks for approximately EUR 6.8 billion, Institutional Asset Management for approximately EUR 830 million and pension funds, for which Cassa Centrale Banca has delegated management powers for EUR 1.06 billion.

Participation in the “CCB#LIVE” webinar hosted on the digital platform Teams continued. The show discusses market trends, strategies on management lines, market views by Cassa Centrale Banca managers and NEF partner managers, and the analysis of funds and bancassurance products/services. The event is held fortnightly with an average participation of over 700 consultants from the placement banks. The annual Finance and Bancassurance event held in Venice last September was also of strategic importance. During the event, evolution strategies for the Group’s financial and insurance advisory model were shared with the Affiliated Banks.

Project to change the model for the provision of financial/insurance advice and adequacy assessment services

In the second half of the year, the project to update the Group’s model for assessing adequacy in the provision of investment services was consolidated. In May, the new MiFID customer profiling questionnaire was released in line with the most recent regulatory developments and ESMA and CONSOB indications. The new model defines new approaches to providing advisory and adequacy assessment services, performed by individual transaction, including from a portfolio perspective, supplemented by a periodic assessment of the recommendations provided. Involving the most representative banks within a Working Group established for this very reason, the project to evolve the financial and insurance advisory model also received the green light in the past six months.

5.2.1.2 - Credit

Cassa Centrale Banca’s Credit Department, which provides support to its Affiliated Banks and Group companies in their lending activities and guides the credit direction and coordination of the Cooperative Banking Group, has redefined the credit policy guidelines in a general and sector macroeconomic framework that remains affected by significant uncertainty. This uncertainty is mainly caused by: (i) high inflation, triggered by the sharp rise in energy costs that then spread to nearly all other goods produced; (ii) the sudden rise in market interest rates; (iii) the ongoing Russia/Ukraine conflict with the consequent international sanctions that are slowing down the recovery of international trade; (iv) the start of new conflict in the Middle East between the State of Israel and the State of Palestine (Gaza in particular), and (v) the international awareness of climate risk and related countermeasures.

In particular, following the gradual and consistent rise of interest rates and related rise in the cost of loans and more restrictive supply conditions, there was a decline in loans to businesses and households, especially in loans to purchase homes.

In this environment of great uncertainty, the main objectives of the Parent Company Credit Department’s activities can be summarised as follows: (i) optimising the asset allocation of the portfolio in qualitative and quantitative terms; (ii) strengthening the sales network and repositioning its lending operations; (iii) maximising the use of public guarantees under the Temporary Crisis Framework; (iv) preventing the deterioration of credit quality, in the medium term, particularly on the largest risk groups, forcing maximum segmentation of the portfolio; (v) adopting a forward-looking approach with the objective of incorporating the sectoral and micro-sectoral forecasts into assessment of business resilience, through prospective estimates of companies’ financial statements; (vi) introducing scoring for the assessment of the ESG risk profile of businesses.

The consequence of the revision of the main objectives of the Parent Company Credit Department’s activity was the amendment to the Group’s loan portfolio management guidelines; this amendment was intended to assess the prospective sustainability of debt by companies, taking into account:

- scenario analyses and assessment of deterioration and impairment rates in the various sectors;
- assessments of the impacts associated with the increase in energy costs and interest rates;
- the application of the 2023-24 sector estimates on the 2022 financial statements and the 2023 half-yearly reports of individual companies with the aim of making a projection of the expected cash flows and therefore of assessing the sustainability of the debt in the medium term.

In providing the newly originated loans the utmost attention is still paid to credit quality, product, geographical and above all dimensional diversification. In fact, the dimensional aspect is considered of fundamental importance and represents the cornerstone of the Group's credit product strategy. The logic of spreading the risk over a multitude of small recipients, which has always been the main component of the credit approach of the Affiliated Banks, has been strengthened with the introduction of risk thresholds and through an operational practice pursued in the day-to-day relationships between the Group's corporate structures and the Credit Departments of the individual Affiliated Banks. More space was also given to distributed products (leasing, factoring, personal loans and salary-backed loans) due to their lower risk profile compared to similar banking transactions. With regard to the specific lending activities supported by the public guarantees system (Guarantee Fund and SACE), it should be noted that the Temporary Crisis Framework, launched in the first half of 2022 following the emergency triggered by the Russian-Ukrainian war and the consequent hike in energy costs, was extended until the end of 2023.

During 2023, the Cassa Centrale Group continued to play a leading role in the territories served by its Affiliated Banks in supporting households and small businesses engaged in the energy upgrading of buildings. Thanks to a proprietary management system that integrates all stages of the process, from the reservation of the right to sell to the purchase of the credit and its subsequent offsetting in the Bank's payments and contributions, the Group has been able to respond effectively to a pressing and widespread demand from both established current account holders and many new customers. The Group's operations included all types of originating beneficiaries (households, businesses and condominiums) and all types of facilities, whether grouped together under the generic names of Ecobonus (credits with deductibility in 10 years) or Superbonus (credits deductible in 5 years). The widespread commercial success achieved in the main markets obliged some banks to supplement their ordinary tax capacity with re-transfer agreements with parties outside the Group, including those not belonging to the financial intermediaries sector, where possible. The relationship with large companies or general contractors was limited to a few cases, confirming the specific role of Cooperative Credit Banks, focused on serving retail and small business customers in their territories. A predominant portion of the energy upgrade interventions supported by the Affiliated Banks did not give rise to requests for credit support during the phase that separates the start of the works from the collection of the price for the sale of the tax credit, confirming that these are mainly small unit cuts and that the customers served are concentrated among households with good availability of savings.

As regards subsidised credit, in 2023 Cassa Centrale Banca signed:

- an Agreement with the Friuli Venezia Giulia Autonomous Region on behalf of the Group’s Banks operating in that region in order to facilitate:
    - the disbursement of loans at a subsidised rate for the construction, reinstatement, transformation, modernisation and expansion of industrial and artisan facilities, for ship building, tourism and hospitality activities, and for other necessary initiatives for industrial development, in compliance with the current regulations on Revolving Funds for economic initiatives set out by Law no. 908 of 18 October 1955;
    - the disbursement of subsidised loans for investment and business development initiatives, for the capitalisation of undertakings in the form of companies for the consolidation of short-term debt into medium and long-term debt and to support short and medium-term credit needs;
- a Memorandum of Understanding between Agenzia Veneta per i Pagamenti in Agricoltura (Veneto Agency for Payments in Agriculture - AVEPA), Cassa Centrale and the main Group Banks operating in the regional territory of Veneto for the prepayment, through a concessional loan, of the contributions intended for agricultural companies with the right to payment entitlements;
- an Agreement with Finlombarda (Financial Agency of the Lombardy Region) to allow Cassa Centrale Banca to assist the Group’s Banks that support businesses operating in the Lombardy Region through the use of subsidised credit instruments provided by the Region;

- the new Finpiemonte Agreement that enables Cassa Centrale Banca and the Affiliated Banks in Piedmont to support businesses operating in that Region through the use of subsidised credit instruments provided by the Piedmont Region;
- a Framework Agreement between Cassa Centrale, representing the Emilian banks of the Group and Confidi - Fider, in relation to the ability to offer businesses in Emilia-Romagna's tourism sector the "incentives envisaged for the development and qualification of regional tourism";
- an Agreement with SACE for the use of the SACE Green Guarantee. First demand public guarantee that will allow all Group Banks to support business investments in Green projects aimed at: (i) climate change mitigation; (ii) the protection of water and marine resources; (iii) circular economy; (iv) prevention and reduction of pollution, and (v) protection and restoration of biodiversity and ecosystems.

5.2.1.3 Consumer credit services

On 21 June 2023, in line with the provisions of the initial joint venture agreements, Cassa Centrale Banca concluded the exercise of the purchase from Deutsche Bank of the 40% stake in the capital of Prestipay S.p.A. As a result of the operation, Cassa Centrale Banca acquired the entire share capital of the Group's consumer credit company, over which it already had control, with 60% of the shares.

This operation marks another important milestone in the development process that began in 2018 as part of the commercial partnership with Deutsche Bank for the distribution of Prestipay white-label products and continued with the establishment and subsequent operational start-up of Prestipay S.p.A. in January 2021.

To date, the Company represents the benchmark for the production of consumer credit services aimed at customer-households of the Cassa Centrale Group Banks, distributed throughout the widespread network of branches across Italy and through the online direct channel.

In relation to the results achieved as at 31 December 2023, Prestipay S.p.A. confirmed its growth by recording total business volumes of over EUR 310 million, with a 19.4% increase compared to the previous financial year and a consistent increase in the number of transactions managed including thanks to the introduction of new products and the reinforcement of the direct channel.

This result is even more positive when compared with the trend on the Assofin reference market – the association of the main banking and financial operators in consumer credit and real estate – which recorded a -2.2% decrease in 2023 in disbursements in the personal loans segment compared to the previous financial year[12].

With regard to the service offered to the partner banks, new technological innovations were introduced by the Company intended to increase the efficiency and digitise their processes, thanks to which it was possible, for example, to halve turnaround times on loan applications compared to the previous year.

In the context of contractual documentation, the use of the certified digital signature service continued, which reached overall penetration of 90% of total contracts, allowing for a significant reduction in paper consumption and related CO_2 equivalent emissions.

[12] Assofin data as at 31 December 2023.

The results achieved confirm Prestipay's commitment to the partner banks to support the credit access needs of customer households in a national market affected by geopolitical uncertainty, ongoing inflationary phenomena and interest rates hikes imposed by the Central Banks.

This economic situation has affected the products of the main market operators, producing a marked increase in the rates offered to customers, more stringent disbursement policies and a lower average amount disbursed for loan types with a higher value.

In the situation described, the agility and sustainability of the business model and the highly industrialised processes implemented by Prestipay S.p.A. allowed the Company to proactively adapt to the reference context, firmly continuing along its process of growth and posting higher results than expected in the business plan and performing better than the reference market.

At the same time, the Company was able to guarantee the partner banks a moderate impact on the terms offered to customers and timely monitoring of credit risk as default rates are expected to worsen.

The main internal activities undertaken by Prestipay in 2023 are as follows:

- the diversification of product initiatives in support of the activity of the partner banks through the development of innovative solutions capable of ensuring adequate offers for customers;
- the creation of a specialised and personalised Credit Assessment Platform (PVC) for the assessment, deliberation and payment of loan applications received through the Company's direct online channel;
- the release of the new Customer Reserved Area dedicated to all Prestipay loan holders, through which users can manage their positions and view the main information about existing personal loans;
- the implementation, within the new customer reserved area, of a new chatbot service supported by artificial intelligence that can assist in real time with the main after-sales requests;
- continuation of the partnership between Prestipay and Udinese Calcio with the finalisation of the club's sponsorship agreement, as co-sponsor, for the 2023/24 season.

Lastly, the Company's process of strengthening the internal organisational structure continued with the hiring of specialised resources, both to strengthen the commercial structure in support of the partner banks and to support the development of important project activities intended to expand the range of new products and services offered to customers, introduction of which is expected in 2024.

5.2.1.4 - Payment systems

The payment systems market continues to be affected by strong renewal and high competitiveness. There has been growing use of digital payments on channels provided by banks or innovative solutions offered by new operators joining the markets. In this highly dynamic environment, Payment Systems for the Cassa Centrale Group are a service and support structure for the Group's Banks and operate on five different areas of activity: (i) regulations, (ii) foreign relations, (iii) centralised services, (iv) treasury, and (v) e-money to develop new services to be provided by the Affiliated Banks to allow them to be competitive and retain their customers.

Settlements

The Service took part in the Eurosystem project "Target2/T2 Securities Consolidation" required for all direct participants of the Target2 platform. One of the main objectives of the project is the improvement of Target regulation services and management of operational liquidity available to the European banking system in addition to the increase in security and data protection standards.

The release with an impact on critical processes such as operational liquidity management of the Treasury Service and the Regulations and Foreign Relations Services successfully took place in May 2023 using a "big bang" format for all the European banks.

From a technical perspective, the new European platform called the Eurosystem Single Market Infrastructure Gateway (ESMIG) was activated, allowing access to central liquidity management (CLM), real-time gross settlement (RTGS), Target2-Securities (T2S) and target instant payment settlement (TIPS) services.

The project introduced a new operating standard (ISO 20022 - XML format) for exchanging messages and new channels of connection to European infrastructure, which had an impact on all of the Bank's systems.

Work began on numerous transversal projects, including CESOP reporting, regarding new and specific information flows in the European environment sent to the Italian Revenue Agency for recurring cross-border transactions.

Activities associated with the data hub and data quality project for the archives of individual procedures connected to the processes of the service and in preparation for the creation of reporting payment functions to provide the Group Banks were launched with specific data analysis tools for the main payment systems used by the banks.

Digital euro analyses continued, in particular regarding the proposed regulations during the review by the individual industry working groups in Italy and Europe.

The service is part of the ABI Working Group for the standardisation and review of service levels and operations of the valuable transportation sector. Following the pandemic and the consequences arising from international tensions, the sector is heavily monitored by the Supervisory Authority, which has promoted, alongside the trade associations and main Italian banks, a structural table to coordinate and share solutions intended to intercept and proactively prevent the issues manifested by valuable transportation operators, by introducing national standards and reviewing the underlying economic agreements.

The monitoring of outsourced services (FEI) associated with cash management requires a growing commitment to the territorial coverage of the distribution network, the extent of the network of suppliers and the high number of Group vaults now present in every Italian region.

The service also actively participated in the national working group set up within the ABI for the adjustment of the CIT, CAI and Bills procedures following the numerous moratoria introduced by the various regulatory measures resulting from the flooding in the Emilia-Romagna region.

Participation in numerous open banking projects, the review of European regulations for instant payments, the Request-to-Pay scheme and the PSD3 review are important elements for innovation, with consequent commitment in terms of effort and dedicated resources.

Numerous activities have required the Service to prepare reporting, specific feedback and data collection in response to the diversified requests from the Supervisory Authority, the Italian Banking Association, Committees and internal functions of the Parent Company.

Foreign relations

After the turbulence of the previous two-year period, economic performance in the first six months of 2023, meant that volumes of payments and trade finance operations saw no particular changes compared to those from the first half of 2022, with widespread recovery in the levels prior to the pandemic.

The beginning of 2023 was characterised by the activities linked to the start of the two aforementioned projects, which profoundly changed the world of foreign payments (Target2 Consolidation and ESMIG). This change had a large impact for the Foreign Relations Service was the adoption of ISO 20022 (XML format) for all messages, obviously including payments, exchanged via the new infrastructure.

At the same time as the T2/T2Securities Consolidation project, the Swift project called Cross Border Payments and Reporting (CBPR+) was carried out, which will lead all banks to use ISO 20022 XML format also for messages referring to cross-border international payments (non-target euro and currency) in the period between March 2023 and the end of 2025. Cassa Centrale Banca and Allitude considered it best to avoid the 2023-25 period of duality (MT FIN format of ISO15022 vs XML format of ISO 20022), opting for the adoption of the new XML format as early as March 2023, in line with the go live of the T2 T2S Consolidation project. On the basis of the data provided by SWIFT, only 15% of global banks were able to migrate to the new format as early as March 2023.

At the start of the year, in preparation for this important change for foreign payments, the Parent Company, in collaboration with Allitude, organised three training courses dedicated to the Group's Banks, which saw excellent turnout.

Centralised Services

During the first two months of the year, data was communicated to the Register of Financial Reports according to the new regulations (measure of the Director of the Italian Revenue Agency in late May 2022).

The first half of 2023 was characterised by the creation of the Database Office within the service to better meet organisational and operational needs. The certification and standardisation of data points continued, with consequent overwriting on the local environments of the Affiliated Banks. This continuously evolving area will remain one of the main activities on which the newly founded Office will focus, given the relevant impacts of data on quality across the board. Analyses also continued to complete the Group's Database project – Standardisation – which aims to define a unique data table structure at Group level as well as draft standardised data recording processes.

The service was also involved in the working group dedicated to updates to the IT procedure used in the centralised checklist process, which allows participant banks to delegate to Cassa Centrale the reconciliation of transactions on correspondent accounts and the majority of the activity to close any suspended ones.

General Governments treasury

The Payment Systems Department also includes treasury activities carried out for several General Governments in Italy. As at 31 December, the total number of bodies managed was 1,026, while 724 bodies had an IT mandate, confirming the ongoing commitment to introducing more modern ways of delivering the service.

E-money

The Service activities are directed at supporting the Group's Banks and the market banks that subscribed to the e-money services. The Offices of the Service oversee the management of products that fall within the scope of e-money: debit cards, prepaid cards, credit cards, ATMs, physical and virtual POSs, and all activities required for the proper functioning of the instruments and for the prevention and management of fraud.

It also manages relations with the main counterparties: Bancomat SpA for the domestic circuit, Visa and Mastercard for the respective international circuits, Nexi for issuing and acquiring activities, and Worldline for the acceptance of international cards on POSs.

The first half of the year was characterised by the Sunset Maestro project, which involved the disposal of the Maestro scheme and the consequent impossibility to issue or renew debit cards on that circuit starting from 1 July 2023. Newly issued and expiring cards were issued on the Visa circuit (Visa Debit).

The Service has actively participated in various projects that were carried out and released in the second half of the year: in particular, the PagoBANCOMAT Only cards were created, available from November 2023, and the Mastercard Debit cards, which will join the Visa Debit cards from January 2024. Various functionalities were released on ATMs in order to ensure the main services of Self Service even with international debit cards.

Numerous activities required the coordination of the Service in the context of initiatives to standardise and increase the efficiency of the processes managed (e.g. OnBoarding Issuing – preview card balance) and proposals agreed with the main partners in order to improve and support the banks in the development of product marketing.

The works that were launched in the second half of the year on the project to reorganise the e-money segment were particularly demanding, with a particular focus on the POS acquiring activity. A careful and detailed analysis of the different activities became necessary in order to identify the best solutions to implement in order to best satisfy the requests of the banks, and therefore of customers.

As at 31 December 2023, there were 1,444,000 co-badged debit cards, 247,000 Visa Debit, 438,000 prepaid cards, 500,000 Nexi credit cards, 2,272 ATMs, and 94,100 POSs (82,300 on Allitude Terminals and 10,600 on GT Nexi, which also technically manages 1,200 Virtual POSs November).

5.2.1.5 Governance and support

Also in 2023, the Parent Company's governance and support functions have worked to strengthen the organisational structures and develop the activities of the Cassa Centrale Group.

The **Planning Department** manages activities aimed at an orderly business development of the Group, with a dedicated structure that has constantly transferred the Parent Company's operational and strategic guidelines to the Affiliated Banks, ensuring their effective understanding and implementation. The tools and metrics in support of the Group's management control process are being updated. These elements will allow for a more complete monitoring of profitability and costs.

Activities also continued aimed at:

- management of activities aimed at defining the Group's 2023-26 Strategic Plan;
- supporting activities relating to merger projects among Affiliated Banks started and/or concluded during the financial year;
- development of methodology integrated with Group internal transfer rates.

In 2023, activities continued to strengthen the **Administration and Tax Reporting Department**, in order to further strengthen the controls aimed at ensuring the correct and timely representation of the Parent Company's individual and consolidated economic and financial results, and the fulfilment of the related accounting, supervisory and tax obligations. In this sense, the Parent Company has provided important support to the Affiliated Banks in the management of accounting, tax and reporting processes, as well as in the activities to improve efficiency and correct management of the Group's income statement and balance sheet consolidation processes.

The **Information Technology & Security Department** provided continuous support to the Group in a variety of projects and activities aimed at the evolution and innovation of products and services for Affiliated Banks and customers, as well as compliance with external regulations and the expectations of the Supervisory Authority.

The action of the ICT Governance Service has moved along two main lines: regulatory and strategic. In the regulatory sphere, work continued on issuing and accompanying the adoption of the internal regulatory framework, with the aim of adapting the Group's ICT to ever growing regulatory pressure and enabling the effective management of controls and ICT risks. In this context, note the monitoring activities of the remedial plan resulting from the ECB on-site IT risk audit, in addition to the activities carried out in reference to the adaptation to the 40th update to Bank of Italy Circular no. 285/2013. In terms of strategy, the 2023-26 ICT Strategic Plan was updated, drafted in line with the previous ICT Strategic Plan and, in light of the new Group Strategic Plan, continuing the implementation and monitoring of the related initiatives intended to support the digitalisation processes and the development of the information system with the aim of guaranteeing high and innovative standards of service to shareholders and customers.

The ICT Governance Service also contributed, within its remit, to the CIPA (Italy's interbank agreement on automation) surveys.

With the intention to gather ideas for defining and implementing strategic initiatives, strengthening synergies with international research institutes, Cassa Centrale Banca actively participates in the works coordinated by the BIAN international consortia and the AbiLab IT Architecture and Information Governance Monitoring Units.

The Information Security Service, in collaboration with Allitude's Cyber Security Operations Service, prepared the 2023-26 Multi-Year Strategy Security Plan, which updated the 2022-25 Multi-Year Strategy Security Plan, taking into consideration the development of the external and internal situation of the Cassa Centrale Group, the Group's Strategic Plan, and synergy with the ICT Strategic Plan. Specifically considering the cyber panorama and in line with regulatory changes, two additional security roadmaps were defined relating to the areas of business resilience and physical security, thus expanding the Group's scope of security monitoring.

The Information Security Service has continued and launched a series of projects on governance and guidance of the security architecture and secure development of ICT solutions (known as "security by design"). These initiatives aim to increase the maturity of the security processes and measures and to promote the reduction of cyber risks at Group level, including through an increasingly more active involvement of the Affiliated Banks through the respective IT Security representatives. The security of third parties was also subject to specific evolution activities intended to strengthen control over supplies and ICT service providers, as part of the Group's wider framework for third-party risk management. In 2023, training and awareness initiatives on information security also continued in relation to Group employees as well as customers. With regard to the latter, the Group took part in the "CYBERSICURI – Impresa possibile" security awareness campaign promoted by CERTFin (CERT Finanziario Italiano) alongside other Institutes, the Bank of Italy, ABI, IVASS, and State Police, with the sponsorship of GPDP (Italian Data Protection Authority) and ACN (Italian National Cybersecurity Agency). Furthermore, Cassa Centrale Banca took active part in CERTFin as a member of the Governing Council, in the Cybersecurity Hub organised by Cetif (research centre of the Università Cattolica del Sacro Cuore in Milan) as a member of the Steering Committee, in the OSSIF (ABI research centre on anti-crime security), and renewed its membership with Clusit (Italian Association for IT Security) and the Computer Security Incident Response Team (CSIRT) Italia established at the ACN.

Technical projects continued in synergy with Allitude's Cyber Security Operations Service aimed at developing cyber security controls in relation to threat intelligence, endpoint detection and response, identity governance, incident management, anti-fraud and data classification and protection processes. Particular importance was placed on the development of security services to the benefit of the Group's legal entities, with the release of four services at the start of 2023 and the preparation of another service soon to be activated.

With specific regard to regulations, the Information Security Service participated, within its remit, in the gap analysis and planning of the activities pertaining to the adjustment to the 40th update to Bank of Italy circular no. 285/2013, carrying out an overall review of the Group Information Security Policy on at the same time. The Information Security Service also continued its coordination of the initiatives to adapt to Regulation (EU) no. 2022/2554 (the DORA Regulation), according to a strategic roadmap of measures defined with the involvement of the Cassa Centrale Banca and Allitude structures most impacted.

The **Operations Department** continued to support company projects in multiple areas pertaining to the business, governance and support, risks and controls segment. Regarding the digital transformation programme, the defined project activities continued, including support for the adoption and distribution of electronic signature tools by the banks (mainly the graphometric signature) and the evolution of the mobile banking channel (Inbank app) dedicated to private customers, which saw a gradual expansion during the period of the functions on the current version of the app in light of an overhaul over the next year. The project initiative in collaboration with several Affiliated Banks also continued, for the definition of the contact centre model, for the selection of the partner and the associated technological solution to manage inbound and outbound traffic with customers. In the context of updates to the Group's Strategic Plan, the digital transformation programme was also developed, with implementation of the related initiatives. To improve the efficiency of the project demand management monitoring and harmonisation process, the relevant internal regulations were updated, and the periodic monitoring of relevant initiatives was activated, with the relative periodic reporting to the departments and corporate bodies concerned. Adjustments to external regulations continued in order to transpose the new regulations issued from time to time (e.g. 40th Update, Law 285).

In the context of Services Governance, in 2023 initiatives continued intended to strengthen monitoring of coordination and support for the administrative and banking back-office services of Allitude. In particular, processes and tools were adopted to define measurable performance objectives of the back-office services from an efficiency/efficacy perspective as well as development of the Group's products to direct the overall benefit generated towards continuous improvement. The contribution of methods and expertise for the identification and guidance of the initiatives of greatest priority for the Allitude back office services also continued, ensuring full alignment and integration with the objectives of the Group's strategic plan. In this regard, it should be noted that, during the year, numerous roundtables were initiated with the Group's Banks aimed, for example, at process optimisation, pooling the experience already acquired.

Furthermore, in line with the strategic desire to establish a Parent Company office in Milan, the iconic building for such function was identified and is expected to be operational and inaugurated in the first half of 2024.

In relation to Cost Management and Procurement, the support and coordination activities aimed at using the Ivalua technology platform dedicated to managing the purchasing cycle in the context of the Group continued. The support and platform consolidation activities also continued, as did the new processes related to the Cassa Centrale Banca expenditure management cycle, as part of a process intended for deployment at Group level. As for negotiations, the renewal of expiring Group agreements was monitored, and the planned initiatives to optimise costs and procure products and services were launched at the same time. The plan takes into consideration the opportunities and requirements identified at Group level, including through periodic roundtables for discussion with the banks. Assessment of the results at the end of the year confirmed a substantial alignment between the results achieved and the plan.

The **Corporate Affairs and Equity Investments** Area **of the General Counsel Department** guaranteed operational and administrative support for the activities of the Board of Directors and the Board Committees of the Parent Company[13] as well as their self-assessment exercise and suitability assessment pursuant to Art. 26 of TUB of the heads of the main corporate functions.

It supported the Affiliated Banks and the Group companies by providing advice about corporate governance aspects, including the area of related parties and conflicts of interest, in addition to the assessment process pursuant to Art. 26 of the TUB on the existence of the requirements and criteria of suitability of the Group's corporate officers.

The Area coordinated the audit activities, in part still ongoing, of the Group regulations on so-called high governance of the Affiliated Banks and on strengthening and consolidation of the procedural and IT controls for the management of operations with related parties and conflicts of interest.

The **Legal Area of the General Counsel Department** supported the Group Companies and the Affiliated Banks in all aspects related to contracts and the management of claims and ongoing lawsuits with consulting activities. It also coordinated the entry into force of the new Group Regulations for the handling of complaints, applied at Group level from 1 June 2021. Two updates to this regulation were adopted by the Board of Directors of the Parent Company on 16 December 2021 and on 14 April 2022; in June 2022 the latter was sent to the Affiliated Banks and Companies falling within the scope of the Group's consolidated supervision for its adoption and entry into force on 1 July 2022.

The entry into force of the new Group Complaints Procedure, approved on 16 December 2021, was also coordinated. On 28 April 2022, an update of the aforementioned procedure was approved and forwarded to the Affiliated Banks and Companies within the scope of the Group's consolidated supervision for its adoption and entry into force on 1 July 2022.

Lastly, the Legal Area was responsible for coordinating the entry into force of the new Group Regulations for the management of disputes, approved by the Board of Directors of the Parent Company on 28 April 2022, and applied at Group level as of 30 June 2022. The Legal Area, as of 1 July 2022, provided the Affiliated Banks and Group Companies, with access to a computer software that allows the recording, management and monitoring of disputes as well as alternative dispute resolution procedures (in particular ABF and ACF) and, where provided for by the Regulation, the intervention of the Parent Company through the relative support and involvement in the management of disputes.

The entirely original characteristics of the Cooperative Banking Group on the national framework require the consolidation of investments in communication and media relations and, when necessary, coordination of the activities related to the Institutional Relations of the Affiliated Banks and the Subsidiaries. In these respects, in 2023, under the coordination of the **ESG and Institutional Relations Department**, the activities carried out by the Affiliated Banks and the Parent Company were further structured.

The activities were aimed in particular at:

- following the main dossiers on the revision of banking, financial and insurance legislation and regulations, also in coordination with the credit and cooperation trade associations, to represent the unique characteristics and needs of the cooperative banking system;
- assisting the Risks and Sustainability Committee for issues within its remit;
- examining and interpreting the production of laws and regulations on sustainability/ESG, which is affecting the strategic and oper-

[13] In particular, during 2023, the Board of Directors met 23 times, the Risks and Sustainability Committee 18 times, the Appointments Committee 20 times, the Remuneration Committee 12 times, and the Independent Directors' Committee 9 times.

ational approach of banks across the board, maintaining constructive relations with the supervisory and control bodies in charge; enhancing in external communication the Group’s sustainability journey, while highlighting the distinctive features;

- acknowledging the Group as an entity with distinctive characteristics within the banking world, enhancing the objectives of sustainable development and the principles and values of the Mutual Credit Cooperation;
- further increasing, according to a constant and gradual approach, the Group's visibility to the outside world also through social networks, coordinating the activity to enhance the various initiatives activated by the Group and the communication of the Affiliated Banks on these channels. In particular, the Parent Company continued to see a constant increase in visibility on its LinkedIn profile, with a number of followers exceeding 34 thousand;
- continuing the collaboration with Euricse, a research institute specialised in cooperation and social enterprise issues. In particular, the survey on the Affiliated Banks was re-proposed, essential for circulating good practice on environmental and social issues;
- monitoring the progress of the Group 2022-2025 Sustainability Plan and issuing the Group Sustainability Regulations;
- approving the 2023-2026 Sustainability Plan, as described in more detail in section 8.8.

5.2.2 ICT and back office services

Within the ICT Department at Allitude the process to consolidate the operational integration and organisational transformation activities continued. In terms of projects, initiatives were carried out in the first half of 2023 on the basis of the requirements formulated by the competent structures of Cassa Centrale Banca. These requirements were formalised in the document of the 2023 ICT Operational Plan and approved by the competent decision-making bodies.

At the same time as the in-house development of new content in relation to the Group's information system, several innovative market solutions were selected and purchased to meet some of the new specialist needs that have emerged, for example in relation to credit and AML.

The projects included in the 2023 ICT Operational Plan are consistent with the development lines envisioned in the Cassa Centrale Group’s strategy and can be summarised in the following areas:

- **omnichannel**: development of authentication systems and tools; development of digital services dedicated to end customers (for the mobile and internet banking channels, in particular); execution of processes to modernise the platforms in favour of internal and external users, with new major functions released successfully in 2023, including biometric SCA in the current Inbank app, and the development of the new modernised App to be released in the first half of 2024; digitalisation of onboarding processes for prospective customers; launch of activities for the definition of a Group Design System; set-up of dedicated centres for automation (DPA/RPA) and design systems;
- **banking information system:** standardisation of information system processes and configurations (register, transparency, guarantees and credit lines); evolution of the various application modules on the basis of business priorities (dematerialisation of sales processes to make in- and out-of-branch offers more efficient) and the need for regulatory compliance in the areas of finance, credit, anti-money laundering and payment systems; completion of the feasibility study and start of the analysis and implementation phase for the Group’s new electronic credit line procedure (PEF); for the Core Banking Modernisation programme, following the release of the first pilot application, the project activities called for in the plan were launched in relation to the following areas: transversal modules, referential systems and finance;
- **data management and analytics**: architectural development of the Data Warehouse area with progressive population of the new architecture based on the Data Hub layer and gradual retirement of the functions on old architecture; preparation of the infrastructure to make a business intelligence product with self BI functions available to users to make them autonomous in consulting the various databases; expansion of the information

database available to cover banking processes; development of the data governance framework with the introduction of a business glossary and the expansion of the enterprise data catalogue, progressively enriched with the contents of various databases; upgrading the data quality dashboard with the implementation of a new set of controls and development of a data observability dashboard to monitor the supply chain of the data; preparation of a commercial datamart dedicated to customer insight, enabling the creation of Business Intelligence dashboards that will be distributed to the user banks;

- **synthesis systems**: guidance on adjustments to the rating calculation engine and the EWI/EWS (early warning indicator/early warning system) to the Group's new credit regulations; continuation of activities to take over and integrate third-party synthesis applications (AML T&M, ERMAS, Regtech, Rating, IFRS 9, ICT and Reputation Risk, etc.); conclusion of the migration to the new application platform dedicated to individual supervisory reporting and roundtables launched to analyse projects related to the evolution of reporting from a Basel IV prudential perspective;
- **technology/infrastructure**: completed the consolidation of the data centres to increase efficiency and lower risk; technology refresh of hardware components that find more modern and performing solutions on the market; introduction of the technology hosting service for user banks; conclusion of project activities aiming to release the first version of the management service for jobs of the user banks and launch of the pilot banks; completion of the design phase for the introduction of another management service for distributed computing, such as management of the user bank's local network; start of the cloud journey for defining the policy, the architectural framework and the governance operating models to adopt the public cloud; completion of the definition of ESG guidelines for ICT;
- **governance and processes:** following the ECB on-site ICT risk audit, which involved the Cassa Centrale Group in 2022, the initiatives to strengthen the ICT management processes continued in line with the remedial plan defined in July 2023 and intended to meet the expectations of the Supervisory Authority.

In 2023, the Allitude Services Department continued its development programme aimed at strengthening its role as outsourcer to the Group, in particular by increasing the volumes managed and developing new administrative and back-office services, in line with the needs of the Cassa Centrale Group. In this context, the vertical discussion tables were completed with the first panel of banks to analyse and understand their existing operational and organisational models for managing back offices to design, implement and promote new services while also defining a preliminary Group-level efficiency strategy, in particular through a centralisation process aimed at Allitude or other suppliers.

In relation to the expansion of the offer of services, various initiatives were launched, including the release of the following services:

- Credit Back Office: property and appraisal management and mortgage cancellation/renewal;
- Finance Back Office: fund management;
- Tax Back Office: management of VAT obligations;
- Collections, Payments and e-Money Back Office: reporting to the Italian Revenue Agency on tax bank transfers, transferability of assets and liabilities, Telepass and token cash handling.

Furthermore, a comparative benchmark was carried out of the current product offer against the main market comparables, aimed firstly at identifying additional ideas for expanding the catalogue, then outsourcing a number of activities to third-party providers using business-case-driven approach, and lastly lowering the cost-to-service by taking advantage of the skills already available within the Group.

The programme to increase productivity and operational efficiency in delivering back-office services also continues with the introduction of new technology tools (process automation) and organisational levers. Following a feasibility study performed on robotisation technologies and orchestration of processes in close collaboration with the Services Department and the ICT Department, the first releases of automated processes in the collections, payments and e-money, administrative management of personnel, accounting and budget, and centralised finance areas of the Allitude back office services were carried out, achieving initial benefits in terms of better performance. The initiative continued throughout 2023 and will be a driving force to launch the technology scale-up in other functional areas of the Group, by leveraging the experience of the Allitude processes.

Operations Tracker, the tactical tool for monitoring the operational performance of the back-office processes of the Allitude Services Department, is also constantly updated, with the aim of introducing continuous improvement strategies for the efficiency and quality of services by analysing collected data (economic, volume and productivity data, etc.).

The development activities linked to the implementation requirements of the regulations and controls of the Parent Company were also important, which saw Allitude working on a dual front: as a provider of IT solutions in support of the operations of the Group Companies, and as a Company that must adapt its own internal practices to the new regulatory requirements by combining them with the efficacy of the internal processes and its own organisational structure.

5.2.3 - Leasing services

The offer of leasing services, in its broadest meaning of financial and operational leasing, makes it possible for the Cassa Centrale Banca Group to strengthen the range of services offered in the territory, through specific agreements entered into with the Banks of the Cassa Centrale Group for the distribution of the product.

Claris Leasing S.p.A., through its financial leasing services, strives to guide the investments of small and medium-sized enterprises, customers of the Affiliated Banks of the Group, with a growing effort to respond to the new challenges on the market.

During the year, the domestic market context saw stagnation in the level of economic activity also influenced by the ongoing tensions on the geopolitical front and the continuation of significant critical issues on the markets, in particular the energy market, with tensions on the supply chains of raw materials that helped to trigger inflationary phenomena. In this scenario, the leasing sector in Italy nevertheless recorded a positive growth trend, with increasing volumes of new contracts driven by long-term lease operations in the motor vehicles segment. After isolating this component, the market instead shows a downward trend compared to the same period in the previous year.

The performance of the market is also reflected in the final figures recorded by the Company, which, albeit in line with expectations, show a slowdown compared to the previous year, also caused by the critical economic issues mentioned.

Through placements made by the distribution network of the Affiliated Banks of the Cooperative Banking Group, Claris Leasing concluded 1,400 new finance lease contracts for a total of EUR 304 million in new investments. Compared to the figures at the end of 2022, there was a decrease of around 8% in the number of contracts signed. In line with sector trends, the decrease posted in 2023 affected the capital goods sector and real estate leases in particular, while the trend in motor vehicle leasing increased. From a commercial perspective, the Company is extremely aware of the most environmentally friendly projects, in accordance with EU and national policies aimed at enhancing investments in the green economy and the Group's ESG policies. These guidelines also characterise the development programme set out in the Company's strategic plan.

With regard to asset quality, in line with the Cassa Centrale Group's objective, the gradual reduction of non-performing exposures continued through a strategy of disposals managed directly by the Company. The gross NPL ratio stood at 3.2% in December 2023, a marked improvement from 4.6% in December 2022 and 7.2% at the end of 2021. Supported by a prudent provisioning policy, the ratio of net impaired exposures to total leasing receivables was 1.0%, down from 1.6% as at 31 December 2022, and 2.2% in 2021. In line with the Parent Company's directives, the coverage of bad loans exceeded 95%.

During the year, Claris Leasing S.p.A. posted a net profit of EUR 11.2 million.

Claris Rent S.p.A. integrates the commercial offer of the Cassa Centrale Group through the significant distribution channels of the Affiliated Banks, with lease services on capital goods and long-term rental of motor vehicles in partnership with LeasePlan.

2023 confirmed the economic critical issues that had already characterised the company's first three years of operation. The company operated throughout a rather complicated economic stage, first due to the pandemic, then due to strong geopolitical unrest and macroeconomic tensions. The combination of various destabilising factors, such as the shortage of microchips that affected the production of vehicles, the shortage of raw materials and the difficulties in the logistics sector, maritime and rail transport due to geopolitical tensions, with consequent negative effects on the availability of rentable assets, generated significant critical issues for the range of products offered by Claris Rent S.p.A.

The aforementioned critical factors, in relation to the general market, placed a heavy damper on the company's business development; as a matter of fact, given its recent establishment, the company was unable to act on its significant network of customers, to propose, for example, an extension of the rentals during the extended wait times for new vehicles.

To limit the effects related to the critical concerns in the delivery of motor vehicles and in the management of the assistance service, business actions were taken to direct customer decisions towards products with fewer procurement problems, and evaluations are in progress for an operational management review that would make it possible to overcome the sector difficulties.

With regard to the range of rental products available, in the recent past, a campaign of agreements had already been launched with the BCCs of the Cassa Centrale Group that were willing to promote rental products to customers in its portfolio with the aim of identifying and anticipating their needs. As at 31 December 2023, 44 Affiliated Banks of the Group have signed the agreement.

The promotional and communication campaigns shared with the affiliated banks continue to increase customer loyalty. These activities are supported by the slogan "La tua auto la scegli in Banca" [Choose your car at the bank] and the use of online showrooms displaying the options offered by Claris Rent.

During the year, the Company signed 153 new long-term rentals of motor vehicles with fees determined by commissions, including future payments (this result was nonetheless affected by the shortage of vehicles available to register) and stipulated 627 new active lease contracts, while the result for the period remains negative for approximately EUR 333 thousand, also negatively affected by the consequences of the complex economic situation and the previously mentioned critical issues.

The offer of services in the leasing sector is supplemented by the collaboration agreement between the Parent Company and Fraer Leasing S.p.A. belonging to the French Group Société Générale. During 2023, this agreement allowed the distribution network of the Cooperative Banking Group to sign 714 contracts for a total amount of approximately EUR 101.7 million.

5.2.4 - Insurance services

The 2023 financial year was characterised by a growing development of the participant banks' insurance products in collaboration with Assicura Agenzia S.r.l. and with subsidiary Assicura Broker S.r.l., which made it possible to express, thanks to the consolidation of relations with the distributors and with Assimoco Group companies, more favourable trends than those posted by the national market.

In particular, as an additional result of a growing perception of exposure to risks, resulting from widespread concerns about the effects of climate change, geopolitical crises, demographic dynamics and trends in the rates, the proactive approach in the protection segment was strengthened by 113,173 new contracts (+30% compared to the same period in the previous year) as a result of the +34% growth in premiums relating to policies in the primary lines of business for asset and individual protection and motor TPL (+66%); it should be noted that there was a significant +46% growth in the signing of policies by SMEs – an area for which there are strong growth prospects, including in view of the entry into force of the obligation to cover catastrophic events – and the accidents (+39%) and illnesses segments (thanks to doubled membership in health funds following activation of the agreement with Cooperazione Salute). On the other hand, there was a slight slowdown in the placement of CPI policies (-2%), which, if correlated with the estimated 10% drop in mortgage loan disbursements, demonstrates an increase in the combination of such coverage with financing.

The life segment was strongly affected by the sudden hike in rates as well as the crisis of saver confidence stemming from the receivership of Eurovita S.p.A., definitively overcome with the implementation of the rescue plan by five leading Italian insurance firms and distributor banks – including Cassa Centrale Banca – to protect investors, and with the likely creation in the near future of a Guarantee Fund with greater protection of policyholders and beneficiaries of life insurance policies, even when the average solvency index on the market is 2.6 times higher than the expected minimum.

On the one hand, this resulted in an -18% drop in premiums from new business (particularly accentuated in the -25% in multi-class policies compared with a substantial confirmation of separate holdings signed) and, on the other hand, a considerable increase in redemptions (from an annual average of approximately EUR 300 million to EUR 515 million in 2023), leading to a decrease in net funding, which stands at EUR +26.8 million, against the negative trend recorded by the market, which in September recorded a negative balance between inflows and outflows for EUR 15.5 billion.

New business at the end of December recorded a total of 215,096 new contracts (+9%) against over EUR 775 million in premiums (-14%).

To support the banks in developing their ability – as of yet still mixed across different institutes – to intercept the needs of customers, as well as providing training processes aimed at increasing the professionalism and expertise of the network, the activation of the insurance advisory IT tool will be decisive in countering low awareness of risks, shown by the high underinsurance of both households and businesses, calculating the possible negative consequences of inadequately monitoring the protection area, analysing individually the extent of the services that could be provided by the public system, and preparing personalised cover proposals.

At the same time, the update to the Sìcuro product catalogue continued, implementing the improved conditions negotiated with the Assimoco Group when signing the partnership agreement. This made it possible to include, among other things, catastrophic event coverage in the Assihome policy and, in the near future, to integrate the insurance solutions available for companies with corporate welfare instruments, but it also allowed us to activate guarantees on return on investment products to increase the appeal of insurance investment solutions.

The assistance provided in claims management – which has always been strategic for strengthening customer loyalty through efficient and innovative services – was affected by the extraordinary increase in complaints caused by exceptionally serious natural events in the summer months across our territories, accompanied by the organic growth resulting from the increase in the portfolio under management, leading to a +62% increase in the number of cases, at over 36 thousand. In a further bid to address the possible recurrence of exceptional situations, a number of innovations will soon be implemented to streamline and raise the efficiency of operations.

At the same time, activities continued with the aim of optimising and facilitating customer relations through the growing use of advanced electronic signatures using OTPs to sign contracts, and the implementation of functions available on the MyAssicura and Inbank reserved area.

The action taken in terms of new business and in terms of maintaining the existing portfolio, net of increased investment product redemptions, led to nearly EUR 7.9 billion in premiums under management as at 31 December 2023, with over EUR 6.6 billion related to investment instruments, EUR 910 million in supplementary pension plans and more than EUR 347 million in insurance coverage in the protection sector.

The total of commissions earned generated overall revenue for nearly EUR 88.8 million, up — despite the aforementioned change in the scenarios — +6% compared to 2022, with a prevalence of remuneration originating from the placement and management of protection products that accounted for 51% of the total, bestowing greater stability upon the profitability offered by the insurance sector.

Net fees and commissions income for Assicura Agenzia estimated at the end of the year surpassed EUR 12.3 million, an increase of +3.8%, contributing to a net profit of EUR 6.6 million, an increase on the result posted in the previous year (+8.2%) as well as the budget.

In light of the results of the insurance assessments on institutional coverage completed in the previous year, Assicura Broker continued the alignment and efficiency improvement activities of its insurance coverage, and oversaw the management and reporting to customers on the activities carried out during renewal. This activity made and will make it possible to continuously improve the insurance level of the Affiliated Banks' policies, by aligning the levels of coverage and guaranteeing greater security for the GBC.

Furthermore, the "Group Cyber Policy" project was completed in the first half of the year. This project led to the subscription of cyber coverage to protect against the potential expenses borne by the Group as a result of an event that then affects Cassa Centrale Banca, Allitude and all the Affiliated Banks. The signing of this policy, which protects a particularly delicate area of risk, allows for further improvement to the Group's security level.

Subsequently, special attention was paid to the renewal of the D&O policies of the Group Companies and of the customer banks, which could only be renewed while limiting increased costs thanks to the total volumes managed by the GBC, having expected the increasing lack of willingness of companies to assume such risks or to insure the required limits.

With regard to the business area, thanks to the sales activities conducted on the business customers of the Group Banks, in 2023 we increased the number of companies that appointed us as brokers. In this sector we see an increase above 20% against an average market growth of non-life policies equal to 4%. These developments allowed us, on the one hand, to negotiate with leading dedicated facilities companies and, on the other, to strengthen the structure dedicated to personalised advice.

Overall, there was an increase in brokered premiums and commissions collected during 2023. The latter reached an amount of EUR 4.2 million, equal to a 12.2% increase compared to the previous year, bringing gross profit to EUR 1.49 million (+29.5%) and net profit to EUR 1.07 million (+41.3%).

5.2.5 - Collective asset management services

NEAM is the Luxembourg-based asset management company wholly owned by Cassa Centrale Banca which manages the NEF Mutual Investment Fund composed of 18 different sub-funds.

The NEF Fund is placed by all Affiliated Banks and by numerous customer Banks that mainly use Cassa Centrale Banca as the entity appointed to perform payments, i.e. as intermediary called upon to carry out activities to support customers in the administrative, accounting settlement and tax phases.

Thanks to the good results of the BCC-CR-RAIKA commercial network and despite investors preferring investments in BTP rather than assets under management products as a result of the current rates on the market, volumes reached EUR 6.961 billion with a 19.5% increase since the start of 2023 (EUR +1.136 billion).

Increased assets under management were the result of positive net funding of EUR 635 million and a positive market contribution of over EUR 501 million. During the period, capital accumulation plans (CAPs) made a positive contribution of around EUR 785 million to funding. The growth would have been higher had we not experienced significant divestments at the same time. With regard to the CAPs, there was net growth of 9,313 new openings during the year, for a total of 527,856 units, which are equal to monthly deposits of over EUR 65.5 million. This said, it should be noted that the trend in the second half of the year was negative with -9,547 CAPs, and in mid-2023 we had 537,403 CAPs.

Specifically, the data show a significant growth since the start of the year in a number of sub-funds for R class retail investors: NEF Ethical Balanced Dynamic R EUR 73 million, NEF Global Equity R EUR 45 million, NEF Ethical Global Trends SDG R EUR 80 million, NEF Target 2028 EUR 107 million. Other significant transfers occurred on the institutional classes, which brought overall net funding to EUR 635 million.

In the NEF range, three sub-funds exceed EUR 500 million in size (Ethical Balanced Dynamic 831, Ethical Global Trends SDG 730 and Euro Equity 632), while several other sub-funds have now passed the EUR 300 million mark. There was also significant growth since the start of the year in the NEF Euro Bond and NEF Target 2028 segments (from EUR 127 million to EUR 276 million, and from EUR 135 million to EUR 257 million respectively).

In confirmation of the high quality of its operations, in 2023, NEAM once again received very important awards. For the fourth consecutive year, it was recognised at the Sole 24 Ore High Performance Award according to the analysis carried out by the independent company CFS Rating, which confirmed NEAM S.A. as Best Management Company – Italian Small Funds for 2022 (third place). Moreover, Lipper awarded NEF with the title of Best Fund Mixed Asset EUR Cons – EuroZone over 5 Years for its NEF Risparmio Italia R sub-fund at the Refinitiv Lipper Fund Awards. The title was awarded as part of the Germany 2023 Awards and also saw the NEF sub-fund in first place in the Over 3 Years segment in the same category. Three NEF sub-funds were also included in the 300 Best Funds 2023 by CFS Rating: NEF Global Equity, NEF Euro Equity and NEF Risparmio Italia.

5.2.6 - Other services

Centrale Soluzioni Immobiliari S.r.l. (hereinafter also "CSI") was set up to allow for the purchase, sale and exchange of real estate assets, including the development or completion of the same with a view to their re-placement on the market. This activity is carried out mainly as an ancillary activity to the activities of Cassa Centrale Banca, with the aim of safeguarding the creditworthiness of impaired loans secured by real guarantees.

During the first half of the year, CSI regularly continued — through specialised companies — to create, complete and maintain the construction sites relating to real estate acquired through bankruptcy proceedings.

Originally established to provide support and assistance to banks that use the online trading services offered by Directa SIM, over the years Centrale Trading S.r.l. (hereinafter also "Centrale Trading" or "CT") has entered into agreements with several companies: Italpreziosi S.p.A. for trading gold in its physical form; Six Financial Information, infoprovider for finance offices; WebSim for financial reporting; MasterChart, with which, in addition to traditional financial reporting solutions, customer appointment management, counter queue management, banking transparency management and digital signage services were added.

There were 144 affiliated institutions at 31 December 2023.

6. Risk management and internal control system

The risk governance model, i.e. the set of corporate governance mechanisms and management and control mechanisms aimed at facing the risks to which the Group is exposed, is part of the broader framework of the internal control system (so-called ICS), defined in accordance with the regulatory provisions of Circular no. 285/2013 of the Bank of Italy.

The Group attaches great importance to risk management and control in order to ensure the constant development of its organisational/procedural safeguards and methodological solutions, working towards prudent and sound management of its banking activity in compliance with cooperative principles and its mission. In particular, the Parent Company, in the exercise of management and coordination of the individual Group Companies, establishes and defines the duties and responsibilities of the control bodies and functions within the Group, the coordination procedures, the reports, information flows and related connections, in compliance with the provisions of current legislation, the Cohesion Contract and the Articles of Association of Cassa Centrale Banca. In addition, it issues provisions for the execution of the instructions provided by the Supervisory Authority in the interest and for the stability of the Group.

In this context, the Group attributes strategic importance to integrated risk and control management, as this constitutes:

- an element to ensure that all activities are carried out in accordance with the principles of sound and prudent management and defined strategic guidelines;
- a clear and complete representation for the Corporate bodies of the internal control system to monitor risks, the critical elements to which the Group is exposed and the interventions in progress;
- an important element for monitoring compliance with the relevant provisions by the competent authorities, as well as spreading the use of integration parameters.

As required by the regulations on reforming Cooperative Credit, the outsourcing of the Company Control Functions of the Affiliated Banks at the Parent Company has been made operational, and it is therefore the latter's task to define the guidelines on risk measurement and management.

Cassa Centrale Banca, as the Parent Company, carries out management, coordination and control activities in order to guide the Group towards business objectives consistent with the distinctive features of each Group Company and in line with balanced risk management.

The methodological framework used is based on the precise management of the different types of risks to which the Group is exposed and is characterised by a unitary vision of the company risks, considering the macroeconomic scenario as well as the individual risk profile of the Affiliated Banks. In addition, it aims to stimulate the growth of a culture of risk control, reinforcing a transparent and accurate representation of risks to the benefit of immediate "governability" by top management.

The general principles guiding the Group's risk-taking strategy take into account the company's business model, strategic objectives and a number of key elements on which the group's entire operations are based, including its limited risk appetite as well as its capital adequacy, income stability, solid liquidity position, attention to maintaining a positive corporate reputation and strong control of the main specific risks to which the company is exposed.

The risk-taking strategies are summarised in the Risk Appetite Framework (known as RAF), which represents the reference framework that defines – in line with the maximum risk that can be assumed, the business model and the strategic plan – the risk appetite, the tolerance thresholds, the risk limits, the risk management policies, and the reference processes necessary to define and implement them.

The Group's RAF represents the framework within which company risk management is developed and it is broken down into:

- general principles of risk propensity;
- monitoring the Group's overall risk profile;
- monitoring of the main risks specific to the Group.

In other words, the RAF provides the framework for determining the Group's risk appetite that:

- acts as a tool for strategic control, relating risks to the business strategy and translating the mission and strategic plan into qualitative and quantitative variables;
- operates as a tool for risk management and control, linking risk objectives to business operations and translating them into constraints and incentives for the structure.

In addition to the Group’s Risk Appetite Framework Regulation, which contains the general principles for the definition of the framework, roles and responsibilities of the RAF process, it includes the Risk Appetite Statement (RAS – individual and Group), the RAF Guidelines intended to ensure the link to the strategic planning process and the Risk Limits aimed at setting operational limits in line with the Group’s risk objectives and defined within the various regulations on the management of individual risk.

As a fundamental tool to ensure that the Group's strategy is in line with the Risk Profile, the RAF is not only addressed by top-down leadership of the Bodies and Management of the Parent Company, but is also implemented with the active bottom-up involvement of the individual Banking Group Companies. The RAF is therefore founded on a management model that is consistent with the operational functionality and complexity of the Group itself, and has been developed considering the materiality of the risks to which the Group is exposed. It establishes ex ante the risk/return objectives that the Group intends to achieve and the resulting operating limits. Conceptually, the RAF could be defined as the variability of the risk-adjusted results that the Group is willing to accept for a given operating strategy.

It therefore represents the global approach, comprising an integrated set of governance policies, processes, flows, controls and systems through which the risk appetite of the Group and each Company is established, communicated and monitored, with its specific operations and associated risk profiles, thereby facilitating the integration and understanding of this concept within the corporate culture. It is also an integral part of the decision-making processes for developing and implementing the strategy and approach to risk management and enables the determination of a risk management policy based on the principles of sound and prudent business management.

The definition of the risk appetite also represents a management tool that, in addition to enabling a concrete application of the prudential measures, makes it possible to:

- strengthen the capacity to govern and manage corporate risks;
- support the strategic process;
- facilitate the development and promotion of an integrated risk culture;
- develop a fast and effective system for monitoring and communicating the risk profile.

In order to achieve an integrated and coherent risk governance policy, strategic decisions at Group level (in the context of which those relating to the RAF play a major role) are made by the Parent Company's corporate bodies, assessing the overall operations and risks of the entire Group and also paying the utmost attention to the characteristics of the different businesses and local contexts.

The Parent Company has therefore adopted a unitary and integrated system of internal controls that allows effective control over both the strategic choices of the Group as a whole and the managerial balance of the individual Group Companies and, in particular, their organisation, technical situation and financial position.

The Corporate Bodies of the Group Companies are responsible for the implementation of individual RASs, in line with individual company characteristics, strategies and risk management policies defined by the Parent Company's Corporate Bodies.

The Group's RAF process is based on a structured and detailed risk identification process, carried out also for the purpose of risk mapping required by the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP). To this end, individual Group companies may be involved in the definition of the RAF and contribute relevant information on their operational and market environment and their corporate risk profile.

The RAF defines the following thresholds:

- Risk Profile, indicating the risk actually assumed, measured at a given time on a current or forward-looking basis;
- Risk Appetite, i.e. the level of risk that the Group intends to take in order to pursue its strategic objectives;
- Alert, i.e. the threshold risk at which the Risk Tolerance will be exceeded or approached and the activation of any corrective actions in order to avoid the Risk Tolerance being reached or exceeded;
- Risk Tolerance, i.e. the maximum deviation from the Risk Appetite allowed, set in such a way as to ensure sufficient margins to operate, even in stress conditions, within the maximum assumable risk;
- Risk Capacity, indicating the maximum risk that the Group is technically able to assume without violating regulatory requirements or other restrictions imposed by shareholders or by the Supervisory Authority.

The indicators included in the RAS are monitored at a consolidated level, by the Risk Management Department, and at an individual level, with support from the Internal Representative, and by the Head of the Risk Management Department for the other Group Companies with an independent risk management function. The process is formalised through the preparation of an adequate overview report of the corporate risk profile, which provides an overall and integrated view of the other risk processes (such as ICAAP, ILAAP, Individual Risk Focus and MSTs) with a view to guaranteeing effective reporting to the Corporate Bodies of the Group and of the individual Group Companies at least on a quarterly basis.

If the defined thresholds are exceeded at either consolidated or individual level, remediation actions are envisaged based on the severity of the type of threshold breached, to be implemented if one of the initial critical situations occurs, so as to activate processes intended to ensure that the risk level returns to within the pre-established levels.

In conclusion, the definition of the RAF and the resulting operational limits on the main specific risks mentioned above, the use of risk assessment tools within the credit management processes and the reference control and monitoring of operational and compliance risks, capital and liquidity adequacy assessment measures and risk capital measures for the assessment of company performance, are the cornerstones of the operational declination of the risk strategy defined by the Board of Directors.

6.1 - Risk map

As part of the process of identifying relevant risks, the Group has defined the relevant risk map, which constitutes the framework within which all risk measurement/assessment, monitoring and mitigation activities are carried out. This process is carried out taking into account the Group's unique characteristics, its current and future operations, its operating context and the provisions laid down by the Regulators and market best practices.

To this end, the Group identifies all of the risks to which it is or could be exposed, i.e. risks that could affect its operations, the pursuit of strategies and the achievement of corporate objectives.

The process of identification of the Group's significant risks is a fundamental recognition process for the whole system of risk management as it constitutes an ideal "link" between different processes, representing the starting point to address:

- as part of the RAF, the identification of the most significant types of risk on which to define appropriate "risk appetite" values, tolerance thresholds and risk limits;
- as part of ICAAP/ILAAP, the delimitation of the risks with the greatest impact on the adequacy of the Group's capital and liquidity situation, in terms of current and/or potential risks and under stress conditions;
- as part of the MRB area, the identification of the main areas of vulnerability of Affiliated Banks and the possible activation of strengthening mechanisms;
- as part of the Recovery Plan, the definition of possible areas of intervention aimed at recovering from near default situations and the consequent calibration of appropriate recovery actions; the reporting system, defined in line with all the main processes outlined above, to guarantee its accuracy, exhaustiveness, clarity and usefulness, thus ensuring that the control of significant risks is sufficiently regular with respect to the phenomena in question.

The process of identifying significant risks is the basis for all the Group's strategic processes and is carried out through a structured and dynamic process:

- at centralised level, the Risk Management Department;
- with the involvement of the Corporate Bodies, the Corporate Control Functions and the other Parent Company Structures, to the extent of their spheres of competence, in order to ensure alignment with the evolution and/or changes in the business model;
- with the involvement of the main Group Companies that have outsourced corporate control functions, where deemed necessary, to enhance their role in relation to individual operational specificities.

In accordance with the requirements of the “ECB Guide to the Internal Capital Adequacy Assessment Process (ICAAP)” and the “ECB Guide to the Internal Liquidity Adequacy Assessment Process (ILAAP)”, the risk identification process is carried out following a “gross approach”, i.e. without considering the specific techniques aimed at mitigating the underlying risks. The analysis was therefore carried out by evaluating the Group's current operating conditions to identify any risk profiles already present in the current context but not adequately captured by the pre-existing mapped categories, by attempting to anticipate the types of risks historically not relevant for the Group but likely to become so in a prospective scenario, as they are connected to foreseeable changes in the economic, financial and regulatory environment. For this reason, the Risk Management Department verifies, on an ongoing basis, the presence of adequate risk management processes and, following pre-established steps, updates the Risk Map whenever events/operations that could expose the Group to new types of risk occur.

The process of identifying the Group's significant risks consists of four main steps:

- verification of the significant of corporate risks already subject to evaluation and analysis and research and identification of new potentially relevant risks not yet considered by the Group (so-called Long List of Risks);
- definition of the criteria and set of evaluation elements according to which the risks identified in the previous step can be included in the Short List of Risks given the Group's operational characteristics;
- finalisation of the Short List of Risks by defining their hierarchy and taxonomy;
- verification of the degree of current and future materiality of the measurable Level-1 risks on the Short List through specific quantitative analyses without distinguishing between risks that generate capital absorption and risks that do not;
- formalisation of the Group Risk Map on the basis of the previous steps;
- definition of the organisational structure, identification of the organisational dimensions considered relevant to risk management and monitoring and the consequent mapping of relevant risks on these axes of analysis.

In 2023, the aforementioned process underwent a number of key changes, which involved:

- the automation of the tool to support the assessment and analysis, research and identification of new, potentially significant risks to be included in the short list;
- the review of the current and prospective materiality analysis methodology;
- the update of a number of assessment metrics considered and the integration of new ones;
- the review of the taxonomy of a number of risks, definitions of which have been aligned with the information reported in the internal and/or external regulations analysed.

The Group’s "Risk Map" valid for 2023 is shown below, with reference to the first level of risk identified[14], which is adopted by all Group Companies.

Credit and counterparty risk

Risk of reduction in the value of an exposure in correspondence with a deterioration in the creditworthiness of the user, including the inability to meet all or part of its contractual obligations.

[14] The risk hierarchy is structured across four levels.

Market risk

Risk of an unfavourable change in the value of an exposure to financial instruments, included in the trading book, due to adverse trends in interest rates, exchange rates, inflation rates, volatility, share prices, credit spreads, commodity prices (generic risk) and/or the situation of the issuer (specific risk).

Credit valuation adjustment (CVA) risk

Risk of adjustment of the interim market valuation of the portfolio of transactions with a counterparty. This adjustment reflects the current market value of the Counterparty Risk vis-à-vis the institution, but does not reflect the current market value of the credit risk of the institution vis-à-vis the counterparty.

Operational risk

Risk of incurring losses arising from inadequate or failed internal procedures, human resources and systems, or from exogenous events. This includes losses resulting from fraud, human error, business disruption, system unavailability, breach of contract, or natural catastrophes, among other things.

Reputational risk

Current or prospective risk of a decline in profits or capital resulting from a negative perception of the Group's image by customers, counterparties, Group shareholders, investors or Supervisory Authorities.

Risk of non-compliance with rules

Risk of incurring judicial or administrative penalties, significant financial losses or damage to reputation as a result of violations of mandatory rules (laws or regulations) or self-regulation (e.g. Articles of Association, Cohesion Contract, Code of Ethics) with regard to all company activity.

Risk of money laundering and terrorist financing

Risk arising from the violation of legal, regulatory and self-regulatory provisions functional to the prevention of the use of the financial system for the purposes of money laundering, terrorist financing or the financing of weapons of mass destruction development programmes as well as the risk of involvement in money laundering and terrorist financing or the financing of weapons of mass destruction development programmes.

Interest rate risk of the banking book

Current and future risk of changes in the Group's banking book following adverse changes in interest rates, which affect both the economic value and the net interest income.

Sovereign risk

Risk that a deterioration in the creditworthiness of government securities could have on overall profitability.

Credit concentration risk

Risk arising from exposures to counterparties, including central counterparties, groups of related counterparties operating in the same economic sector, in the same geographical region or carrying out the same activity or trading the same commodity, as well as from the application of credit risk mitigation techniques, including in particular risks deriving from indirect exposures, such as, for example, towards individual guarantee providers.

Strategic and business risk

Current or prospective risk of a decline in profits or capital resulting from changes in the operating environment or erroneous business decisions, inadequate implementation of decisions, poor responsiveness to changes in the competitive environment.

Real estate portfolio risk

Current or prospective risk deriving from changes in the value of owned properties due to changes in prices in the Italian real estate market.

Risk associated with the acquisition of equity investments

Risk of inadequate management of equity investments, in line with the provisions of Bank of Italy Circular no. 285/2013 and subsequent updates.

Excessive leverage risk

Risk that a particularly high level of indebtedness in relation to capital endowment will make the bank vulnerable, making it necessary to take corrective measures to its business plan, including the sale of assets with losses that could also lead to value adjustments on the remaining assets.

Liquidity and funding risk

The risk of not being able to cope efficiently and without jeopardising normal operations and financial equilibrium, not being able to meet its payment obligations or disburse funds due to the inability to find sources of funding or to find them at above-market costs (funding liquidity risk) or due to the presence of limits on the disposal of assets (market liquidity risk) and incurring capital losses.

Risk of conflicts of interest with respect to associated parties

Risk that the proximity of certain persons to the decision-making centres of a bank may compromise the impartiality and objectivity of decisions regarding the granting of loans and other transactions to them, with possible distortions in the process of resource allocation, exposing the bank to risks that are not adequately measured or monitored, and potential harm to depositors and shareholders.

Geopolitical risk

Risk deriving from geopolitical uncertainty.

Governance risk

Risk that the entity's corporate structure is not adequate and transparent, and therefore not fit for purpose, and that the governance mechanisms put in place are not adequate. In particular, this risk may arise from the absence or inadequacy of:

- a solid and transparent organisational structure with clear responsibilities, including the Corporate Bodies and the associated Committee;
- knowledge and understanding, among the Management Body, of the operating structure of the entity and the associated risks;
- policies aimed at identifying and preventing conflicts of interest;
- a transparent governance structure.

Pandemic risk

Risk of losses related to the consequences on public health, the economy and trade caused by the pandemic.

ESG risks

Risk of a negative financial impact resulting, directly or indirectly, from the impact that ESG events may have on the bank and its stakeholders, including customers, employees, savers and suppliers.

6.2 - Main actions and Functions involved in mitigating and controlling the Risks to which the Group is exposed

With reference to each of the relevant risks identified, the definition adopted by the Group and the main information related to the governance of the risk, the tools and methodologies for measuring/assessing and managing the risk and the structures responsible for the management are reported below.

Credit risk

Credit risk is typical of credit intermediation activities. It lies in the possibility of suffering losses resulting from default or deterioration the counterparty's credit quality. In other words, credit risk is mainly expressed in the risk that a counterparty will not fulfil its obligations in full by not returning, in whole or in part, the subject of the contract.

Therefore, this risk is mainly found in the traditional activity of granting secured and unsecured loans recorded and not recorded in the financial statements (for example, endorsement credits) and the potential causes of default lie largely in the lack of liquidity of the counterparty and to a lesser extent in reasons independent of the financial condition of the counterparty. Activities other than traditional lending also expose the Group to credit risk.

In light of the provisions on the internal control system (Circular no. 285/2013, Part One, Title IV, Chapter 3), the Group has adopted an organisational structure that is functional to achieving an effective and efficient credit risk management and control process consistent with the framework addressed by the Parent Company. In addition to line controls (so-called first level controls), the outsourced functions within the Parent Company in charge of second and third level controls, with the collaboration of their respective contacts, are responsible for measuring and monitoring risk trends, as well as the correctness/adequacy of management and operational processes.

Control activity over credit risk management is carried out by the Risk Management Department, outsourced to the Parent Company, which makes operational use of its internal contacts at Affiliated Banks.

Under the Cohesion Contract, the Parent Company defines common and uniform rules and criteria for the performance of the Affiliated Banks' activities with reference to the entire process of granting credit and managing the related risk, which must cover risk measurement, preliminary investigation, disbursement, and the valuation of guarantees, including real estate guarantees, performance controls and monitoring exposures, reviewing credit lines, the criteria and process for classifying risk positions as well as the related actions in the event of anomalies, the provisioning policy, measuring credit exposures, and managing and recovering impaired exposures.

The above rules and criteria are set out in the overall Group regulations, within the scope of which the Parent Company also defines its own decision-making autonomy for the granting of credit, the maximum exposure thresholds for each individual customer or group of connected customers for each Affiliated Bank according to the riskiness of the bank itself. Within these thresholds, the decision-making levels for the disbursement of credit are defined by the individual Affiliated Bank.

The Parent Company defines the strategy and related management plan for impaired exposures at Group level, identifying binding short/medium/long-term objectives for each Affiliated Bank. To ensure the efficient management of impaired exposures, they may be assigned to the Parent Company (also through its subsidiaries) and/or to Affiliated Banks and/or to specialised outsourcers.

The Parent Company establishes the measurement criteria of exposures and creates a common information base that allows all Affiliated Banks to know the exposures of customers towards the Group, as well as the measurements concerning the exposures of borrowers. In this regard, the Parent Company prepared the "Group Regulation for the Classification and Measurement of Loans", which, in addition to regulating the process of classifying credit exposures (both on and off-balance sheet), sets out rules for the measurement of real estate collaterals and other types of guarantees.

With reference to transactions with associated parties, the Group has adopted specific Regulations governing the identification, approval and execution of transactions with associated parties, as well as organisational structures and a system of internal controls to guard against the risk that the proximity of certain parties to its decision-making centres may compromise the impartiality and objectivity of the relevant decisions.

In consideration of the operating methods that characterise the Group's lending activities, the credit process was structured in the phases of planning, granting of credit, credit management, classification of positions and management of impaired items.

The Risk Management Department defines, as part of the Risk Appetite Framework process, the risk appetite that represents the maximum amount of capital that the Group is willing to put at risk in order to achieve its strategic-income objectives, based on the business model and strategic decisions adopted; in particular, as regards credit risk, the Risk Management Department, in line with the provisions of the prudential regulatory provisions, breaks down the risk objectives, identified in the RAF, into risk-limits and monitoring indicators.

The former are designed to place a limit on operations through a system of thresholds and escalation procedures. Risk Limits are assessed using the following metrics:

- Capital requirement/internal capital: the metrics used for credit and counterparty risk are REAs, calculated using the standardised methodology, whereas, for concentration risk, internal capital calculated for single-name and geo-sector risk is used;
- Indicators from the rating system: i.e. the risk parameters used to calculate the expected loss; additionally, the rating system forms the basis for the development of the IFRS 9 impairment model.

The Risk Management Department's overall monitoring of the sector is ensured by a methodological framework developed upon a substantial overhaul of the work started off at the banking Group's inception.

The controls, carried out on the entire scope of the credit process chain (credit granting, performance monitoring, classification, NPL management, collateral management, provisioning) aim to determine compliance with internal procedures in their key risk coverage aspects and that they are suitable for ensuring efficient and effective credit management. This is also intended to contribute to a gradual increase in the reliability of the processes and procedures used and their ability to better monitor each individual area of the credit chain, including the timely identification and classification of anomalous positions and the correct estimation of the degree of coverage associated with them.

The control model makes it possible to modulate the structure of the verification on the individual control process/area through preliminary quarterly risk assessments (i.e. portfolio analyses) carried out on a large scale through specific sets of dedicated key risk indicators. This should provide an initial measurement of the risk of the individual area, also taking into account its historical evolution (cross-time comparison) and its positioning vis-a-vis the banking Group (cross-section comparison). It should also localise the possible risk drivers of the sector to more precisely address any in-depth, single-name analyses, at least on the control areas identified as core (credit granting, classification, collateral management, provisioning).

Alongside the ordinary execution of control cycles in accordance with the intervals established at internal regulatory level, the methodological framework undergoes fine-tuning/consolidation or further development pursuant to a predefined roadmap for the financial year 2023.

The Risk Management Department also provides preliminary opinions on the consistency of the most significant transactions (MSTs) with the RAF by obtaining,the opinions of the other departments involved in the risk management process based on the nature of the transaction. For these purposes, it identifies all the risks to which the Group may be exposed in undertaking the transaction; it quantifies and assesses, based on the data acquired by the competent company departments, the impacts of the transaction on the risk objectives, on the alert and tolerance thresholds; it evaluates, based on the aforementioned impacts, the sustainability and consistency of the transactions with the risk appetite defined by the Board of Directors; it identifies the measures to be adopted to adjust the overall risk governance and management system, including therein the need to update the risk appetite and/or the system of operating limits.

For the purpose of determining internal capital for credit risk, the Group uses the standardised method as set forth in Bank of Italy Circular 285/13, adopted for determining the capital requirement of prudential requirements for credit risk.

To apply the standardised approach, the exposures are subdivided into portfolios and each portfolio is subjected to differentiated prudential treatments, possibly also based on credit ratings (external ratings) issued by external credit rating agencies or export credit agencies recognised by the Bank of Italy (ECAI and ECA respectively).

For the purpose of measuring the capital requirement for credit risk, the type of customer to which the exposures attributable to the subject are attributed is first identified. Customer classification is carried out not only for assets that generate a capital requirement for credit risk, but also for assets that fall within the scope of counterparty risk and settlement risk on non-contextual settlement transactions. The issuers of securities received as collateral and the guarantors/counter-guarantors/vendors of credit protection relating to personal collaterals are also included.

For classification purposes, account is taken of the sector of economic activity attributed to the customer, the "status" of the exposures, the turnover determined at customer group level, and the deductibility, where applicable, from the Group's own funds.

The following asset classes are particularly notable:

- of "central governments and Central Banks" include, inter alia, deferred tax assets (DTAs), other than those deducted from equity, to which different weightings are applied depending on the source;
- of natural persons and small and medium enterprises are classified as “retail exposures”. Small and medium-sized enterprises (SMEs) are defined as enterprises with no more than 250 employees and an annual turnover of no more than EUR 50 million and/or total assets of less than EUR 43 million. This threshold is calculated by referring to the total number of connected parties, irrespective of the existence of a customer relationship with them. This class includes only customers or groups of customers that meet certain exposure limits, i.e. exposures to a single customer (or groups of connected customers) that meet the requirement of adequate portfolio segmentation (granularity) and cash exposures (other than those secured by residential real estate collateral) that do not exceed EUR 1 million, without taking into account the effects of the real and personal protection instruments that support those exposures;

- "defaulted exposures" include non-performing exposures, probable defaults, exposures past due for more than 90 continuous days at the counterparty level according to Art. 178 of the CRR (new definition of default effective from 1 January 2021). Impaired (forbearance) exposures also fall within the above three classes. With regard to the allocation of positions in the "defaulted exposures" portfolio and, in particular, the treatment of past-due/defaulted exposures, the Group has adopted the "counterparty approach" also for those portfolios for which the adoption of the "transaction approach" is permitted under the new regulations. Default exposures classified as high risk are not included in this portfolio;
- of "Equity exposures" include, inter alia, significant investments in equities issued by financial sector entities, for the amount not deducted from the Group's own funds (as it does not exceed the thresholds), which receive a weighting of 250%.

Credit risk also applies to the own securities portfolio. In compliance with the provisions of external and internal regulations, as well as the "Group Finance Rules" and other relevant Risk Management Policies/Regulations, the "Group Owned Portfolio Management Policy" establishes precise quantitative limits for the assumption of risks related to these activities.

The Credit Department and the NPL Department are the Parent Company bodies responsible for the governance of the entire credit process (credit granting and auditing, monitoring, management of disputes) as well as the coordination and development of credit and lending business. The overall internal organisational structure in terms of allocating tasks and responsibilities aims to separate activities that are in conflict of interest, to the extent that is feasible, particularly through an appropriate ranking of authorisation profiles within the IT system.

The Group also uses credit risk mitigation techniques (hereinafter also "CRM") to mitigate credit risk.

The Group considers as authorised CRM the forms of credit protection that comply with the general and specific requirements of Part 3, Title II, Chapter 4 of Regulation (EU) no. 575/2013.

In accordance with the relevant legislation, eligible credit risk mitigation techniques may be collateral or personal forms of credit protection, provided that the assets on which the protection is based meet the requirements of the legislation.

Taking into account its operating characteristics, the Group has decided to use the following CRM tools for prudential purposes:

- financial collateral involving cash shares or listed bonds, government securities, certificates of deposit, bonds of affiliated banks, provided through agreements for the pledging and transfer of ownership and repurchase agreements;
- mortgages, whether voluntary or judicial, on residential and non-residential real estate;
- specific personal guarantees with State guarantee backing (direct guarantee; counter-guarantee).

Finally, the overall internal regulatory framework regarding the acquisition and management of the main forms of guarantee used to protect credit exposures was reviewed and updated during the year, in order to ensure that the legal, economic and organisational requirements under the regulations for their recognition for prudential purposes are met.

In order to mitigate credit risk, the Group is continuing to reduce its NPL stock through:

- the sale of impaired loans;
- the process of recovering impaired exposures by centralising management with the Parent Company.

Counterparty risk

The counterparty risk is a particular type of credit risk and represents the risk that the counterparty to a transaction involving certain financial instruments specifically identified by the regulations will default before the transaction is settled.

The regulations specify that the transactions that can give rise to counterparty risk, which is a particular type of credit risk, are as follows:

- over-the-counter (OTC) credit and derivative financial instruments;
- repurchase and reverse repurchase agreements on securities or commodities, securities or commodities lending or borrowing transactions and margin lending (SFT – Securities Financing Transactions);
- transactions with long-term settlement (LST – Long Settlement Transactions).

Counterparty risk management and control is part of the Group's broader risk management and control system, structured and formalised in specific internal regulations.

The Cassa Centrale Banca Group is exposed to counterparty risk in relation to OTC derivative activities and repurchase agreements (SFT). OTC derivative transactions are almost entirely perfectly balanced. There are, therefore, sporadic transactions for hedging assets or liabilities, while speculative operations are not implemented.

The Group estimates the additional requirement for Credit Valuation Adjustment (CVA) applicable to OTC derivatives transactions, based on the standardised methodology set out in Article 384 of the CRR. The capital absorption is calculated from the estimated credit equivalent determined for counterparty risk purposes, taking into account the residual maturity of derivative contracts and the creditworthiness of the counterparty.

The Risk Management Department prepares a report on the results of the counterparty risk measurement and monitoring phase for the General Management and the Board of Directors.

Market risks

Market risks concern the risks generated by operations on the markets regarding financial instruments, currencies and commodities. They are divided into:

- **Specific position risk on debt securities in the trading book**, which represents the risk of incurring losses caused by adverse changes in the price of such financial instruments due to factors associated with the situation of the issuers.
- **Generic position risk on debt securities in the trading book**, which represents the risk of incurring losses caused by adverse changes in the price of such financial instruments due to factors associated with movements in market interest rates (risk factor affecting the current value of such instruments).
- **Position risk on equities in the trading book**, which comprises two components:
    - "generic risk", i.e. the risk of incurring losses caused by adverse changes in market prices of most equities;
    - "specific risk", i.e. the risk of incurring losses caused by adverse changes in the price of a given equity due to factors connected with the situation of the issuer.

- **Position risk for UCITS units in the trading book**, which represents the risk of incurring losses caused by adverse changes in market prices.
- **Exchange rate risk**, i.e. the risk of incurring losses due to adverse changes in the prices of foreign currencies on all positions held by the Group regardless of the allocation portfolio on the entire financial statements.

Settlement risk is the risk of losses arising from a counterparty's failure to settle past due transactions in securities, currencies and commodities, including those represented by derivative contracts and derivative contracts without exchange of principal, in both the banking and trading books for supervisory purposes. Repo transactions and securities or commodities lending or borrowing transactions are excluded.

Concentration risk of the trading book is linked to the possibility that the insolvency of a single large borrower or of several borrowers related to each other could lead to losses that could compromise the stability of the lending bank. For this reason, the regulatory provisions in force concerning "large exposures" prescribe a mandatory quantitative limit, expressed as a percentage of eligible capital, for risk positions with individual "customers" or "groups of connected customers". Any overdrafts with respect to this limit are permitted only if they refer to a position in the trading book for supervisory purposes and provided that specific additional capital requirements are met.
It should be noted that - given its specific scope of operations - Group is not exposed to commodity position risk.

The Group uses the standardised methodology to determine capital requirements for market risks generated by its transactions in financial instruments, currencies and commodities. This methodology calculates the requirement on the basis of the so-called building-block approach, according to which the overall requirement is the sum of the capital requirements determined against individual market risks.

More specifically, with regard to determining the capital requirement for "**Position Risk on the trading book**", the Group applies the following methodologies:

- **General debt security risk**: use of the maturity-based method. This method calculates the net position for each issue and then distributes it, by currency, into residual maturity bands.
- **Specific debt security position risk**: net positions in each security in the trading book are allocated to the correct issuer category (zero-weighted issuers, qualified issuers, non-qualified issuers, high-risk issuers). The capital requirement for each category is the product of the respective weighting ratio and 8%. The capital requirement for each specific risk is applied to the total sum of the weighted net long and short positions.
- **Equity position risk**: the capital requirement is determined as the sum of the general requirement (8% of the net general position) and the specific requirement (8% of the gross general position). To calculate equity position risk, all positions in the trading book relating to equities and equity-like securities, such as equity index derivative contracts, are considered.
- **Position risk for UCITS units**: application of the residual method, whereby the capital requirement is determined at 32% of the current value of the units held in the trading book.

With reference to **settlement risk**, the exposure to the risk of past due and unsettled transactions:

- classed as "delivery versus payment" (DVP) represents the difference, if positive, between the contractual forward price to be paid/received and the fair value of the financial instruments, commodities or currencies to be received/delivered;
- classed as "non delivery versus payment (Non-DVP) represents the fee paid or the fair value of the financial instruments, commodities or currencies delivered.

For DVP transactions, the capital requirement is determined by applying an increasing weight to the risk exposure based on the number of business days following the settlement date. For non-DVP transactions:

- In the period between the "first contractual settlement date" and the fourth business day following the "second contractual settlement date", the capital requirement is determined with regard to credit risk by applying the 8% equity ratio to the credit exposure value weighted according to the relevant weight factors;
- after the second contractual settlement date, the value of the risk exposure, increased by any positive difference between the fair value of the underlying asset and the price, must be weighted at 1250% or fully deducted from the Common Equity Tier 1 capital.

With regard to **exchange rate risk** on the entire balance sheet, capital absorption is quantified as 8% of the “net open foreign exchange position”. In compliance with the provisions of the Finance Regulation, the risk strategy document also sets quantitative limits for the Parent Company for the overall open foreign exchange position and for each individual currency.

The Group complies with the observance of prudential rules with specific procedures and control systems aimed at ensuring sound and prudent management of market risks.

The policies relating to the management of the securities portfolio defined by the Board of Directors are based on the following main elements:

- definition of risk/return objectives;
- definition of risk appetite (defined in terms of operating limits in the finance portfolios with reference to the various management, accounting and supervisory aspects). In particular, value-at-risk (VaR) limits, issuer and instrument type limits and concentration risk exposure limits are established and measured;
- restriction on tradable financial instruments in terms of the instruments admitted (or admitted in position but with specific exposure limits) and their nature;
- allocation of delegations.

Negotiable instruments are also defined within the aforementioned policies.

No transactions are permitted, unless authorised in advance by the Board of Directors, on any financial instruments established as a new instrument. Although they have been reviewed according to the organisational processes in force, they require the prior authorisation of the Board of Directors in order for them to be traded since they are exposed to risk factors that should be assessed in absolute terms and with respect to the specific instrument analysed.

In order to manage and monitor market risk exposures taken as part of the trading book, the Group has defined in its Finance Regulation and in the underlying implementing provisions: the guiding principles, roles and responsibilities of the organisational functions involved. This is in order to ensure the regular and orderly execution of financial market activities, within the scope of the risk/return profile outlined by the Board of Directors or declared by customers, and to maintain a correct mix of instruments aimed at balancing liquidity flows.

In this regard, the Finance Department has the task of assessing the opportunities offered by the market and managing the portfolio of financial instruments in line with the strategic guidelines and risk management policy defined by the Board of Directors. To this end, it identifies the instruments to be traded and carries out the purchase/sale transaction in line with the strategy it wishes to implement (investment or hedging) and in compliance with the limits and powers assigned. The Finance Department is also responsible for monitoring the price performance of financial instruments and for verifying compliance with the operating limits and/or risk/return objectives defined, adjusting, where appropriate, the structure and composition of the proprietary portfolio.

The Group has established systems and controls for portfolio management by defining a documented trading strategy by position or portfolio and appropriate policies and procedures for active position management. The system of operating limits and delegations on the trading book and on the banking book is compliant with regulatory provisions and consistent with the requirements of international accounting standards.

In order to monitor and control market risks, information flows to the corporate bodies and organisational units involved are produced on a regular basis, concerning the specific phenomena to be monitored and the aggregate values relating to the composition of the Group's trading book.

Operational risk

Operational risk is defined as the possibility of incurring losses resulting from inadequate or dysfunctional procedures, human resources and internal systems, or from exogenous events. This definition includes legal risk, but not reputational and strategic risk. This includes, inter alia, losses resulting from fraud, human error, breach of contract, natural catastrophes, business interruptions and system downtime.

Operational risks, depending on the specific aspects, also include ICT and security risk, namely the risk of incurring losses due to a breach of confidentiality, lack of integrity of the systems and data, inadequacy or unavailability of the systems and data or inability to replace the information technology (IT) within a reasonable time and cost limits, in case of changes to the requirements of the external environment or activity (agility), as well as security risks arising from inadequate or incorrect internal processes or external events, including cyber attacks or a level of inadequate physical security.

Operational risk also includes third-party risk, namely the risk of incurring economic losses, damage to reputation or market share losses arising from the outsourcing/supply of services and/or company functions.

With regard to legal risk, the Group includes the risk of losses deriving from contractual or non-contractual liability or from other disputes, while the risk of losses deriving from violations of laws or regulations is attributed to a specific case, defined as compliance risk.

With reference to the measurement of the prudential requirement for operational risks, the Group has approved the application of the Basic Indicator Approach (BIA). In addition, the Group, for the purpose of managing and controlling operational risk, continuously verifies exposure to certain onset profiles through the analysis and monitoring of a set of indicators, carried out by the Risk Management Department.

In addition to the corporate bodies, different organisational units are involved in the management and control of operational risks, each of which is assigned specific responsibilities consistent with the ownership of the activities of the processes in which the risk in question can occur. Among these, the Risk Management Function is responsible for analysing and assessing operational risks, ensuring an effective and timely evaluation of the related event profiles, in accordance with the operating procedures for which it is responsible.

The Internal Audit Function, in the broader context of the control activities for which it is responsible, carries out specific and targeted periodic checks on operational risks. Lastly, with regard to organisational controls, particularly important is the Compliance Function which is responsible for monitoring and controlling compliance with the rules as well as providing support in the prevention and management of the risk of incurring judicial or administrative sanctions, of incurring significant losses as a result of the violation of external (laws or regulations) or internal (articles of association, codes of conduct, corporate governance codes) rules, and, for all pertinent areas, also important is the work carried out by the Anti-Money Laundering Function.

Considering the peculiar characteristics of the risk in question and the way it manifests itself, as well as the substantial inability of the regulatory method of calculating capital absorption (BIA method) to identify the areas of operations most exposed to operational risks, the Group deemed it appropriate to develop a more in-depth management approach, aimed at acquiring a better knowledge and awareness of the actual level of exposure to risk.

With the support of a dedicated tool, a census, collection and storage of the most significant loss events found in the company's operations is carried out. To this end, a specific database has been set up in which the loss events identified are traced back to the types envisaged by the Basel Agreement (and to the related risk owners). The application adopted allows to frame the entire operational risk management process (from the recognition and registration by the organisational units where the event was found, to the “validation” of the same, up to the authorisation for the accounting of the economic impact) within a predefined workflow. The Group’s objective is to identify the areas characterised by greater vulnerability, in order to prepare more effective control and mitigation systems. In this context, the application solution adopted makes it possible to manage the mitigation "tasks", i.e. the risk containment initiatives for risk owners and activated by them.

The Group defined, in close connection with project references drawn up in the competent association offices and in compliance with the principles and regulations in force, the method for analysing ICT and security risk and the related management process (including profiles relating to the provision of IT services through the outsourcing of ICT services to external suppliers). The implementation of the afore-mentioned methodology makes it possible to integrate the management of operational risks by also considering the risks connected to IT and business continuity profiles, and to document the evaluation of ICT and security risk based on the continuous information flows established with the Centre(s)/Service(s). The adoption of these references is also prior to the preparation of the process of verification, at least annually, of the evaluation of ICT and security risk based on the results of the monitoring of the effectiveness of the measures to protect ICT resources.

With regard to the management of operational risks, to be noted are the controls adopted in the context of compliance with the regulations introduced by the regulatory provisions on the internal control system which have defined a comprehensive framework of principles and rules to be followed in order to outsource corporate functions and have required the activation of specific controls against the related risks, as well as the maintenance of the ability to control the work of the supplier and the skills necessary for the possible re-insourcing, if necessary, of the outsourced activities.

In order to ensure compliance with the requirements of the regulations in force, the Legal Department defines specific outsourcing agreements. In this context and with reference to the outsourcing of important operational and corporate control functions, which entails more stringent obligations in terms of contractual restrictions and specific requirements demanded of suppliers (related to defining specific, objective and measurable service levels and related materiality thresholds, among other things), the service levels assured in the event of an emergency and the related continuity solutions are defined. The contractual provisions also provide for, inter alia: (i) the right for the Supervisory Authority to access the premises where the service provider operates; (ii) the presence of specific termination clauses to terminate the outsourcing agreement in the event of certain events that prevent the provider from guaranteeing the service or in the event of failure to meet the agreed service level.

The Group internally maintains the expertise required to effectively control the Important Operational Functions (IOF) and to manage the risks associated with outsourcing, including those arising from potential conflicts of interest of the service provider. In this context, an internal contact representative has been identified within the organisation for the outsourced activities, with adequate professional requirements, responsible for monitoring the level of services provided by the outsourcer and set out in the respective outsourcing contracts and for reporting to corporate bodies on the status and performance of the outsourced functions.

More generally, as part of the actions undertaken with a view to ensure compliance with the regulations introduced by the Bank of Italy through the 15th update of Circular 263/06 (and subsequently merged into Circular 285/13, Part One, Title IV, Chapter 4), initiatives related to the implementation of organisational profiles and internal provisions of regulatory references on information systems are of note.

The adoption of a Business Continuity Plan to protect the Bank against critical events that may affect its overall operations is also part of the measures to mitigate these risks. With this in mind, the operating procedures to be activated to deal with the crisis scenarios were established, assigning to this end the roles and responsibilities of the various players involved.

Although it is not necessary, in general, to change the underlying business continuity strategy, the references adopted have been reviewed and supplemented in the light of the requirements set out in Chapter 5 of Title IV of Part One of Bank of Italy Circular 285/13, to support compliance with the reference provisions. In particular, the business continuity plan was updated with reference to the risk scenarios which, although in principle compatible with those already described previously, are now more precautionary than those envisaged in the current provisions. Incident classification and rapid escalation procedures have also been introduced along with the anticipation of the necessary links with the IT security incident management procedure in accordance with the relevant regulatory provisions set forth in Chapter 4, Title IV, Part One of Circular 285/13.

Credit concentration risk

Credit concentration risk is the risk arising from exposures to counterparties, including central counterparties, groups of related counterparties (single-name concentration) and counterparties operating in the same economic sector, in the same geographical region or carrying out the same activity or trading the same commodity (geo-sectorial concentration), as well as from the application of credit risk mitigation techniques, including in particular risks deriving from indirect exposures, such as, for example, towards individual guarantee providers.

The policies on concentration risk, defined by the Board of Directors, are mainly based on the following specific elements:

- powers delegated in terms of concentration risk management;
- total amount of exposure to “large risks”.

With a view to prudent management, the Parent Company defines maximum exposure thresholds at the level of each individual affiliated bank, depending on its risk class, and at Group level, in line with the regulatory provisions in force relating to Large Exposures and the provisions contained in the risk management framework. Compliance with the thresholds is ensured by the application of specific preventive controls carried out by the Credit Department of the Parent Company, in the pre-investigation and pre-trial phase, for each loan application processed within the processes of granting and managing credit by the Affiliated Banks and of the Parent Company.

Exposure to concentration risk is also measured and monitored in terms of capital absorption. To this end, the Group uses the following calculation metrics:

- with regard to single-name risk definition (i.e. concentration towards individual counterparties or groups of connected counterparties), the regulatory Granularity Adjustment (GA) algorithm. For the application of this algorithm, Circular 285/13 of the Bank of Italy refers to the concept of loan portfolio and, in particular, to exposures to companies that do not fall within the "retail" class. In this regard, reference should be made to the asset class "companies and other entities", "short-term exposures to companies", "exposures to companies in the asset classes that are past due and secured by real estate", "equity exposures" and "other exposures". The exposures also include off-balance sheet transactions, the latter to be considered for an amount equal to their credit equivalent. In the presence of credit protection instruments that meet the (objective and subjective) eligibility requirements under the current rules for credit risk mitigation techniques (CRM), exposures to companies backed by guarantees provided by eligible companies are included in the calculation and exposures to companies backed by guarantees provided by eligible entities other than companies are excluded. In application of this algorithm, the quantification of the internal capital in relation to the concentration risk requires preliminary:
    - determination of the amount of exposures for individual counterparties or groups of related counterparties;
    - calculation of the Herfindahl index, a parameter that expresses the degree of concentration of the portfolio;
    - calculation of the proportionality constant C which is a function of the "probability of default" (PD) associated with cash loans. The proportionality constant is determined on the basis of a specific calibration – established by the regulatory provisions in force – of the constant itself when the PD attributed to cash loans changes;
- with reference to the geo-sectoral profile of the risk, the methodology for estimating the effects on internal capital used is the method developed by the ABI Laboratorio per il Rischio di Concentrazione [Laboratory for Concentration Risk]. The objective of measuring the impacts of geo-sectoral concentration risk is to estimate any capital add-on with respect to the standardised credit risk model, measured by the Herfindahl indicator at industrial sector level (Hs). The capital add-on is envisaged only if the calculated mark-up coefficient is greater than one.

Liquidity and funding risk

Liquidity risk relates to the possibility of the Group not being able to fulfil its payment obligations due to an incapacity to obtain new funds (funding liquidity risk), its inability to sell its assets on the market (asset liquidity risk), or that it may be forced to liquidate its assets in unfavourable market conditions, incurring very high costs to meet these commitments (market liquidity risk).

Funding liquidity risk can be divided into: (i) mismatching liquidity risk, consisting of the risk associated with the different time profile of cash inflows and outflows determined by the misalignment of the maturities of financial assets and liabilities on (and off) the balance sheet; (ii) contingency liquidity risk, i.e. the risk that unexpected events may require a higher amount of cash and cash equivalents than estimated as necessary; and (iii) margin calls liquidity risk, i.e. the risk that the Group, in the event of adverse changes in the fair value of financial instruments, is contractually required to restore the reference margins by means of collateral/cash margins.

Liquidity risk can be generated by various factors both internal and external to the Group. The identification of these risk factors is done through:

- the analysis of the time distribution of cash flows of financial assets and liabilities and off-balance sheet transactions;
- the identification of:
  - items that do not have a defined due date (on demand and revocation items);
  - financial instruments that incorporate optional components (explicit or implicit) that may change the entity and/or the time distribution of cash flows (e.g. early redemption options);
  - financial instruments that by their nature determine variable cash flows depending on the performance of specific underlying assets (e.g. derivatives);
- the analysis of the level of seniority of financial instruments.

The Parent Company's Board of Directors has approved a document entitled "Group Regulation for Liquidity and Funding Risk Management" which defines the policies, responsibilities, processes, operational limits and tools for managing liquidity risk, both during normal business operations as well as during potential liquidity crises, in line with current liquidity regulations. The Regulation includes the strategies and organisational measures which serve to promptly contain liquidity risk; the ordinary and stress scenarios which the Group may encounter are defined. The sources of liquidity risk to which the Group is exposed can primarily be identified within the Finance/Treasury, Funding and Credit processes.

The Group has adopted a liquidity risk governance and management system that, in accordance with the provisions of the Supervisory Authorities, pursues the goal of financing the development of its activities at the best market conditions in normal operating circumstances and to guarantee the ability of meeting payment commitments even if a liquidity crisis situation emerges, without interrupting operational continuity or alter the Group's financial balance.

If the Parent Company finds a deterioration of the Group's liquidity position in terms of operational and/or intraday management such as to jeopardise the settlement of payment commitments in the short term, it can use the liquid assets owned by the Affiliated Banks, which are required to comply with the Parent Company's instructions. In order to ensure the operational requirements envisaged by the Delegated Regulation no. 61/2015, the Affiliated Banks expressly agree that the securities in their own portfolios fall under the direct control of the Group Liquidity Management function as a potential source of funding in times of stress.

With the purposes of knowing future liquidity requirements with adequate advance notice, to have available fund supply sources that can be activated within the time intervals and at the costs deemed appropriate, and to carry out the activity efficiently, the management of liquidity risks requires:

- defining the organisational structure responsible for the preparation and implementation of the "Group Regulation for Liquidity and Funding Risk Management";
- setting up an adequate information system to:

- know and measure, at any time, the Group's current liquidity position and its future evolution;
- assess the impact of different scenarios, in particular of unforeseen and adverse conditions, on the future evolution of the Group's liquidity position;
- monitor the different fund procurement channels, in the evolution of their profiles in terms of times required for activation, amounts and costs;
- defining a Contingency Funding Plan, to be activated promptly if the Group experiences a liquidity crisis, establishing the chain of responsibility and the system of initiatives to overcome the crisis situation successfully.

The organisational structure tasked with governing and managing the liquidity risk provides for the operational management of the Group's liquidity position to be entrusted to the Treasury department, which acts on the basis of the strategic guidelines defined by the Board of Directors, as well as the indications given by the Finance Committee. Control activities are carried out by the Risk Management Department in coordination with the Treasury Department. The results of the control activities are passed on to the Board of Directors.

The principles for liquidity risk management are defined in the "Regulation for Liquidity and Funding Risk Management". This document is divided into four processes:

- Operating Liquidity, whose objective is to assure the ability to meet expected and unexpected payment commitments by maintaining a sustainable ratio between incoming and outgoing cash flows. The management of operational liquidity is entrusted to the Parent Company's Treasury Department and to the Finance Department of the Affiliated Banks on the basis of indications received and in compliance with the guidelines established by the Parent Company's Board of Directors. The main risk objective envisaged by the Group RAF to measure and govern the operational liquidity risk profile is the Liquidity Coverage Ratio (LCR), which aims to strengthen the short-term resilience of the liquidity risk profile by ensuring that sufficient high-quality liquid assets are held. On a weekly basis, a consolidated report is produced and sent to the Supervisory Authority, which monitors the short-term trend of the Group's liquidity position. Within the analysis of operational liquidity, the Parent Company monitors intra-day liquidity by using the two indicators derived from the 'Annual report on financial stability' of the Bank of Italy of November 2011 (LCNO - Largest cumulative net out flow and LIIP - Liquidity and intraday payment commitments).
- Structural Liquidity, whose objective is to maintain an adequate ratio between medium/long term assets and total liabilities, in order to avoid pressures on current and prospective short-term sources; structural liquidity is managed by the Treasury Department and the Finance Department of the Affiliated Banks, which operate in accordance with the strategic guidelines laid down by the Board of Directors, and it is directed at assuring the financial balance of the structure by maturity over a time horizon exceeding one year. Through the analysis of the Group's structural liquidity position, the ability to finance assets and to meet payment commitments through an adequate balance of the maturity of asset and liability items is assessed. Hence, the main objective is to manage funding through strategic decisions pertaining to funding sources and to the loans to be made in such a way as to prevent the emergence of excessive imbalances deriving from short-term financing of medium-long term operations. To measure and control structural liquidity risk, the Group uses as a reference the Net Stable Funding Ratio (NSFR).
- Stress test and scenario analysis, a process during which the financial balance is assessed in plausible, albeit improbable, extreme conditions. The data collected through reports during the year, along with the historic records of the same types of data, provide support in the execution of stress tests and scenario analyses, carried out with the goal of verifying the Group's ability to address alert and crisis conditions outside normal operations. The procedure for carrying out operational liquidity stress tests entails modifying the profile of incoming and outgoing cash flows on the basis of the effects deriving from the occurrence of stress cases. These cases, tied to factors inside and outside the Group, are selected taking into consideration scenarios built ad hoc, which can prove to be sufficiently severe, and contemplating even low-probability events. The Risk Management Department, with the support of the Treasury Service, periodically estimates the maximum amount of liquidity that can be obtained at the Parent Company level (back-up liquidity estimates). Moreover, the amount of available margin of high-quality liquid assets at Affiliated Banks is also shown. This type of analysis is carried out with respect to the time horizon of 30 calendar days following the valuation date.

- Contingency Funding Plan, or emergency Plan, a process directed at managing the emergence of a severe liquidity crisis of the Group. This document governs the tools for monitoring the onset of a crisis, the internal escalation processes for managing it and the actions that can be put in place to restore a situation of equilibrium.

The liquidity risk tolerance thresholds are set by the Board of Directors on the basis of the following limits:

- for Operational Liquidity, the limit is set to the value assumed by the Liquidity Coverage Ratio (LCR) indicator, i.e. the ratio between basic and supplementary liquid assets and total net cash outflows in the 30 subsequent calendar days in a stress scenario. The structure of the indicator is based on Commission Delegated Regulation (EU) no. 2015/61, supplementing Regulation (EU) no. 575/2013 (CRR) and hence transposes into Italian law the provisions of the Basel Committee in the document "Basel 3 – The Liquidity Coverage Ratio and liquidity risk monitoring tools". With reference to the monitoring of operational liquidity, a series of additional indicators were identified;
- for Structural Liquidity, the limit is set at the value assumed by the Net Stable Funding Ratio (NSFR) indicator, i.e. by the ratio between the elements that provide stable financing and the elements that require stable financing. The structure of the indicated is based on Regulation (EU) no. 2019/876, which recognised the guidelines of Basel Committee "Basel III: the Net Stable Funding Ratio", of October 2014. With reference to the monitoring of structural liquidity, a series of additional indicators were identified.

If the Risk Limits are exceeded, actions and measures are envisaged with the aim of reducing the level of risk to within the pre-established limits identified in the Group Regulation for the Management of Liquidity and Funding Risk, identifying actions to be taken when the first critical situations occur. Therefore, escalation processes were envisaged: they will be activated if the Risk Management Department, through its periodic monitoring activities, finds changes in the thresholds envisaged in the Regulation. Moreover, the Risk Management Department, as part of its ordinary monitoring reporting, informs the corporate bodies of the individual Affiliated Banks concerned and the corporate bodies of the Parent Company about the overrunning of the thresholds and about the remediation actions taken to restore the liquidity position.

Regulation (EU) no. 575/2013 (CRR) prescribes that financial intermediaries shall use additional liquidity monitoring metrics (ALMM) to obtain a full picture of the liquidity risk profile. Specifically, the Implementing Regulation (EU) no. 2016/313 prescribes that the following 6 models must be set up as control information instruments:

- **Funding concentration by counterparty**: its purpose is to collect information about funding concentration by counterparty of the reporting entities, highlighting the first ten funding contributors;
- **Funding concentration by type of product**: its purpose is to collect information about funding concentration by type of product of the reporting entities, broken down by the following types of funding: retail funding and wholesale funding;
- **Prices for funding of various durations**: its purpose is to collect information about the average value of the transactions and the average prices paid by the entities for funding with duration ranging from overnight to 10 years;
- **Renewal of the funding**: its purpose is to collect information about the volume of funds due and on the new funding obtained, i.e. on the renewal of funding at the daily level over a one-month time horizon;
- **Concentration of the offsetting capacity by issuer/counterparty**: its purpose is to collect information about the concentration of the offsetting capacity of the reporting entities with reference to the ten main assets held or liquidity lines granted to the entity for that purpose;
- **Maturity Ladder**: used to represent assets and liabilities falling due, divided into a number of time brackets; it is possible to determine any gaps for each time bracket and compare them with the Group's compensation capacity.

These information models are drawn up monthly and the Group, in the face of possible critical situations, assesses whether to activate appropriate governance strategies to avoid the emergence of stress situations.

The monitoring of the Group's liquidity situation, based on the reports, on the scenario analyses and on the signals provided by the risk indicators, is carried out, according to their related competences and functions, by the Treasury Department, by the Finance Committee and by the Risk Management Department.

The positioning of the Group with regard to operational and structural liquidity is also reported to the Board of Directors on a quarterly basis.

The requirements of the Cassa Centrale Group are largely ascribable to decreases in liquidity available to shareholder banks or clients; the Group's ability to respond to its own needs is constantly assessed, taking into account in particular the following:

- availability and price of securities that can be easily liquidated;
- availability of credit within the interbank system;
- potential of institutional bond funding;
- use of other funding tools.

With regard to attainable credit and the potential for bond funding, the Group adopts the best practices in order to safeguard or improve the ratings attained thus far. The internal regulation of liquidity risk management meets the requirements set out in the regulatory provisions and guarantees consistency between the management measurements and the regulatory ones.

With regard to monthly monitoring, the Group measures and monitors its exposure to operating liquidity risk at 30 days through the regulatory indicator called Liquidity Coverage Ratio (LCR). It is a short-term rule aimed at ensuring the availability of liquid assets by individual banks that allow them to survive in the short to very short term in the event of acute stress, without recourse to the market. The indicator compares the liquid assets available to the Group with net cash outflows (difference between gross outflows and inflows) expected over a 30-day time period, the latter developed taking into account a predefined stress scenario.

The indicator in question is determined monthly through the specific Supervisory Reports that the Group is required to send to the Supervisory Authority.

Interest rate risk of the banking book

The interest rate risk on the banking book consists of the possibility that a change in market interest rates has a negative impact on the financial situation of the Group, determining a change in the economic value and/or in the expected net interest income.

More specifically, exposure to interest rate risk can be divided into two areas:

- equity risk, i.e. the possibility of negative changes in the value of assets, liabilities or off-balance sheet instruments due to changes in the interest rate structure, with a consequent negative impact on the value of equity;
- income risk, which arises from the possibility that an unexpected change in the structure of interest rates will lead to a reduction in net interest income; it can depend on the mismatch in the maturity structure and the periods of redefinition of interest rate conditions for loans and funding.

Exposure to interest rate risk is measured in terms of changes in the economic value of assets and liabilities in the banking book; therefore, positions in the trading book for supervisory purposes for which reference is made to market risk are not taken into account in this context.

In order to measure the exposure to interest rate risk in terms of capital absorption from an economic value perspective, the Group has decided to use an estimation approach that follows the method prescribed in the EBA 2022/14 guidelines. The calculation of the change in economic value (delta EVE) carried out by the Group is summarised below:

- the present value of all asset and liability positions sensitive to interest rate risk is determined on the basis of the expected interest rate scenario in the banking book;
- appropriate upward and downward shocks to the curve, both parallel and non-parallel. The measurement of sensitivity on the economic value and that calculated on the net interest income uses the six shock scenarios envisaged by the Basel Committee, then borrowed from the EBA guidelines (EBA/GL/2022/14), in addition to the parallel shock scenarios, assuming rising and falling rates (Parallel +100 bps, Parallel -100 bps, Parallel +200 bps, Parallel -200 bps, Steepener, Flattener, Parallel Down, Parallel Up, Short Up, Short Down) there are also internal management scenarios;
- for scenarios involving a decline in rates, a decreasing floor is taken into account, starting at 150 negative basis points and zeroing out linearly up to the 50-year maturity in increments of 3 basis points for each year;
- the performance over time of non-indexed demand liability items uses an internally developed behavioural benchmark model;
- the new present value is redetermined for each shock scenario;
- capital absorption is determined by the difference of the two present values, pre- and post-shock.

The Group assesses exposure to interest rate risk not only in terms of economic value, but also in terms of changes in net interest income. This assessment, considering a hypothetical change in the interest rate curve, is carried out over a period of 12 months following the reference date, under the assumption of "constant financial statements", i.e. assuming that the volume and composition of assets and liabilities remain constant, thus providing for their replacement in equal measure as they are settled.

6.3 - Supervisory review and evaluation process and MREL requirement

With reference to the outcome of the SREP – Supervisory Review and Evaluation Process communicated by the Supervisory Authority by the Parent Company with the letter dated 30 November 2023, and effective from 1 January 2024, the Group is required to meet, on a consolidated basis, a total SREP Capital requirement (TSCR) of 10.50%, including an additional requirement with regard to Pillar 2 (P2R) own funds of 2.50%, to be held as a minimum in the form of Common Equity Tier 1 (CET1) capital for 56.25% and in the form of Tier 1 capital of 75%).

The Supervisory Authority also expects the Group to meet the Pillar 2 (P2G) approach on a consolidated basis, which should consist entirely of Common Equity Tier 1 capital and held in addition to the total capital requirement.

Finally, with reference to the Resolution regulatory framework, in application of the European Directive establishing a framework for the reorganisation and resolution of credit institutions and investment firms (so-called Bank Recovery and Resolution Directive - BRRD), during the 2022 Resolution Cycle, discussions continued with the SRB (Single Resolution Board), in order to define the MREL (Minimum Requirement of Eligible Liabilities) target to be assigned to the Group. These targets are defined in compliance with the regulatory changes introduced by the so-called Banking packages, and therefore replace the previous decisions adopted by the SRB on the matter.

The determination of the MREL requirement was communicated to the Parent Company in April 2023. For details, please refer to the section "Significant events in the year" of this Report.

6.4 - ICAAP and ILAAP

The corporate self-assessment processes of capital adequacy (known as ICAAP) and liquidity risk management and governance system (known as ILAAP) of the Group and their structure are based on a management model consistent with the operations and complexity of the Group, according to the principle of proportionality.

In the exercise of guidance, coordination and control over the Affiliated Banks and Group Companies, the management model defines in detail the roles and responsibilities of the corporate bodies and structures involved in the management of the ICAAP/ILAAP process. In particular, to achieve an effective and efficient management and control system, the Bodies are responsible for implementing it, supervising its actual functioning and verifying its overall functionality and compliance with the regulatory requirements. In order to achieve an integrated and coherent risk governance policy, Group strategic decisions are made by the Parent Company's corporate bodies, assessing the overall operations and risks of the entire Group with attention to the peculiarities of the different businesses and local contexts. The Parent Company has therefore adopted a unitary and integrated system of internal controls that allows effective control over strategic decisions at consolidated level and the managerial balance of the individual affiliated banks and other companies that have outsourced the Risk Management function to the Parent Company.

In particular, in compliance with the structure of the ICAAP/ILAAP process provided for by the Supervisory Provisions, procedures were defined for:

- the identification of all risks to which the Group is or could be exposed, i.e. risks that could jeopardise its operations, the pursuit of defined strategies and the achievement of corporate objectives;
- the measurement/assessment of risks in current, prospective and stress scenarios with measurement methodologies adapted to the new supervisory provisions;
- the self-assessment of capital adequacy taking into account the results separately obtained with reference to the measurement of risks and of capital from a current, prospective and stress perspective;
- the self-assessment of the adequacy of the liquidity and funding risk management process, taking into account the results obtained with reference to the measurement of liquidity risk from a current, prospective and stressed perspective.

The assessment conducted by the Risk Management Department confirmed the general and overall level of adequacy of the ICAAP and ILAAP system adopted by the Group, as summarised by the satisfactory free capital buffer and high adequacy of the LCR and NSFR liquidity indicators in relation to minimum regulatory requirements.

6.5 - Climate and environmental risks

For the financial sector, the issue of ESG risks and, specifically, of climate and environmental (C&E) risks, is not only an ethical/reputational and sustainability issue, but a strategic driver that will guide the choices of individual players in the coming years in terms of competitive positioning and the search for a risk/return balance.

This acceleration was mainly driven by a political will that – within the European Union, in particular – led to the financial sector playing a role in transmitting "ESG sensitivity" to the productive sectors, encouraging the redirection of financial flows (in the form of credits and investments granted by banks) towards "sustainable" counterparties/transactions, promoting their transparency, in order to achieve balanced and inclusive growth (known as Sustainable Finance).

The European Central Bank considers climate and environmental risks to be among the main risk factors for the euro zone banking system, as evidenced by the fact that – for the third year in a row – it has identified climate and environmental risks among the main risk factors in the risk map of the Single Supervisory Mechanism (SSM). From this angle, banks are potentially exposed to climate-related financial risks, regardless of their size, complexity or business model. Climate-related financial risk factors may fall within traditional financial risk categories. Banks should therefore consider the potential impacts of climate-related risk factors on their individual business models and evaluate the financial significance of such risks.

In 2022, the Group took part in the 2022 SSM Climate Risk Stress Test exercise, conducted by the ECB to determine the European banking system's ability to cope with financial and economic shocks resulting from climate risk. In the same year, the ECB also conducted the Thematic Analysis on Climate and Environmental Risk Management Strategies, Governance and Systems, aimed at gaining further insights into the practices of significant institutions and their ability to effectively target climate and environmental risk strategies. In confirmation of the importance of climate and environmental risks for the Regulator, the outcomes of the thematic analysis were fed into the Supervisory Review and Evaluation Process (SREP).

The Group prioritised the issue of climate and environmental risks by initiating multiple activities to further develop the existing system and analysis framework for these risks, integrating them in a structured manner within the Group's broader risk management framework. The universal nature of C&E risks has attracted the involvement of various internal Group structures with structured activities being planned and/or launched, directly affecting the main traditional risk categories.

In the Group Risk Map, C&E risks are defined as "risks arising from climate change and environmental degradation, which give rise to structural changes affecting economic activity and, consequently, the financial system". C&E risks can be broadly divided into the following two categories:

- Physical risk: i.e. the financial impact of climate change, including more frequent extreme weather events and gradual changes in climate, as well as environmental degradation, i.e. air, water and soil pollution, water stress, loss of biodiversity and deforestation;
- Transition risk: i.e. the financial loss that an institution may directly or indirectly incur as a result of adjusting towards a low-carbon and more environmentally sustainable economy.

Based on these considerations, the Group formalised its first C&E risk mapping operation by first identifying the following C&E risk factors:

- Physical risk factors: acute physical risks include extreme heat and drought, fires, landslides, earthquakes, floods, tornadoes and extreme precipitation (snow, hail and heavy rainfall); chronic risks include rising temperatures, changes in rainfall patterns, sea level rise, water stress, land-use change (including loss of biodiversity and deforestation), pollution and scarcity of resources;
- Transition risk factors: regulatory policies, technological innovation and market sentiments (such as consumer preferences, incentives for ESG investment, etc.).

The Group subsequently identified the transmission channels of the aforementioned C&E risk factors and their potential impacts on the traditional first-level financial risks identified.

The climate and environmental risk projects initiated by the Group in 2023 were varied. The main projects included:

- planning of works completion report (SAL) by the Department and the ESG Steering Committee in order to report on the progress of the adjustment activities to ECB expectations;
- formalisation of the materiality analysis and relevance of climate and environmental risks;
- definition of new monitoring indicators within the Group and individual RAF panels;
- stress analyses related to the impacts of physical and transition risks.

As regards physical risk, indicators have been developed to monitor the extent of the Group's exposures to non-financial counterparties in medium-high and high physical risk areas.

As regards transition risk, the Group made use of the activities and experience gained from its participation in the Climate Risk Stress Test 2022 by collecting and analysing data from the top 15 NFC counterparties per NACE sector. A number of pilot projects were launched aimed at direct collection from the main credit counterparties of information about GHG (greenhouse gas) emissions requested by the European Supervisory Authority.

The Group has also provided for a structured set of monitoring indicators within the individual and consolidated RAS panel. With particular reference to the latter, in addition to a quantification of the green asset ratio (representing the share of taxonomy-eligible assets), the level of concentration of the NFC portfolio on climate policy relevant sectors (CPRSs) was identified, as well as NFC exposures exposed to hydrogeological and landslide risks. On the liquidity front, specific physical and transition risk shocks are in place for the liquidity coverage ratio and the net stable funding ratio.

6.6 Corporate governance report and ownership structure – the system of internal controls

The Cassa Centrale Group has created a structured system of internal controls which, on a daily basis and proportionally to the complexity of the activities carried out, involves the entire organisational structure and conforms to the legislation governing the "Internal Control System', reported in Part One, Title IV, Chapter 3 of Bank of Italy Circular 285/2013 and subsequent updates.

The Cassa Centrale Group attributes strategic importance to the integrated management of controls and related risks as they constitute, among other things:

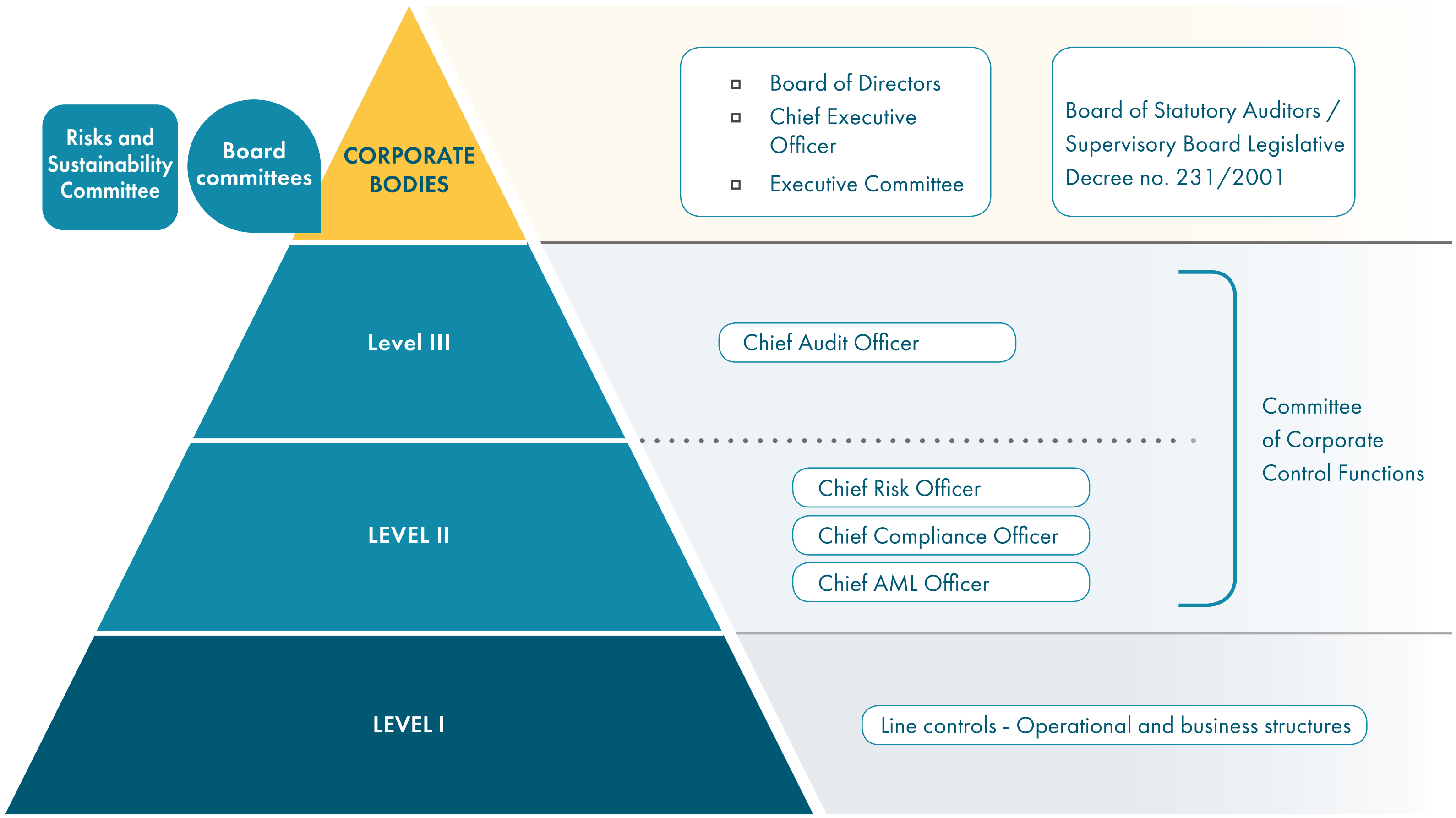
- an element to ensure that all activities are carried out in accordance with the principles of sound and prudent management and defined strategic guidelines;
- a clear and complete representation for the corporate bodies of the internal control system to monitor risks, the critical elements to which the Group is exposed and the interventions in progress;
- an important element for monitoring compliance with the relevant provisions by the competent authorities, as well as spreading the use of integration parameters.

The Parent Company has adopted a unitary and integrated system of internal controls that allows effective control over both the strategic choices of the Group as a whole and the managerial balance, organisation, technical situation and financial position of the individual Group Companies. This system consists of all the rules, functions, structures, resources, processes and procedures that aim to ensure, in compliance with sound and prudent management, the achievement of the following objectives:

- verification of the implementation of company strategies and policies;
- containment of risks within the limits indicated in the Group's Risk Appetite Framework (RAF);
- safeguarding the value of assets and protection against losses;
- effectiveness and efficiency of business processes;
- reliability and security of company information and IT procedures;
- prevention of the risk that the Group may be involved, even involuntarily, in illegal activities (with particular reference to those connected with money laundering, usury and terrorist financing);
- compliance of the company's operations with the law and supervisory regulations, as well as with internal policies, regulations and procedures.

The Group's internal control system includes, in keeping with regulatory and legislative provisions in force, the following types of controls:

- **line controls** (so-called first-level controls): controls which are designed to ensure the proper conduct of operations (e.g. hierarchical, systematic and spot checks) and which, as far as possible, are incorporated into computerised procedures. These are carried out by the operational structures themselves, including through units dedicated exclusively to control tasks that report back to the managers of the structures, i.e. performed within the back office. The operational structures are primarily responsible for the risk management process; in the course of day-to-day operations, these structures must identify, measure and assess, monitor and control, mitigate and communicate risks arising from ordinary business operations in accordance with the risk management process. They must comply with their assigned operational limits in line with the risk objectives and the procedures in which the risk management process is structured;
- **controls on risks and compliance** (so-called second-level controls): controls designed to ensure, inter alia:
    - the proper implementation of the risk management process;
    - compliance with the operational limits assigned to the various Functions;
    - compliance of the company operations with regulations, including self-regulations. The Functions responsible for these controls are separate from the production functions; they contribute to the definition of risk management policies and the risk management process;
- **Internal audit** (so-called third level controls): internal audit controls aimed at identifying breaches of procedures and regulations and periodically assessing the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the internal control system and the information system (ICT audit) at Group level, at predetermined intervals in relation to the nature and intensity of the risks.



The Parent Company's corporate bodies, the Parent Company's Risks and Sustainability Committee, the Committee of Corporate Control Functions, as well as the Corporate Control Functions themselves represent the main players in the internal control system.

Specifically:

- the **Board of Directors**, as a body with strategic supervision functions, it defines and approves the business model, strategic guidelines, risk appetite, tolerance threshold (where identified) and risk management policies, the guidelines of the internal control system, the criteria for identifying the most significant transactions to be submitted to the prior scrutiny of the Risk Management Department and the general terms of the ICAAP/ILAAP process, ensures its consistency with the RAF and the timely adjustment in relation to significant changes to the strategic guidelines, the organisational structure, and the reference operating context;
- the **Risks and Sustainability Committee** is responsible for the tasks assigned to it by the regulations in force from time to time and by the Board of Directors, also with regard to the Affiliated Banks and, in particular, it performs support functions for the Parent Company's Board of Directors with regard to risks and the internal control system, paying particular attention to all activities that are instrumental and necessary for the Parent Company's Board of Directors to arrive at a correct and effective determination of the Risk Appetite Framework (RAF) and risk management policies;
- the **Board of Statutory Auditors**, as the body with control functions, is responsible for overseeing the completeness, adequacy, functionality and reliability of the internal control system and the RAF at Group level, in accordance with the provisions of current legislation, the Cohesion Contract and the Articles of Association of Cassa Centrale Banca;
- **the Supervisory Board pursuant to Legislative Decree 231/2001**, in implementation of the provisions of Legislative Decree 231/2001 and in accordance with the Organisation, Management and Control Model adopted by the Bank, is responsible for supervising the operation of and compliance with 231 Model and informing the Board of Directors of the need to update it;
- the **Executive Committee**, in compliance with the provisions of the Articles of Association, is responsible for implementing the policies on corporate governance and risk management;
- the **Chief Executive Officer** is responsible for executing the Board of Directors' resolutions, with particular reference to implementing the strategic guidelines and risk management policies defined by the Board of Directors;
- the **Committee of Corporate Control Functions**, consisting of the managers of the corporate control Functions, carries out the coordination and integration activities of the Functions overseeing the internal control system.

The Group's corporate control Functions are represented by the following structures:

- Internal audit function (**Internal Audit Department**);
- Risk control function (**Risk Management Department**);
- Compliance function (**Compliance Department**);
- Anti-money laundering function (**Anti-Money Laundering Department**).

Under the Group's organisational model, the tasks and responsibilities of the second-level control function for the management and control of ICT and security risks are assigned to the Compliance Department and the Risk Management Department, to the extent of their competence.

6.6.1 - The model adopted for the Group

The regulatory provisions for Banks in relation to the Cooperative Banking Group issued by the Bank of Italy establish that the corporate control Functions for affiliated Cooperative Credit Banks are carried out under an outsourcing regime by the Parent Company or other companies of the Group.

The Parent Company carries out its tasks in compliance with the following criteria:

- the corporate bodies of the members of the Group are aware of the choices made by the Parent Company and are responsible, each according to their own competencies, for the implementation, within their respective business realities, of the strategies and policies pursued in the field of controls, favouring their integration within the scope of Group controls;
- special internal representatives are appointed within the Companies that have outsourced the Function who: i) perform support tasks for the outsourced control Function and hierarchically to the Bank's Board of Directors; ii) report functionally to the outsourced control Function; iii) promptly report particular events or situations, which may change the risks generated by the subsidiary.

Within the scope of the internal control system, of those companies that have outsourced the corporate control functions, the Boards of Directors perform the activities for which they are responsible in accordance with the provisions of the Articles of Association and the principles laid down in the regulations that the Parent Company (in fulfilment, with regard to the affiliated Banks, of the provisions of the Cohesion Agreement) has issued in this area, taking decisions, in particular on:

- the guidelines of the internal control system;
- setting up corporate control functions;
- the appointment and dismissal, in consultation with the Board of Statutory Auditors, of contact representatives; and
- the approval of the departments' annual work programmes.

For companies that have outsourced corporate control functions, the Board of Statutory Auditors performs its assigned activities in accordance with the provisions of the Articles of Association and the principles laid down in the regulations that the Parent Company (in fulfilment, with regard to the Subsidiary Banks, of the provisions of the Cohesion Agreement) has issued in this area.

The Supervisory Board, pursuant to Legislative Decree 231/2001 has the task of supervising the operation of and compliance with the company's organisation, management and control model and the guidelines on the administrative liability of entities within the Group.

The General Manager of the Companies that have outsourced corporate control functions performs the activities under their responsibility in accordance with the Articles of Association and the principles laid down in the regulations that the Parent Company (in fulfilment, with regard to the Subsidiary Banks, of the provisions of the Cohesion Agreement) has issued in this area; the General Manager, in particular, implements the resolutions of the corporate bodies in accordance with the provisions of the Articles of Association, pursues management goals and supervises the performance of operations and the functioning of the services as per the instructions of the Board of Directors, ensuring that the organisation is managed as a single entity and that the internal control system operates effectively.

The internal representatives of the individual Companies that have outsourced the Control Function support said outsourced corporate function, report functionally to the same and promptly report particular events or situations, which are likely to modify the risks generated by the subsidiary.

The bodies and the General Manager, where appointed, of the companies that have not outsourced corporate control functions perform the same activities as those falling within their remit, in accordance with their respective by-law provisions and the principles laid down in the regulations issued by the Parent Company in this area. The internal corporate control Functions, where present, in compliance with the rules applicable to them, carry out their activities in line with the principles and provisions issued by the Parent Company.

In order to ensure guidance and coordination, the Parent Company oversees Group Companies through the continuous exchange of flows, information and data in order to carry out management control that is useful for ensuring the balanced maintenance of economic, financial and equity conditions, the level of risk and, more generally, the integrated internal control system at Group level as a whole.

6.6.2 – Main features of the existing internal control and risk management systems in relation to the financial reporting process (Art. 123-bis, paragraph 2, letter B) of the TUF).

This section of the Report on Operations has been prepared pursuant to the regulations under Art. 123-bis of Italian Legislative Decree no. 58 of 24 February 1998 (hereinafter "TUF"), which the Group must observe as an issuer of debt securities (EMTN) listed on the Irish Stock Exchange. Nevertheless, since Cassa Centrale Banca has not issued shared eligible for trading on regulated markets or in multilateral trading facilities, this disclosure is limited to the provisions of Art. 123-bis, paragraph 2, letter b) of the TUF as a result of the exemption set out by Art. 123-bis, paragraph 5.

The activities and control processes relating to the production of data required to prepare the financial reporting subject to publication (annual consolidated financial statements, condensed half-yearly consolidated financial statements) are an integral part of the Group's general control system used to manage risk.

These operating aspects aim to pursue and guarantee adequate reliability, accuracy and timeliness of financial reporting, with the awareness that no internal control system can rule out entirely risks associated with errors or fraud, but merely assess them and mitigate their probability and related effects.

The control system in question is based on the guidelines described in more detail below:

- the administrative facts reach the accounting system through specific transactions managed by various sub-systems. The line controls are processed within the IT and management procedures for transactions or by Organisational Units established to oversee them. Organisational procedures assign the responsibilities for verifying accounting results to the heads of the Organisational Units. Second-level controls are carried out by the organisational unit in charge of managing general accounting and preparing the annual and half-yearly situations. The controls can be daily, weekly, or monthly depending on the frequency and type of transactions and data processed;
- the most relevant impact assessment components of the accounting situations are implemented by specialised structures or, in specific cases, submitted for evaluation by an independent expert. Data related to the fair value measurement of the financial items and those related to hedging relationships and related efficacy tests are provided by specialised structures, equipped with adequate calculation tools. Data related to the classification and measurement of non-performing loans are provided by separate structures with a high level of specialisation, which perform their own operations on the basis of policies approved by the Board of Directors. With specific reference to this latter aspect, the data are then reviewed by the competent structures identified within the Risk Management Department and the Administration and Tax Reporting Department.

The annual consolidated financial statements and the condensed half-yearly consolidated financial statements are subject respectively to statutory audit and limited audit by Deloitte & Touche S.p.A., which is also responsible for the financial audit pursuant to Art. 14 of Legislative Decree 39/2010.

With reference to the "Transparency Directive", the Parent Company has chosen Ireland as the Member State of origin, since a significant portion of its transferable securities are concentrated in that stock exchange; consequently, Cassa Centrale Banca did not appoint a Financial Reporting Officer pursuant to the TUF, given that the legislation of reference does not require one.

For further details, please refer to the specific information in this chapter and in the previous section 1.3 "Corporate governance".

6.7 - Internal audit function

The Internal Audit Department oversees, according to a risk-based approach, on the one hand, the control of the regular performance of operations and development of risks and, on the other hand, the evaluation of the completeness, adequacy, functionality and reliability of the organisational structure and other components of the internal control system, bringing possible improvements to the attention of corporate bodies, with particular reference to the Risk Appetite Framework (RAF), the risk management process and the instruments for measuring and controlling risks and making recommendations to corporate bodies.

This Function – which is separate from the other corporate control Functions from an organisational point of view – reports directly to the Board of Directors of Cassa Centrale Banca and has specific requirements such as independence, authority and professionalism, which are necessary to ensure effectiveness and efficiency in the performance of its duties. It operates according to principles defined by the Code of Ethics of the Function based on the diligence and professionalism of its employees, in light of the awareness that an effective preventive activity can only be effectively implemented if all staff are duly made aware of their responsibilities and if a culture based on the value of integrity (honesty, fairness, responsibility) and on a set of values to be recognised and shared at all organisational levels is promoted.

The Internal Audit Department operates, for the Affiliated Banks, under an outsourcing of control functions regime in compliance with the service levels established and formalised in the agreement to outsource the Function and avails itself of the collaboration and support of the internal representatives of the same, who report functionally to the Manager of the Internal Audit Department of the Parent Company and hierarchically to the Bank's Board of Directors. With similar operating procedures, the Internal Audit Department also operates for Group Companies that sign an agreement to outsource the Function.

The main activities of the Internal Audit Department are the following:

- assessing the completeness, adequacy, functionality, reliability of the other components of the ICS, the risk management process and other business processes, also taking into account the ability to identify errors and irregularities. In this context, it reviews, among other things, the second level corporate control Functions (Risk Management, Compliance, Anti-Money Laundering);
- annually submitting a risk-based Audit Plan to the corporate bodies for approval, which reports the planned audit activities and takes into account the risks of the various corporate activities and structures. The Plan contains a specific section relating to the audit of the information system (so-called ICT - Audit);
- assessing the effectiveness of the RAF definition process, the internal consistency of the overall scheme and the compliance of the company's operations with it and, in the case of particularly complex financial structures, their compliance with the strategies approved by the corporate bodies;
- assessing the consistency, adequacy and effectiveness with respect to the governance mechanisms described in the business model and carrying out periodic tests on the functioning of operational and internal control procedures;
- regularly checking the business continuity plan;

- carrying out detection tasks regarding specific irregularities as well;
- carrying out, on request, verifications in particular cases (so-called Special Investigation) for the reconstruction of facts or events considered to be of particular importance;
- coordinates with the other corporate control Functions in order to adopt consistent and integrated risk measurement and assessment methodologies, in order to share priorities for risk-based intervention and providing a common and integrated representation of the areas of greatest risk;
- if, as part of the collaboration and exchange of information with the manager of the statutory audit, it becomes aware of critical issues that have emerged during the statutory audit activity, it shall take steps to ensure that the competent corporate Functions adopt the necessary measures to overcome such critical issues.

In order to fulfil the responsibilities assigned to it, the Internal Audit Department has access to all the central and peripheral activities of Cassa Centrale Banca and the Group Companies and to any information relevant for this purpose, including through direct contact with staff.

6.8 - Risk control function

The Risk Management Function, as part of the Group's internal control system, fulfils the responsibilities and tasks envisaged by the Bank of Italy Circular 285/2013 for the risk management function. It provides useful elements to Corporate bodies in the definition of guidelines and policies on risk management and ensures the measurement and control of the Group's exposure to different types of risk. The Department Manager reports directly to the Corporate Bodies and is accountable to them in the performance of their duties and responsibilities.

The Risk Management Function is also responsible for identifying, measuring and monitoring the risks assumed or assumable, establishing the control activities and ensuring that the anomalies found are brought to the attention of the corporate bodies so that they can be appropriately managed.

The Risk Management Department is also given the responsibilities and tasks of the ICT and security risk control function provided for by Circular 285/2013, in according to the allocation of tasks established in agreement with the Compliance Department.

The Risk Management Department operates Companies that have outsourced the function, under an outsourcing regime, in compliance with the service levels established and formalised in the agreement for outsourcing the Risk Management Function, and avails itself of the cooperation and support of their internal representatives, who report functionally to the Manager of the Risk Management Department of the Parent Company.

Within this scope, the Risk Management Department:

- guarantees the effective and proper implementation of the process of identifying, evaluating, managing and monitoring the risks undertaken, whether current or prospective;
- coordinates the process of defining, updating and managing the Risk Appetite Framework (RAF), within which it has the task of proposing the qualitative and quantitative parameters necessary for the definition of the RAF;
- checks the adequacy of the RAF;

- is responsible for defining the operational limits to the assumption of the various types of risk, as well as for verifying their adequacy on a continuous basis;
- assesses, at least annually, the robustness and effectiveness of the stress tests and the need to update them;
- is responsible for the development, validation, maintenance and updating of risk measurement and control systems, ensuring that they are subject to periodic backtesting, that an appropriate number of scenarios are analysed and that conservative assumptions are used on dependencies and correlations;
- defines common metrics for assessing operational risks in line with the RAF and methods for assessing and controlling reputational risks in coordination with the Compliance Department and the relevant Structures;
- assists corporate bodies in assessing strategic risk by monitoring significant variables;
- ensures the consistency of the risk measurement and control systems with the processes and methodologies for assessing company activities, coordinating with the appropriate company structures;
- develops and applies indicators capable of highlighting anomalous and inefficient situations in risk measurement and control systems;
- verifies, on an ongoing basis, the presence of adequate risk management processes;
- analyses and assesses risks deriving from new products and services and from entry into new operating and market segments, including by assuming different risk scenarios and evaluating the bank's ability to ensure effective risk management;
- provides prior opinions on the consistency of MSTs with the RAF, including those that have outsourced the Function, also contributing to defining the parameters for their identification, where appropriate, and obtaining the advice of other Functions involved in the risk management process;
- issues its own prior assessment of the Group's Governance Rules in order to assess their consistency with the overall risk management and control framework it oversees. Exceptions are documents for which the Function, having considered the nature of the contents and/or the changes, does not see any impact on the framework it oversees. The evaluation is issued as described in the Group policy for managing internal regulations;
- measures and monitors the current and prospective exposure to risks, also at Group level, and its consistency with the risk objectives, as well as the compliance with the operational limits, making sure that the decisions on risk taking taken at the different corporate levels are consistent with the advice provided;
- is responsible for activating monitoring activities on the actions put in place if targets/thresholds/limits are exceeded and for communicating any critical issues until the thresholds/limits return within the established levels;
- carries out second-level checks on credit exposures;
- in case of violation of the RAF, including the operational limits, it assesses the causes and the effects on the business situation, also in terms of costs, it informs the business units concerned and the corporate bodies, and proposes corrective measures. It ensures that the body with strategic supervisory function is informed in case of serious violations; the risk control function has an active role in ensuring that the recommended measures are taken by the Functions concerned and brought to the attention of the corporate bodies;
- verifies the proper monitoring of the performance of individual credit exposures;
- verifies the adequacy and effectiveness of the measures adopted to remedy the shortcomings identified in the risk management process;

- contributes to ensuring the consistency of the remuneration and incentive system with the reference framework for determining the Bank's risk appetite (RAF);
- is responsible for assessing the adequacy of internal capital (ICAAP) and liquidity reserves (ILAAP);
- is responsible for preparing the public disclosure (Pillar III);
- is involved in defining the risk governance policies and the phases of the risk management process through the establishment of a system of policies, regulations and documents for the implementation of the risk limits for the Group;
- defines the metrics and methodologies for measuring and monitoring risks and the related guidelines to be adopted at the Group level;
- ensures, through reporting activities, a constant and continuous flow of information to the corporate bodies and other corporate control functions on the exposure to risks and the results of the activities carried out;
- oversees the process of assigning and updating the ratings used to assess the creditworthiness of the counterparties;
- oversees the processing of the classification of the risk-based model and, in agreement with the Planning Department, the activation of the appropriate corrective actions (i.e., Relaunch Plan, Recovery Plan, Combination Plan);
- informs the Chief Executive Officer/General Manager of any exceeding of targets/thresholds/limits relating to the assumption of risks;
- prepares and submits to the Corporate bodies the report on the activities carried out by Management, in accordance with the provisions of the reference regulations;
- contributes to the dissemination of a control culture within the Group.

The Risk Management Department, in its role as ICT and security risk control department, which it performs in conjunction with the Compliance Department, is responsible for monitoring and controlling these risks, as well as ensuring that ICT operations conform with the ICT risk management system. For this purpose:

- it helps to define the information security policy and is informed about any activity or event that could significantly affect the Group's risk profile, major operational or security incidents, or any substantial changes to the ICT systems and processes;
- is actively involved in the projects creating substantial changes to the information system and, in particular, in the risk control processes related to such projects.

As part of the Integrated Internal Control System, the Risk Management Department coordinates with the other corporate control functions in order to:

- adopt consistent and integrated risk measurement and assessment methods, providing a common and integrated representation of the areas of greatest risk;
- define risk-based intervention priorities;
- develop the sharing of operational and methodological aspects and the actions to be taken in case of significant and/or critical events in order to identify possible synergies and avoid potential overlapping and duplication of activities.

As part of the activities listed above, the Risk Management Department prepares annually a risk-based approach and submits an activity plan to the corporate bodies based on:

- the main risks to which the Group is exposed;
- any shortcomings emerging from the checks carried out;
- any elements identified by the Internal Audit or any findings reported by the Validation Service;
- the risk objectives defined by the Group;
- any evidence emerged from discussions with the Supervisory Authorities.

6.9 - Compliance function

The Compliance Department of the Parent Company oversees, according to a risk-based approach, the management of the risk of non-compliance – understood as the risk of incurring judicial or administrative sanctions, significant financial losses or reputation damage as a result of violations of mandatory rules (laws or regulations) or self-regulation (e.g. Articles of Association, Cohesion Contract, Code of Ethics) – with regard to all company activity.

In particular, in its role as Parent Company Function, it exercises control over the risks impending on the activities carried out by all the Cassa Centrale Group Companies in order to assess the various risk profiles contributed by these Companies and the overall risks of the Group. This translates to the performance of specific monitoring and verification activities concerning the Cassa Centrale Group as a whole and/or individual Group Companies, which therefore guarantee adequate information flows and timely responses to specific requests and collaboration.

The Compliance Department is separate from the other corporate control Functions from an organisational point of view, it reports directly to the Board of Directors of Cassa Centrale Banca and has specific requirements such as independence, authority and professionalism, which are necessary to ensure effectiveness and efficiency in the performance of its duties.

The Compliance Department operates, for the Affiliated Banks, under an outsourcing regime in compliance with the service levels established and formalised in the Function outsourcing agreement and avails itself of the collaboration and support of the Internal Representatives of the same (and any operational support structures), who report hierarchically to the Board of Directors of the respective Company and, at the same time, report functionally to the Department Manager. With similar operating procedures, the Compliance Department also operates for the other Companies of the Cassa Centrale Group that sign an agreement to outsource the Function. This Department also carries out any further activities aimed at assessing and reporting the various risk profiles brought to the Group by the Companies and the overall risks of the Group.

For the monitoring of certain regulatory areas for which it is permitted by applicable regulations or for the performance of specific obligations in which the Compliance Department's activities are articulated, the same may make use of specialist control units, remaining in any case responsible for the definition of risk assessment methodologies. In particular, the role of specialist control units is attributed to the Tax Service and the Workplace Prevention and Protection Office, for the respective regulations indirectly supervised by the Function.

In particular, the Compliance Department:

- continuously identifies the applicable rules and assesses their impact on corporate processes and procedures;

- collaborates with the corporate structures for the definition of methodologies for the assessment of compliance risks;
- identifies suitable procedures and/or organisational changes for the prevention of the detected risk, with the possibility of requesting their adoption;
- verifies the adequacy and correct application of the procedures for the prevention of the detected risk;
- ensures ongoing and continuous monitoring of the adequacy and effectiveness of the measures, policies and procedures relating to investment services and activities;
- prepares information flows directed to the Corporate Bodies and structures involved (e.g.: operating risk management and internal audit);
- verifies the effectiveness of the organisational adjustments (structures, processes, procedures, including operational and commercial) suggested for the prevention of compliance risk;
- is involved in the ex ante assessment of the compliance with applicable regulations of all innovative projects that the Company intends to undertake as well as in the prevention and management of conflicts of interest between the different activities carried out by the company and also with regard to employees and company representatives;
- provides advice and assistance to Corporate Bodies in all matters in which compliance risk is significant;
- collaborates in the training of staff on the provisions applicable to the activities carried out;
- coordinates with the other corporate control functions in order to adopt consistent and integrated risk measurement and assessment methodologies and sharing priorities for risk-based intervention and providing a common and integrated representation of the areas of greatest risk;
- provides, for the aspects within its competence, its contribution to the Risk Management Department in the assessment of risks, in particular those that cannot be quantified, as part of the process of determining capital adequacy;
- collaborates with the Risk Management Department, in line with the Risk Appetite Framework (RAF), to develop appropriate methodologies for the assessment of operational and reputational risks arising from any areas of non-compliance, also ensuring the reciprocal exchange of information flows suitable for an adequate oversight of the areas of competence;
- spreads a corporate culture based on the principles of honesty, fairness and respect for the spirit and letter of the rules.

For the parent Company and its Affiliated Banks, in the context of managing and supervising ICT and security risks, the Compliance Department:

- helps define the information security policy by assessing its compliance with the relevant regulations;
- is informed, to the extent of its competence, about any activity or event that could materially affect the Group’s risk profile, significant operational or security incidents, or any substantial changes to the ICT systems and processes;
- is actively involved, to the extent of its competence, in projects creating substantial changes to the information system and, in particular, in the risk control processes related to such projects.

The Compliance Department of the Parent Company coordinates the maintenance and updating of the 231 Model of Cassa Centrale Banca and the performance of the activities dependent on it, including the submission of a periodic report with the Supervisory Board, and also provides technical/operational support to the Group Companies and their 231 Representatives as identified pursuant to the Guidelines on the Administrative Responsibility of entities within the Group, without prejudice to the responsibility of each Company for the ongoing updating of their respective Models.

6.10 - Anti-money laundering function

The Anti-Money Laundering Department adopts a risk-based approach in overseeing the management of the risks of money laundering and terrorist financing with regard to the company's activities by evaluating the adequacy of internal procedures intended to prevent the violation of applicable external standards (laws and regulations) and self-regulation (e.g. Articles of Association and Codes of Ethics).

The Anti-Money Laundering Department operates in accordance with the responsibilities assigned to it as a second-level corporate control Function of the Parent Company and fulfils the contractual obligations arising from its role as supplier to the Affiliated Banks and the user companies.

The Anti-Money Laundering Department operates, for the Affiliated Banks and the user companies, under an outsourcing regime in compliance with the service levels established and formalised in the agreement to outsource the Function, and avails itself of the collaboration and support of internal representatives, who, operating in close functional coordination with the Anti-Money Laundering Department, supervise the processes related to anti-money laundering legislation in the Affiliated Bank/User Company.

The Anti-Money Laundering Department of the Parent Company formulates and prepares specific directives and instructions to which the Anti-Money Laundering representatives must adapt their operations, in order to ensure the operational consistency of the Group in relation to the management and measurement of the risks of money laundering and terrorist financing.

In the event that a Group Company is the recipient of anti-money laundering obligations and has not outsourced the Function to the Parent Company, specific information flows are transmitted to the Anti-Money Laundering Department of the Parent Company by the same companies (the Annual Anti-Money Laundering Report, the annual planning of activities, any significant critical issues identified by the execution of anti-money laundering activities).

The Anti-Money Laundering Department has the objective of:

- contributing to the definition of strategic guidelines and policies for the overall governance of risks related to money laundering and terrorist financing, the preparation of communications and periodic reports to corporate bodies and the feeding of the Risk Appetite Framework, collaborating with other corporate control Functions in order to achieve an effective integration of the risk management process;
- developing a global approach to risk based on the strategic decisions taken by the Parent Company, defining the Group's methodology for assessing the risks of money laundering and terrorist financing, the procedures for coordinating and sharing information between Group Companies and general standards for the adequate verification of customers, the retention of documentation and information and the identification and reporting of suspicious transactions;
- ensuring adequate Group supervision, continuously verifying the suitability, functionality and reliability of the anti-money laundering arrangements, the procedures and processes adopted within the Group and their degree of adequacy and compliance with the law;
- playing a management and coordination role in relation to Group Companies, promoting and spreading the culture of prevention of the risk of money laundering and terrorist financing.

The Anti-Money Laundering Department oversees and coordinates the management of money laundering and terrorist financing risks, through the execution of a series of activities that may be related to the following types of processes:

- main processes, i.e. the set of activities aimed at the correct fulfilment of the obligations of proper customer due diligence, data and information retention and reporting of suspicious transactions;
- cross-cutting processes, i.e. the set of activities functional to mitigate and contrast the risk of money laundering.

In the performance of its duties, the Anti-Money Laundering Department has access, in the manner deemed most appropriate, to all activities and to all central and peripheral structures of the Group, as well as to any information that it deems relevant for the performance of its duties and is equipped with tools that are useful for carrying out the controls for which it is responsible.

As part of the integrated internal control system, the Anti-Money Laundering Department contributes in its areas of responsibility to:

- the definition of a common risk taxonomy for analysis and evaluation activities;
- the constant exchange of information;
- the establishment of uniform risk measurement and reporting methods;
- the management of any misalignments in the level of risk assessments that have emerged during the planning of activities;
- the examination of the findings that have emerged and the related corrective actions proposed, examining any conflicting assessments in order to reach a single and satisfactory solution for all the corporate control Functions that have highlighted the same significance.

7. Human Resources

The total workforce of the Cassa Centrale Group as at 31 December 2023 stood at 12,016 employees, compared to 11,702 as at 31 December 2022.

7.1.1 - Staff composition by category and gender

NUMBER OF EMPLOYEES BY CATEGORY AND GENDER	31/12/2023			31/12/2022	Change	% change
	Men	Women	Total	Total		
Executives	178	15	**193**	195	(2)	(1.0%)
Middle managers	2,498	872	**3,370**	3,190	180	5.6%
Office staff	4,135	4,318	**8,453**	8,317	136	1.7%
TOTAL	**6,811**	**5,205**	**12,016**	**11,702**	**314**	**2.7%**

7.1.2 - Staff composition by age group

NUMBER OF EMPLOYEES BY CATEGORY AND AGE GROUP	31/12/2023				31/12/2022	Change	% change
	<30	30-50	>50	Total	Total		
Executives	0	44	149	**193**	195	(2)	(1.0%)
Middle managers	1	1,565	1,804	**3,370**	3,190	180	5.6%
Office staff	1,072	5,251	2,130	**8,453**	8,317	136	1.6%
TOTAL	**1,073**	**6,860**	**4,083**	**12,016**	**11,702**	**314**	**2.7%**

The average age of the Group's personnel is in the 30-50 bracket with about 57% of employees in that bracket.

The long-term strategy of the Group is always oriented towards the quality of its human resources, with a primary commitment in promoting the constant development of individual and group capabilities and skills.

The main guidelines followed by the Group are valuing initiative and flexibility, supporting growth opportunities through adequate development paths and promoting active participation in the implementation of projects, providing instruments and methods for the emergence of innovative contributions to be made available to the company.

7.2 - Corporate culture and brand identity

In 2023, committed efforts continued on promoting a corporate culture capable of enhancing the unique characteristics of the Cassa Centrale Group, paying particular attention to the dynamics that affect the people who live within our organisations. The progressive overcoming in the pandemic allowed for a return to traditional social relations, whilst confirming the added value of the integrated use of innovative technological systems to enable and facilitate interaction between people. As a result, webinars, live debates, and sharing of best practices in expert communities were conducted, enabling professionals from the Parent Company and Representatives of the Affiliated Banks to engage with each other on a daily basis, in order to understand the needs of the banks and incorporate them into the strategies of the Parent Company.

New online “Communities of Practice” were established, which is increasingly being used by various Services to engage with those operating at the banks who deal with certain issues. The Communities are spaces for discussion and growth, but also represent smart and efficient tools for conveying practices and behaviours that support the sharing of Group-wide policies and regulations.

The project on the corporate identity of Cassa Centrale Banca was strengthened with the realisation of the “Manifesto of values”, built within the Parent Company through the dialogue of people with different experiences, young people and executives engaged in the search for those “key words” that could be used to represent the identity culture of the Parent Company. The Cassa Centrale Banca Manifesto outlines the purpose to promote the positive impact the company has on communities, employees and investors. Having a clearly stated purpose helps to recruit like-minded people and to make decisions in line with the Group's values. In 2023, the project saw the completed distribution of the Posterzine, definable as part poster and part magazine. Each edition focused on one of the key words identified in the Manifesto of Values, also promoting a high level of reflection thanks to the involvement of renowned external writers. The end goal is to create a sense of belonging and to define a trajectory that the people themselves brand as of value, a trajectory towards shared and identity goals.

Well-being remains a pillar in the strategy to build the Group's corporate culture, which is why the psychological well-being awareness project continued in 2023 through ad hoc webinars aimed at employees. The free listening and mental health counselling service, supported by a network of specialised professionals partnering in these initiatives, continues to be highly appreciated and widely used, including for personal growth plans thanks to the commitment of expert coaches.

Activities to raise awareness and improve understanding of ESG issues also continue. Workshops, seminars, and communities of practice for experts aim to involve employees at various levels to encourage them to take responsibility for environmental, social and governance impacts. In relation to ESG topics, a new internal communication project has been created.

The project "Sam, the employee who gives voice to employees" continued, enabling surveys to be carried out through quantitative and qualitative measurements of employee engagement.

7.3 - Agile working

In recent years, society and the labour market have undergone profound socio-demographic changes that have created a revolution in the goals and roles of women and men and have made work-life balance a crucial issue for individuals and organisations. Corporate well-being, understood as a corporate social responsibility strategy, plays a central role and aims to improve the working conditions and environment of employees and increase their productivity by investing in their physical, mental and social well-being. With this in mind, it is necessary to mention the tool that most clearly represents the change taking place, i.e. smart working or agile working, a flexibility tool widely used both at Cassa Centrale Banca and Allitude, and at the Affiliated Banks and Group companies.

Introduced in the Parent Company as early as 2020, it is now an ordinary tool which the various teams use to manage activities within their Departments. Agile Working is a way of facilitating work-life balance goals and thus promotes the complete well-being of people. It is particularly appreciated by the younger generations and helps attract and retain talent of all ages.

Agile working is also a valuable tool for the promotion of gender equality, giving everyone the opportunity to manage non-work tasks of active and shared parenting and care-related tasks equally.

Management was able to acquire new skills for managing teams remotely and hybridly, thanks to a self-learning catalogue full of content on the subject.

7.4 - Recruiting activities

Recruitment is a keystone for the development of the entire Group's organisational structure. The identification and subsequent placement of new human resources in the Parent Company's Departments, and in the affiliated banks that request the search and selection service, are essential processes for the acquisition of people with new skills and experience, coming from universities, cooperative credit institutions, other banking groups, consultancy companies and the professional world.

The entire recruiting process is managed in-house by specialised professionals supported by the SAP SuccessFactors platform, LinkedIn and, where necessary, specialised headhunting companies.

In 2023, through an initial revision of the organisational structure, the relationship between the recruiting and HR management processes was emphasised, with the aim of further developing and consolidating the management of the entire life cycle in the company.

7.5 - Partnerships to innovate and compete

The well-established partnership with SDA Bocconi School of Management also continued in 2023 for most of the finance and core banking courses. On in particular was the “Executives in Banking Management” course for the long-term training of the Group's top management.

A collaboration with ABI Formazione led to the setting up of a specific training course for the Sustainability Representatives in our banks to support the Group's ESG strategies, set out in the Sustainability Plan and the Strategic Plan. Two editions of the "Become an ESG Expert in the Cassa Centrale Group" course were held, in blended classroom and webinar modes. They were highly appreciated by the participants and the General Management of the Group Banks.

The partnership with CeTif, the Research Centre for Technology, Innovation and Financial Services of the Sacred Heart Catholic University, continues to bring expertise to the Group's Banking Care Academy, particularly in digital banking, digital HR, digital compliance and cyber security.

With regard to the drive to promote an organisational culture oriented towards respect for diversity, we relied on the partnership with Valore D, a long-standing association of Italian companies that works to promote gender balance and an inclusive culture in organisations and in our country. Together with Valore D, we created several training schemes for top management and Group employees, in particular by running two editions of the Path for the Development of Female Empowerment in the Cassa Centrale Group.

In the area of corporate well-being, we maintained our partnerships with corporate wellness company Eukinetica, and Mindwork, which specialises in psychological well-being and the promotion of inclusive, person-centred environments.

In 2023, several schemes were carried out in cooperation with a number of Junior Enterprises of North-Eastern universities, in particular with JeTn of the University of Trento, JeVe of the University of Venice, and JeST of the University of Padua. The ongoing development of the student network has allowed the Cassa Centrale Group to make itself known for its special aspects and helps maintain a channel of listening and attention on the younger generations, which proves itself a source of constructive exchange and a valuable element in the search for innovation.

7.6 - Developing human capital: training and skills development in the Group

The Group's Banking Care Academy is responsible for the design, promotion and implementation of training courses for the Cassa Centrale Group, with training programmes reaching all employees through the SAP SuccessFactors LMS Learning Management System platform.

This activities is carried out through constant listening to the needs of the banks in our territories and through the high-value connection with the Parent Company’s internal departments and Group strategies. Indeed, the proposals reflect on the one hand the regulatory requirements to fulfil certain training obligations and, on the other, the development and updating of the skills of our people from a Group perspective. The creation of synergistic environments in which to learn these skills renders the Corporate Academy offering highly professional and consistent with the present and future of the Group. It helps standardise skills, thus fostering the exchange of best practices and the desirable internal mobility of talent.

An entire section of our Corporate Academy concentrates on the issue of Sustainability. More than 10 specific training courses are aimed at the employees of our banks as well as the Board and corporate officers of the Affiliated Banks. They are made up of online activities with asynchronous courses and in-person webinars/pathways, addressing transversal topics such as the 2030 Agenda and more specific content such as finance-related matters and consulting in the ESG sphere. Particular attention was paid to diversity and inclusion issues, with both online and webinar formats. Courses included transversal activities relevant to all personnel, as well more specific option for roles of responsibility. In-person/webinar activities are in line with the academic calendar while online activities are always active and are run several times during the year. The goal is to reach all employees with different levels of depth of learning, depending on their roles and responsibilities.

The issue of inclusiveness and gender equity is particularly felt; activities have been proposed to support and enrich female leadership in the Group environment and to raise senior figures’ awareness of discriminatory behaviour and cognitive bias in order to foster career paths for the less represented gender.

The Group's e-learning proposals are composed of high quality multimedia content, systems for monitoring and controlling users while they take online certification examinations to verify skills in vocational courses (proctoring model), interaction, and the use of elements borrowed from games and supported by game design techniques in learning contexts (gamification). The programme is created with a synergetic and coordinated approach, uniting the points of view of those with knowledge of the content with those who can offer creativity, experience, innovation and methodologies. Thanks to this approach, the programme evolves throughout the year and adapts to regulatory updates and the Regulations and Policies issued by the Parent Company, also based on the input provided by the Parent Company's Departments and Affiliated Banks and the countless national and international hubs and communities in which the Cassa Centrale Group regularly participates.

With regard to classroom, webinar and blended schemes, in 2023 numerous initiatives brought the Group's employees back to in-person participation, thus reprising an aspect of interpersonal exchange enriched by social experiences that consolidate the network linking the Group's professionals. In particular, mention should be made of the "*Executives in Banking Management*" course with SDA Bocconi for the Group's top management, the long-standing course for private consultants, the new proposal "*Become an ESG Expert in the Cassa Centrale Group*" and "*Middle Managers of the Cassa Centrale Group: Leadership and Team Management*", aimed at increasing the skills of management personnel.

During 2023, a number of events were organised for the contact persons of particular areas within the banks. These included dedicated events such as the Compliance Representatives' Meeting, the Group Audit Meeting, the AML Meeting and Credit Day. focusing on credit issues. All events featured external speakers and internal Parent Company specialists, helping to create internal debate and the sharing of experiences between bank participants.

Thanks to the SAP SF platform, Communities of Practice and thematic groups continue to serve as supports for training activities and the exchange of best practices within the Group, creating new synergies and promoting a spirit of sharing and cooperation between diverse entities. Thanks to the success of the first edition, the new edition of the "Cassa Centrale Group Middle Managers: Leadership and Team Management" course was launched, to continue increasing the skills of management personnel. In line with the business plan, the second half of 2023 saw the launch of the "CCB in Training – Learning Programme", a project that involves numerous topic-specific seminars which will also take place throughout 2024.

In autumn, every AML initiative had a strong impact, including the delivery of three editions of the course in collaboration with ABI Formazione, until the First AML Forum 2023, attended by nearly 250 participants.

In the last quarter of 2023, the Sales area invited the General Managers and the Sales Directors of the Affiliated Banks to a presentation of the Sales area's projects, with a particular focus on the new Customer Insight application that would be made available to the BCC-CR-RAIKA for sales performance analysis.

Various Bancassurance activities also took place, including through the important collaboration with Assicura for the "Insurance Risk Management: advisory approach for the world of SMEs" course.

2023 concluded with the approval of the project "FIT 4 FUTURE": BUILDING THE FUTURE OF THE CASSA CENTRALE COOPERATIVE BANKING GROUP, an advanced training course that – in line with the mission of Fondosviluppo – develops the managerial skills required to address the most important cooperative credit responsibilities in our Group.

The Group Corporate Academy is committed to planning and completing training courses with the aim of cooperatively building the future of learning at the Affiliated Banks and Associates. The learning transformation within the organisation is already in progress and in the upcoming months will only see further acceleration. It is necessary to continue the path undertaken and to continue disseminating a decisive people strategy in order to align the growth objectives of individuals with the business needs, and therefore to ensure that training is truly functional to the Group's development.

7.7 - Remuneration policies

On 07 June 2023, the Ordinary Shareholders' Meeting of the Parent Company – on the proposal of the Board of Directors – approved the Group's 2023 remuneration and incentive policies for all personnel, including the most important personnel, as well as for members of corporate bodies.

With regard to Group Companies within "scope", the Remuneration and Incentive Policies (hereinafter also referred to as the "Policies") approved by the respective Shareholders' Meetings were adopted by formal resolution of the respective Shareholders' Meetings for the Affiliated Banks and by competent bodies for the other Companies.

In particular, the Policies have been defined on the basis of the 37th update of 24 November 2021 of the Regulatory Provisions on "Remuneration and Incentive Policies and Practices", issued by the Bank of Italy in November 2014 with the 7th Update of Circular no. 285 of 17/12/2013 in implementation of EU Directive 2013/36/EU of 26/06/2013, as amended by Directive (EU) 2019/878 (so-called CRD V), and Delegated Regulation (EU) no. 923/2021 of 25 March 2021, which supplements Directive no. 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards setting out the criteria to define managerial responsibility, control functions, material business units and a significant impact on a material business unit's risk profile, and setting out qualitative and quantitative criteria able to identify staff members or categories of staff whose professional activities have an impact on the institution's risk profile that is comparably as material as that of staff members or categories of staff referred to in Article 92(3) of the CRD. The Guidelines on Sound Remuneration Policies under Directive 2013/36/EU, issued by the EBA on 2 July 2021, were also considered.

The Policies also comply with the Provisions on "Transparency of banking and financial transactions and services"; appropriateness of relations between intermediaries and customers, updated by the Bank of Italy on 19 March 2019, align national provisions with the Guidelines on remuneration policies and practices relating to the sale and supply of retail banking products and services issued by EBA in December 2016.

Furthermore, the Policies include information on their consistency with the integration of sustainability risks, in compliance with the provisions of Article 5 - Transparency of remuneration policies in relation to the integration of sustainability risks of Regulation (EU) no. 2019/2088 of the European Parliament and of the Council of 27 November 2019.

The Policies describe in an organic manner: the principles on which the Cassa Centrale Group's remuneration and incentive system is based; the roles, timing and activities that define the governance of the process of drafting, reviewing and adopting Group remuneration and incentive policies; the remuneration and incentive system to be adopted in 2023 by the Group for all employees, including the most important personnel, as well as for the members of corporate bodies.

The aim is to implement remuneration systems consistent with the Group's values and the shared aims of the Affiliated Banks to support the interest of all stakeholders. The remuneration policies support the Group's long-term strategy and the achievement of its corporate objectives, including sustainable finance, taking ESG factors into account. They are defined in accordance with the Group's prudent risk management policies, including strategies for monitoring and managing impaired loans, as defined under the current provisions on the prudential control process.

For further information and a detailed description of the policies in place, please refer to the document "2023 remuneration policies" available on the Cassa Centrale Banca website at the address www.cassacentrale.it, in the Governance section.

7.8 - Welfare and Trade Union Relations

2023 saw the Welfare, Trade Union Relations and Labour Regulations Service working to define the Group Supplementary Agreement, which was concluded on 1 December.

In particular, the Group Supplementary Agreement governed the following aspects:

- CPV: the methods for calculating the corporate productivity value (CPV) were consolidated, which will be applied on an trial basis to the year 2023 amounts to be disbursed in 2024 and which, as provided for in Articles 29 and 48 of the CCNL, regulate the territorial areas of comparison between the banks for the purposes of their placement in bands, the scope of equivalence, the indicators and the relative weights to be used for the purpose of calculating the latter, and the methods of disbursing the bonus for Group Companies other than BCC-CR-RAIKA. As provided for in the CCNL regulations, the bonus takes into account not only the productivity data of the individual company (80%), but also the overall Group results for a total share of 20%;
- Mutual Fund: with regard to health insurance, a supplementary 0.50% contribution borne by the company was determined. This, together with a 0.15% contribution from each individual colleague, reaches the target requested by the trade unions of 0.65% overall;
- Company Welfare: provision of the payment of EUR 225 per year to each colleague with effect from 1 October 2023. The payment will be made annually, starting from 1 January 2024;
- Meal ticket: a face value of EUR 8 was defined for meal tickets for the entire Group, effective 1 October 2023, without prejudice to existing agreements that already set higher values. For people who are uninterested in the welfare goods and services referred to above and expressly waive them, it is envisaged that the meal ticket will be EUR 9;
- Training and personnel development: the importance of training and personnel development was highlighted by introducing "guiding principles" aimed at the consolidation and enrichment of skills, the awareness of aspirations and professional growth in general, postponing the discussion with the Trade Unions about these areas to a subsequent "technical roundtable";
- New professionals: rules were put in place for the professional figures resulting from the unique characteristics of the Cassa Centrale Group and a shared regulation was defined, which develops the professional profiles deriving from distribution model changes implemented at the different Group Banks;
- Corporate climate, business pressures, welfare and worker well-being: standards were shared to protect the quality of the corporate climate and the well-being of the people who work at the Group, including with reference to their family life. Principles were shared that make it possible to avoid divisive competition between colleagues, and qualitative and shareholder and customer satisfaction objectives were set, based not only on the quantity of work carried out, the volumes under administration and/or the products sold, but providing for opportunities for constant discussion, including in order to assess any personnel training needs;
- Regional mobility: to move towards a compromise with those who travel at least 70 km to work each day by virtue of a business relocation further from home, an allowance was established, including for previous relocations. With a view to protecting the environment, it was also envisaged that those who use public transport to travel to work can request reimbursement of the cost of public transport passes;
- Agile working: with reference to the activation of smart working, albeit in the context of the organisational autonomy of the banks and the Group Companies, several guidelines were shared with the Trade Unions that primarily focus on protecting the people who are experiencing family issues;

- First home mortgage loans for employees: regulations and measures were put in place to assist colleagues who are taking out or will take out a mortgage loan for their first home, referring to the individual banks and companies of the Group for the definition of the terms and conditions, using as a reference, with a view to reconciliation, what is normally applied in the banking system to employees and what is applied by the banks to their top customers.

As regards the progress of the Group's trade union negotiations, the procedures outlined below were followed in 2023 pursuant to Article 22 of the CCNL.

In relation to the activation of extraordinary services of the Solidarity Fund (early retirement), trade union agreements were signed with 13 Affiliated Banks and two Group Companies in 2023.

In June 2023, the trade union negotiations for the merger between BancaTer and FriulOvest Banca (now Banca360) were managed and defined.

In December 2023, the trade union report on the merger of Cassa Rurale Novella Anaunia with Cassa Rurale di Trento was also sent.

Furthermore, trade union negotiations continued and led, on 2 August, to the signing of the agreement on new professional figures, on 30 November, to the signing of the agreement to renew the CCNL for Executives and, lastly, on 7 December, to the signing of the coordinated text of the CCNL for Professional Areas and Middle Managers.

Employment law support continued to be provided to the banks, both with regard to specific activities and more generally to the drafting of opinions, preparation of contracts, out-of-court assistance, operational support, interpretative advice on labour law and assistance in relations with their company Trade Union Representatives.

8. Other information on operations

8.1 - Consolidation and development of Corporate Identity activities

In 2023, a series of activities continued to ensure continuity in support for banks and territories.

In the area of finance, a new edition of the prize competition for NEF PAC subscribers was launched, called “IL RISPARMIO TI PREMIA” (Saving is Rewarding). The competition ran from 1 January and until 31 May 2023 and aimed to encourage savers to consider risk-mitigating investment formulas, such as Capital Accumulation Plans (CAPs). In addition, a major national communication campaign was planned under the NEF brand and coordinated with the Cassa Centrale Group brand identity. The project involved the major daily newspapers, information web portals and social media activities. Three years after the launch of the first communication campaign as a Group, the new multichannel national communication campaign began in late October. With this campaign, the Cassa Centrale Group chose to occupy a unique and distinctive positioning on the market, similar to how the value-based configuration it assumes amongst its competitors is also unique.

This initiative, in addition to reinforcing the awareness, identity and recognisability of the Cassa Centrale Group, made it possible to consolidate the values that have always made it stand out and to reiterate, first and foremost, the central role of common good, a relevant element of the Articles of Association of all the Affiliated Banks. By explaining this concept, the advertisement and all other communication materials created a strong and coherent communication ecosystem that legitimises the role of the Group and of all the individual Affiliated Banks as enabling factors within communities and protectors of this value.

The payoff of the new communication campaign is “founded on common good” and sought to celebrate and develop a concept that has always been part of the Group’s DNA. This principle is set out in the mission and is particularly appreciated among Shareholders, since it reflects the very essence of a cohesive community. It also integrates nicely with ESG topics and the Agenda 2030, bringing to light the importance of these values from the perspective of sustainability and promoting a better future for the whole community. The new advertisement, directed by an Italian production company and an internationally renowned director, represented a community of individuals where the well-being of each person was interwoven with the well-being of the community they were part of. This summarised the underlying message of the entire campaign and embodied the true mutual spirit of all the cooperative banks of the Cassa Centrale Group.

In this first flight, the campaign was only rolled out nationally, and saw us presented with a diversified media mix from 29 October to 19 November: TV to increase awareness about the Group and reach a wide audience; press to increase the authority and institutional nature of the campaign; radio to obtain frequency and coverage across the territory and reach the younger target; on-demand videos to extend TV coverage, widen the audience and intercept users when relaxing; online videos to intercept the target audience throughout the entire day and, a new development this year, social media to achieve additional coverage of the younger target and maximise video content views.

In continuity with previous years, work continued on the MyCMS (Content Management System), the shared multi-site platform that allows individual banks to configure and customise their websites in just a few simple and efficient steps. Following the upgrade to the Umbraco open source software, MyCMS underwent a considerable and significant graphic restyling in 2023. In May, a specific meeting was organised with the Group Banks to outline the studies on digital trends, market analyses and statistics, and the results of a customer satisfaction survey conducted on the banks. The new graphic release came out in the second half of the year and made significant improvements to the user experience on desktop and mobile. It also enriched the back end (available only to site administrators) with information about web topics and video tutorials on the main new developments or functions of the platform.

As of 31 December 2023, 63 Affiliated Banks had joined the project.

Following the performance analysis of the corporate website www.cassacentrale.it and the demographic and behavioural analysis of the public aimed at assessing its positioning and visibility, constant monitoring activities continued with a view to strengthening the positioning of the brand in the search engine results pages and sharing information aimed at raising awareness on specific corporate topics.

With regard to the Mutuo Prima Casa Giovani, which allows access to the "Guarantee Fund for the purchase of first homes" for up to 80% of the capital, a communication line was developed – also in view of the market trends in this area – for the banks to use in the promotion of the product in the reference territory. The material produced (posters, ATMs and social media formats) is fully customisable, allowing banks to add their own reference content and conditions.

In terms of Accessibility, the working group dedicated to the development of the digital channels[15], with the support of the Marketing Service, implemented activities that had already started in 2022 on the managed sites:

- MyCMS: as required by legislation and following the new graphic release, in the second half of the year the assessment was repeated and the Accessibility Statement updated for the sites that use the platform; activities began to correct errors and edit the code with the aim of improving the accessibility of the sites hosted on MyCMS;
- Group institutional website: the assessment was also repeated and the Accessibility Statement updated for this site; in September, an intense review began of the site to make it accessible.

In relation to IT security in the corporate sector, a decision was made, at ABI Lab's proposal, to promote the communication campaign "CYBERSICURI: Impresa possibile" promoted by CERTFin - CERT Finanziario Italiano. The aim of the campaign was to raise awareness among businesses of the importance of investing in systems security and employee awareness. The campaign was launched on 23 October and was rolled out, with a structured schedule and diversified media mix, until 3 December 2023.

The initiative was sponsored by the Italian Data Protection Authority and the Italian National Cybersecurity Agency.

In the area of e-money and payment cards, the important partnerships with Nexi, American Express and Bancomat continued during 2023 through a series of commercial initiatives and communication campaigns aimed at building customer loyalty and encouraging the use of cards.

This included a considerable communication campaign on mobile payments planned in collaboration with Nexi and Mastercard in December 2023. This joint communication action – supported by a significant investment from two players – was aimed at promoting digital payments and encouraging customers to use the technology for everyday spending. A new advertising subject was created dedicated to mobile payments to convey information about the simplicity and security of paying with your smartphone or smartwatch, while eliminating mistrust of these devices. The campaign planning was focused on press and digital with a presence in the main national newspapers and high-traffic sites: it began on 21 December and was rolled out – with a structured schedule and diversified media mix – until 20 January 2024.

---

[15] Accessibility is understood as the ability of information systems to deliver services and provide information that is usable and non-discriminatory, including for people who require assistive technologies or special configurations due to disabilities.

At the end of May, a major collaborative project was started with Allitude to completely redesign the screens of all ATMs of the Group Banks. This action is part of the Group's broader identity evolution project intended to give it communications consistency across all channels of access to the bank.

8.2 - Relations with related parties

Details of transactions with related parties are provided in Part H of the Explanatory Notes, to which reference should be made.

8.3 - Information on going concern, financial risks, impairment testing of assets and uncertainties in the use of estimates

With reference to the Bank of Italy, CONSOB and ISVAP documents no. 2 of 6 February 2009 and no. 4 of 3 March 2010, concerning the information to be provided in the financial reports on the business outlook, with particular reference to business continuity, financial risks, impairment testing and uncertainties in the use of estimates, the Board of Directors confirms that it has a reasonable expectation that the Group can continue to operate in the foreseeable future and therefore certifies that the consolidated financial statements as at 31 December 2023 have been prepared on a going concern basis.

There are no elements or warnings in the Group's equity and financial structure and operating performance that could lead to uncertainties as to its ability to continue as a going concern.

For information on financial risks, impairment testing of assets and uncertainties in the use of estimates, reference should be made to the information provided in this report, comments on operating performance, and/or in specific sections of the consolidated financial statements.

8.4 - Own shares

The share capital of the Parent Company Cassa Centrale Banca amounts to EUR 952,031,808, made up of 18,158,304 ordinary shares and 150,000 preference shares, both with a nominal value of EUR 52.

As at 31 December 2023, 15,874,453 ordinary and preference shares with a nominal value of EUR 825,471,556 (corresponding to 86.71% of the share capital) are held by the Affiliated Banks of the Cassa Centrale Group and therefore, in the consolidated financial statements, these are to be considered as own shares held in portfolio.

No shares of the Parent Company were sold during the year.

8.5 - Policies for business continuity management

The rapidly changing digital landscape and the evolving regulatory framework, exemplified by the introduction of Regulation (EU) No. 2022/2554 (so-called DORA Regulation) concerning digital operational resilience for the financial sector, necessitate a paradigm shift in order to better prevent business interruption events and to maintain the continuity of critical services over time.

Taking best practices in Business Continuity Management (BCM) as a starting point, Cassa Centrale Banca has launched an organisational change by relocating the Business Continuity Department to the Information Technology and Security Department. The primary goal of this change is to further expand the preventive measures for reactive response and recovery of the Bank's critical processes through better synergy between the technological and organisational components inside and outside the structure and the complete integration of the IT Risk Management framework with the Operational Resilience framework, with a view of decreasing required effort and complexity in the execution of impact and risk assessment processes.

In particular, the Risk Assessment process on business continuity was implemented by the entire Group. More advanced methods were used for the identification of inherent risk, analysis of vulnerabilities, determination of residual risk and for the mitigation measures added to the "Group's Regulations for Business Continuity and Crisis Management.

As a result of the change in the regulatory framework and the organisational structure, an adjustment was made in particular to the "Regulations on Business Continuity and Crisis Management", which contain provisions that ensure compliance with the current regulatory provisions, and the "Business Continuity Plan of the Parent Company and the Group Companies", which represents the policies and strategies for the management of business continuity and sets out, for the specific areas of remit, the Business Continuity Management System and the Crisis Management Process, both set out in the "Group Regulations on Business Continuity and Crisis Management".

In 2023, support and training activities for the Affiliated Banks continued for the implementation of the new activities. Special training workshops gave support to the business continuity contact persons, and several dedicated sessions were organised with the individual affiliated banks. These meetings illustrated the methodological changes made to the BIA (business impact analysis) and the Risk Assessment in the area of business continuity. Help was provided in compiling the related documents.

All tests planned for 2023 were carried out successfully, with particular attention to the technological test on the Disaster Recovery solution provided by Allitude, which involved eight Group Banks.

Some test scenarios were extended and implemented with positive results, such as the first end-to-end critical process test carried out at Cassa Centrale Banca. It involved the verification of the complete process of transmitting and receiving orders on the market and checking the availability and operational capacity of the provider's recovery site, as well as the reachability of the services offered by the parent company.

The support and communication activities of the Business Resilience Office during emergencies continued without interruption during the year, with particular reference to the very serious flooding that hit Emilia-Romagna in May and affected some Affiliated Banks. The event caused no disruption to critical activities and caused minimal disruption and damage to customers, thanks to prompt intervention by the banks and the execution of recovery solutions.

8.6 - Organisation, management and control model for crime prevention pursuant to Italian Legislative Decree no. 231/2001

In implementation of the delegation pursuant to article 11 of Law no. 300 of 29 September 2000, Legislative Decree no. 231 of 8 June 2001 (hereinafter also "the Decree") was issued, with which the legislator aligned domestic regulations to the international conventions, adopted also by Italy, on the liability of legal persons.

These in particular include the Brussels Convention of 26 July 1995 on the protection of the financial interests of the European Communities, the Convention signed in Brussels on 26 May 1997 on the fight against corruption involving officials of the European Community or of the Member States and the Organisation for Economic Co-operation and Development (OECD) Convention of 17 December 1997 on the fight against corruption of foreign public officials in economic and international transactions.

The Decree, containing "Guidelines for the administrative liability of legal entities, companies and associations, including those without legal personality", introduced into Italian law a system of administrative liability applicable to entities for offences that are exhaustively listed and committed in their interest or to their advantage: (i) by natural persons with representation, administration or management functions in the Entities or in one of their organisational units endowed with financial and functional autonomy, as well as by natural persons who exercise, including de facto, management and control of the Entities, or (ii) by natural persons under the direction or supervision of one of the above mentioned persons.

The entity is not liable, on the other hand, if the aforementioned parties have acted in the exclusive interest of themselves or of third parties (art. 5, paragraph 2 of the Decree) or when it voluntarily prevents the carrying out of the action or the occurrence of the event.

In any case, the administrative liability of entities is independent of the criminal liability of the natural person who committed the offence.

The offences for which the administrative liability of entities is configurable, with specific indication of the applicable sanctions, are listed in Section III of the Decree. The Decree provides for forms of exemption from the administrative liability of entities. In particular, it establishes that, in the event of a crime committed by a top management party, the entity is not liable if it proves that:

- the management body has adopted and effectively implemented, prior to the commission of the offence, organisational and management models suitable for preventing offences of the type that occurred;
- the task of supervising the functioning and observance of the models and their updating has been entrusted to a corporate body with autonomous powers of initiative and control;
- individuals have committed the offence by fraudulently circumventing organisational and management models;
- there has been no lack of or insufficient supervision by the body responsible.

Therefore, in the case of a crime committed by top management, there is a presumption of liability on the part of the entity due to the fact that such parties express and represent the policy and, therefore, the will of the entity itself: this presumption, however, can be overcome if the entity can demonstrate the existence of the four conditions indicated above in compliance with the provisions of art. 6, paragraph 1 of the Decree.

In this case, although there is personal responsibility on the part of the top management, the entity is not liable under the Decree.

In the same way, the administrative liability of the entity also exists for offences committed by subordinates, if their action was made possible by failure to comply with management or supervisory obligations. In any case, failure to comply with these management or supervisory obligations is excluded if the company demonstrates that it has adopted and effectively implemented, prior to the commission of the offence, an organisational and management model suitable for preventing offences of the type that has occurred.

The Model must meet the following requirements:

- identification of the activities within the scope of which there is the potential that offences provided for in the Decree may be committed;
- provision of specific protocols aimed at planning the formation and implementation of the company's decisions in relation to the crimes to be prevented;
- identification of methods of managing financial resources suitable to prevent the commission of such offences;
- provision of information obligations towards the body responsible for supervising the functioning of and compliance with the Model;
- introduction or transposition of a disciplinary system suitable to sanction non-compliance with the measures indicated in the Model;
- provision, including through specific reference to internal whistleblowing regulations, of adequate reporting channels that use the methods set out by said internal regulations to: i) guarantee the confidentiality of the identity of the whistleblower, the reported party, any other individuals involved, as well as the content of the report and the related documentation; ii) allow the parties identified as possible whistleblowers by the internal whistleblowing regulations to file a report relating to conduct of any kind (including omissions) seriously suspected of breaching the internal regulations of reference;
- prohibit retaliatory or discriminatory acts against whistleblowers and all parties indicated by the internal whistleblowing regulations for reasons linked – directly or indirectly – to the reporting of potential violations set out by the internal whistleblowing regulations.

The Parent Company has long since adopted a Model aimed at preventing the risk of incurring administrative liability of entities for the offences provided for in the Decree. The Cassa Centrale Banca model consists of two parts.

The General Section provides a description of the reference regulatory framework, the Bank's governance model and organisational set-up, the tasks and responsibilities of the Supervisory Board, the disciplinary system and the training and communication plan relating to the Model. It also provides indications on the methodology used to define the Model. Lastly, it identifies the roles and responsibilities regarding the adoption and updating of the Model.

The Special Section, organised in specific protocols for each category of offence envisaged by the Decree, identifies the sensitive activities within which the commission of such offences is reasonably conceivable, as well as the control measures, the organisational measures and the behavioural principles to be adopted for the purpose preventing their commission.

In particular, through the adoption and constant updating of the Model, the Parent Company has proposed pursuing the following main objectives:

- contribution to the internal dissemination of knowledge of the offences provided for in the Decree and of the activities that may lead to their implementation;
- communication within the Bank of the knowledge of activities in the context of which there is a risk of offences being committed and the internal rules adopted by the Bank governing the same activities;
- communication of full awareness that conduct contrary to the law and internal provisions is condemned by the Bank, as, in carrying out its corporate mission, it intends to comply with the principles of legality, fairness, diligence and transparency;

- assurance of an organisation and system of controls appropriate to the activities carried out by the Parent Company and guarantees of the correctness of the behaviour of top management, employees and collaborators.

With the establishment of the Cooperative Banking Group, the Parent Company adjusted its Model overall to ensure alignment with the new governance structure and the changed operating environment.

At the same time, the Parent Company, in order to rationalise and standardise the management of the administrative liability of entities by the Group Companies, has prepared a document containing principles and guidelines with which they are required to comply. In particular, the document provides that the Companies subject to monitoring by at least one Supervisory Authority as well as Allitude S.p.A. are required to adopt, in line with the indications contained in the document, their own Organisational, Management and Control Model, to be shared with the Supervisory Board and subsequently submitted for approval to the Management Body.

Italian-registered subsidiaries, on the other hand, are required to periodically assess their exposure to the risk of the offences set out by Legislative Decree 231/2001 being committed. Once the risk assessment is complete, if a relevant risk emerges of any of such offences being committed, the Companies are required, according to the indications contained in the document, to: (i) adopt a Model; (ii) set up a Supervisory Board, and (iii) prepare specific information flows aimed at enabling the Parent Company to become aware of relevant facts concerning the companies themselves.

The Parent Company's Model is updated with the most recent regulatory changes concerning material additions and/or amendments to the predicate offences. The Parent Company promptly informs the Group Companies of regulatory changes relevant to the updating of their respective Models.

8.7 - Country-by-country reporting

The “Country-by country” reporting as provided for by Art. 89 of Directive no. 2013/36/EU of the European Parliament and of the Council (known as CRD IV), is published on the Bank's website www.cassacentrale.it.

8.8 - Sustainability

Sustainability now has a central role on the political agenda, resulting in a considerable amount of legislation and regulation, especially at European level (Directives, Regulations and specific expectations of regulators).

On account of its characteristic cooperative values, the Cassa Centrale Group has set itself the goal of contributing to the transition towards economic, social and environmental sustainability in all its communities and territories of operation, through a process that can be summarised as follows:

- as banks: to maintain balanced management in order to be able to play a full role in serving the Communities;
- as a BCC-CR-RAIKA: to enhance knowledge of proximity and the privileged relationship with cooperative members, which derive from its regional roots and small size;
- as a Cooperative Banking Group: combining the autonomy of banks with the economies and synergies of being a Group.

Non-financial reporting is prepared by ensuring comparability with the rest of the banking system and at the same time enhancing the principles of mutual cooperation.

Within the parent company's ESG and Institutional Relations Department, whose tasks were reorganised in spring 2023, the following is list of activities that were completed and were also instrumental in fully responding to regulatory requirements and regulatory innovations:

- collaboration in the preparation of the Strategic Plan 2023-2026 project lines, with ESG issues linked as one of the Plan's enabling factors;
- drafting the "Group Regulation on Sustainability" and distributing it to Group companies in order to provide the Cassa Centrale Group (Parent Company, Subsidiaries and Affiliated Banks) with a suitable organisational structure that can further strengthen the oversight of ESG issues. In particular, the first part of the Regulation sets out the organisational and governance structures of the Parent Company as regards sustainability. The second part describes the provisions, for the Affiliated Banks and Subsidiaries, of the roles (mainly ESG Steering Committees, ESG Managers and ESG Representatives) and their related responsibilities;
- enhancement of specific projects such as the launch of the "Community of Practice of ESG Representatives", issued at the same time as the training course for ESG Representatives, with the aim of pooling ESG initiatives in the territories of individual entities, thereby fostering mutual comparison.

Further sustainability initiatives undertaken during the half-year period included the "green" competition, which ran from 1 April to 31 May 2022 in collaboration with Apple. The project saw the involvement of AzzeroCO2, a company set up in 2004 by Legambiente and Kyoto Club to help companies, bodies and territories along the path of ecological conversion, as part of the "Mosaico Verde" project for the forestation of new areas and the protection of forests in Italy. The initiative led to the planting of 1,000 trees in the Gargano National Park. The Group's commitment to the environment continued with a project arising from a partnership with VAIA, a start-up for the reforestation of the Dolomites following the 2018 Vaia storm. The initiative resulted in the planting of 1,500 trees at the Redebus Pass (Trentino-Alto Adige).

Lastly, as further recognition of the Group's daily efforts to help improve conditions in its operating territories in accordance with cooperative credit principles and values, the Cassa Centrale Group is once again one of this year's "Sustainability Leaders" in the annual ranking drawn up by Il Sole 24 Ore in cooperation with Statista, a leading market research company specialising in the ranking and analysis of company data.

The Sustainability Plan

Following the update of the 2022-2025 Sustainability Plan at the end of 2022, activities continued to monitor the achievement of the objectives set out in the document, supported by constant awareness-raising activities on the Plan's main topics, with a special focus on external communications.

The Plan was updated in November 2023 on a rolling approach: the 2023-2026 Sustainability Plan was therefore prepared, which incorporated a new ESG area for a total of five, notably:

- Environment;
- Communities and Shareholders;
- ESG Governance;
- People;
- Customers.

Each ESG area envisages a series of objectives totalling forty, which represent the target positioning sought by the Group in the years covered by that Plan.

In short, the Plan is an opportunity to enhance, affirm and reiterate the cooperative nature of the Cassa Centrale Group, with an interpretation of sustainability characterised by a particular focus on the needs and specificities of the territories in which the Group operates.

Consolidated non-financial statement

For more details on the Group's Sustainability, please refer to the Consolidated Non-Financial Statement, which Cassa Centrale Banca prepares on an annual basis pursuant to Article 5, paragraph 3 of Legislative Decree no. 254/2016. The document is published on the Cassa Centrale Banca website at www.cassacentrale.it in the "Investors" section.

8.9 - Research and Development

The Cassa Centrale Group conducts research and development in line with its strategic objectives and the demands of the market. The Group's R&D is described, where relevant, in several paragraphs of this report as part of the activities managed by the Departments of the Parent Company and its Subsidiaries.

9. Significant events occurred after the end of the financial year

In relation to the provisions of IAS 10, it should be noted that, after 31 December 2023 and until 28 March 2024, when Board of Directors approved this annual consolidated financial report, no events, facts or circumstances have occurred that led to a change in the data approved at that time, nor that they have had significant subsequent impacts on the Group's financial position and income statement.

The main events occurring after the end of the financial year are described below.

Business combinations between Affiliated Banks

From 1 January 2024, the following business combination between Affiliated Banks took legal effect:

Cassa di Trento, Lavis, Mezzocorona, Valle di Cembra e Alta Vallagarina - Banca di Credito Cooperativo and Cassa Rurale Novella e Alta Anaunia - Banca di Credito Cooperativo: new name Banca per il Trentino Alto Adige - Bank fur Trentino-Sudtirol - Credito Cooperativo Italiano Società Cooperativa.

As such, the total number of Affiliated Banks decreased to 66, in addition to the Parent Company.

Rating updates

On 31 January 2024, the ratings agency Morningstar DBRS, in the context of the annual due diligence process, confirmed all ratings of the Cassa Centrale Group, including the Long-Term Issuer Rating of BBB (low). During its assessment of the Group, the agency also improved the outlook from stable to positive.

The decision reflects the Group's results in the management of its risk profile through a reduction in the stock of NPL, combined with significant levels of coverage and limited flows of new impaired loans. The implementation of strategic initiatives also provides a solid foundation against possible adverse scenarios and supports the growth of profitability.

Appointment of the new Chief of CEO Staff and Chief Transformation Officer

Carlo Appetiti was appointed Chief of CEO Staff and Chief Transformation Officer, effective 1 February 2024, reporting directly to Chief Executive Officer Sandro Bolognesi.

Green Agreement between the Cassa Centrale Group and SACE to support the sustainable transition of businesses

The Cassa Centrale Group has reinforced its collaboration with SACE to accelerate the sustainable transition of businesses, by supporting their investments to reduce the environmental impacts deriving from their activities.

The renewed collaboration allows the Group Banks to provide businesses operating in their territories with the SACE guarantee, to support and facilitate their "green" projects, such as investments in: climate change mitigation and adaptation, prevention and reduction of polluting activities, protection of water and marine resources, safeguarding and restoration of biodiversity and ecosystems, sustainable mobility and circular economy, in line with the Green New Deal and with the taxonomy defined by the European Union.

Transfers of Unlikely To Pay (UTP) non-performing positions

In the first quarter of 2024, a portfolio of mostly mortgage loan UTPs with a GBV of EUR 40.9 million originating from eight Group Banks was published on the BlinkS Platform, the digital marketplace managed by Prelios Innovation S.r.l.. The portfolio was awarded at a price of EUR 17.1 million and the signing of the transfer contracts will take legal effect from the transfer date of 2 April.

Strategic partnership agreement with Worldline Merchant Services Italia

The Board of Directors of Cassa Centrale Banca identified Worldline Merchant Services Italia S.p.A. ("Worldline") as the strategic partner with which to launch negotiations to define agreements on the provision of services along the value chain for the acceptance of digital payments and international acquiring for the Group Banks.

Worldline Merchant Services Italia is a subsidiary of the French group Worldline SA, the fourth leading operator in the world for payment and transaction services.

The project envisages the supply and management of POS terminals, and an exclusive agreement for international circuits.

The merchant acquiring activities of the Cassa Centrale Group refer to over 90,000 POS terminals, which in 2023 generated transacted volumes of over EUR 9 billion. The initiative aims to further improve the quality of the POS services offered to merchants, by relaunching the offer with innovative products and services with greater market competitiveness.

The completion of the negotiation phase will allow the Group to generate medium-term benefits and carry out one of the initiatives set out in the 2023-2026 Group Strategic Plan.

10. Business outlook

The economic scenario in 2023 was weak and influenced by the strong uncertainties that still persist and will be reflected in the 2024 forecasts.

The geopolitical context continues to be affected by the conflict between Russia and Ukraine, the duration of which now represents an unforeseeable variable, and was worsened by another war in the Middle East. The evolution of geopolitical risks is a decisive factor in determining the repercussions on the world and national economy.

In economic terms, following the high levels in the first half of 2023, inflation recorded a more gradual return of expectations and should converge toward the target in 2024.

The high levels of inflation led to restrictive monetary policy decisions by the main Central Banks, with the aim of protecting the purchasing power of households and businesses, which were reflected in the cost of credit and determined a cooling off in demand for new loans at systemic level.

This economic framework, accompanied by the increase in the return on government bonds, also influenced the funding structure of the banking system, experiencing a partial migration towards the segment of assets under management and administration.

Given the challenging context, the entire banking sector will have to continue to assess the evolution of the situation very carefully and maintain a strong focus on credit quality, aiming to consolidate the results achieved in recent years in terms of asset quality.

Improved operating efficiency, cost reduction and new business strategies in particular are confirmed as the main levers for the recovery of structural profitability in the sector.

In such an economic and social context, the Group continues to focus its attention on strongly supporting the economic fabric of the reference territories, which are facing a rapidly and constantly changing situation, and on overseeing the overall risk profile.

Finally, activities related to the Group's organisational and operational structure continued, with a renewed focus on investments in technology and human capital, aspects which are considered as fundamental enablers to the achievement of the objectives set out in the Group's new Strategic Plan.

Indipendent Auditors' Report on the Consolidated Financial Statements of the Cassa Centrale Group

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: +39 02 83322111
Fax: +39 02 83322112
www.deloitte.it

INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at December 31, 2023, the consolidated income statement, the statement of consolidated comprehensive income, the statement of changes in consolidated equity, the consolidated cash flow statement for the year then ended, and the consolidated explanatory notes, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and to art. 43 of Italian Legislative Decree no. 136/15.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. (the "Bank") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte.

Classification and valuation of loans to customers for financing measured at amortised cost	
Description of the key audit matter	As indicated in the consolidated explanatory notes "Part B - Information on the consolidated balance sheet – Section 4 of Assets" and in the report on consolidated operations in the Chapter "Operating performance of the Cassa Centrale Group" – paragraph "Credit Quality", the gross amount of loans to customers for financing measured at amortised cost as at December 31, 2023 is equal to Euro 50,350 milion (of which Euro 2,150 milion of non-performing loans), reduced by adjustment provisions of Euro 2,499 milion (of which Euro 1,823 milion related to non-performing loans), resulting in a net amount of Euro 47,851 milion (of which Euro 327 milion of non-performing loans). Furthermore, the Report on Consolidated Operations shows that the coverage ratio of the aforementioned loans to customers as at December 31, 2023 is equal to 5.0%. More specifically, in accordance with the allocation required by IFRS 9 "Financial Instruments", the coverage ratio of performing exposures, classified in "First Stage" and "Second Stage", is equal to 1.4%, while the coverage ratio of non-performing exposures, classified in "Third Stage", is equal to 84.8%. The consolidated explanatory notes "Part A – Accounting Policies" and "Part E – Information on Risks and Related Hedging Policies" describe: • the processes and the classification criteria of credit exposures adopted by the Group in compliance with the current provisions of the Supervisory Authorities and in accordance with the applicable accounting standards; • the measurement criteria of loans to customers for financing measured at amortised cost as well as the estimate methods of the expected credit losses and for determining the consequent loan loss provisions based on the allocation of credit exposures among the three reference stages. Furthermore, the credit monitoring and valuation processes and controls adopted by the Group, as part of its policies for managing loans to customers, provide, moreover, a more structured segmentation into homogeneous risk clusters. In this regard, in particular, the uncertainties arising from the current macroeconomic context were taken into account. In 2023, in fact, geopolitical uncertainties were worsened by the continuation of the Russia-Ukraine conflict and the onset of new tensions with potential influences on the European economy. In addition to these conditions of possible instability, during 2023 there was also a significant increase in interest rates intended to contain inflation. Considering the significance of the amount of loans to customers for financing measured at amortised cost recorded in the financial statements, the complexity of the monitoring process of the credit quality and of the estimation process of the expected credit losses adopted by the Group,

	which also took into account, in the current macroeconomic context, the application of certain fine tuning to the IFRS 9 Impairment model, and the relevance of the discretionary components inherent in such processes, we considered the classification and valuation of loans to customers for financing measured at amortised cost as a key audit matter of the consolidated financial statements of the Group as at December 31, 2023.
Audit procedures performed	The main audit procedures performed, also supported by specialists of the Deloitte Network, were as follows: • analysis of the lending process with particular reference to the recognition and understanding of the organisational and procedural controls set up by the Group to ensure the monitoring of credit quality and the correct classification and measurement of the credit exposures in accordance with the regulatory framework, the internal policies and applicable accounting standards; • check the implementation and operating effectiveness of the relevant controls identified in relation to the classification and valuation processes of loans to customers for financing measured at amortised cost; • analysis and understanding of the main valuation models adopted by the Group for the determination of the loan loss provisions relating to performing loans, and the related fine tuning in order to also reflect the uncertainties arising from the current macroeconomic context, as well as check of the reasonableness of the parameters subject to estimation; • check, on a sample basis, the classification of performing loans to customers for financing measured at amortised cost in accordance with the regulatory framework, the Group's internal policies and applicable accounting standards, with focused analysis on performing loans category known as "bonis sotto osservazione"; • check, on a sample basis, of the classification and measurement of non-performing loans to customers for financing measured at amortised cost in accordance with the regulatory framework, the Group's internal policies and applicable accounting standards; • comparative and trend analysis, as well as comparison with sector data, of loans to customers for financing measured at amortised cost and of related loan loss provisions, also through examination of the monitoring reports provided by the Group and discussion of the related results with the functions involved; • analysis of subsequent events occurring after the reference date of the financial statements;

Deloitte.

- check the completeness and the compliance of the disclosures provided in the financial statements in accordance with the regulatory framework and applicable accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and to art. 43 of Italian Legislative Decree no. 136/15, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Bank or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. has appointed us on June 16, 2021 as auditors of the Bank for the years from December 31, 2021 to December 31, 2029.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Bank in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and to art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. are responsible for the preparation of the report on operations and the specific information required by art. 123-bis, paragraph 2 (b), of Legislative Decree 39/10 included in the section related to the report on corporate governance and the ownership structure of Cassa Centrale Banca Credito Cooperativo Italiano Cooperative Banking Group as at December 31, 2023, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the section related to the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Cassa Centrale Banca Credito Cooperativo Italiano Cooperative Banking Group as at December 31, 2023 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations and the above-mentioned specific information required by art. 123-bis, paragraph 2 (b), of Legislative Decree 39/10 contained in the section therein related to the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Cassa Centrale Banca Credito Cooperativo Italiano Cooperative Banking Group as at December 31, 2023 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Deloitte.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Enrico Gazzaniga
Partner

Milan, Italy
April 24, 2024

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Consolidated financial statements of the Cassa Centrale Group

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

	ASSETS	31/12/2023	31/12/2022
10.	Cash and cash equivalents	734	710
20.	Financial assets measured at fair value through profit or loss	294	473
	a) financial assets held for trading	5	7
	b) financial assets designated at fair value	1	1
	c) other financial assets mandatorily measured at fair value	288	465
30.	Financial assets measured at fair value through other comprehensive income	11,050	10,919
40.	Financial assets measured at amortised cost	72,880	76,376
	a) loans to banks	1,397	1,445
	b) loans to customers	71,483	74,931
50.	Hedging derivatives	84	125
60.	Fair value change of financial assets in hedged portfolios (+/-)	(79)	(118)
70.	Equity investments	54	58
90.	Tangible assets	1,222	1,234
100.	Intangible assets	84	80
	of which:		
	- goodwill	27	27
110.	Tax assets	585	783
	a) current	115	131
	b) deferred	470	652
120.	Non-current assets and groups of assets held for disposal	1	1
130.	Other assets	2,670	2,195
	Total assets	**89,579**	**92,836**

	LIABILITIES AND EQUITY	31/12/2023	31/12/2022
10.	Financial liabilities measured at amortised cost	79,218	83,588
	a) due to banks	10,216	16,391
	b) due to customers	63,299	64,114
	c) debt securities in issue	5,703	3,083
20.	Financial liabilities held for trading	4	7
30.	Financial liabilities designated at fair value	1	1
40.	Hedging derivatives	4	1
60.	Tax liabilities	49	36
	a) current	24	20
	b) deferred	25	16
80.	Other liabilities	1,561	1,529
90.	Provision for severance indemnity	90	95
100.	Provisions for risks and charges	432	372
	a) commitments and guarantees given	147	141
	b) post-employment benefits	-	-
	c) other provisions for risks and charges	285	231
120.	Valuation reserves	(20)	(231)
140.	Equity instruments	1	1
150.	Reserves	6,889	6,399
160.	Share premium	76	74
170.	Share Capital	1,271	1,271
180.	Own shares (-)	(868)	(867)
200.	Profit (loss) for the year (+/-)	871	560
	Total liabilities and equity	**89,579**	**92,836**

Consolidated income statement

	ITEMS	31/12/2023	31/12/2022
10.	Interest income and similar revenues	3,287	2,157
	of which: interest income calculated with the effective interest method	3,256	2,144
20.	Interest expenses and similar charges	(891)	(312)
30.	**Net interest income**	**2,396**	**1,845**
40.	Fees and commissions income	933	871
50.	Fees and commissions expenses	(138)	(116)
60.	**Net fees and commissions**	**795**	**755**
70.	Dividend and similar income	4	4
80.	Net result from trading	6	9
90.	Net result from hedging	-	1
100.	Profit (Loss) from disposal/repurchase of:	(374)	(63)
	a) financial assets measured at amortised cost	(254)	(1)
	b) financial assets measured at fair value through other comprehensive income	(120)	(62)
	c) financial liabilities	-	-
110.	Net result of other financial assets and liabilities measured at fair value through profit or loss	7	(36)
	a) financial assets and liabilities designated at fair value	-	-
	b) other financial assets mandatorily measured at fair value	7	(36)
120.	**Net interest and other banking income**	**2,834**	**2,515**
130.	Net value adjustments/write-backs due to credit risk relative to:	(80)	(272)
	a) financial assets measured at amortised cost	(79)	(270)
	b) financial assets measured at fair value through other comprehensive income	(1)	(2)
140.	Profit (Loss) from contractual changes without derecognitions	(1)	(1)
150.	**Net income from financial activies**	**2,753**	**2,242**
180.	**Net income from financial and insurance activities**	**2,753**	**2,242**
190.	Administrative expenses:	(1,762)	(1,627)
	a) staff expenses	(1,028)	(945)
	b) other administrative expenses	(734)	(682)

	ITEMS	31/12/2023	31/12/2022
200.	Net allocations to provisions for risks and expenses	(13)	(12)
	a) commitments and guarantees given	(8)	(5)
	b) other net allocations	(5)	(7)
210.	Net value adjustments/write-backs to tangible assets	(113)	(112)
220.	Net value adjustments/write-backs to intangible assets	(30)	(21)
230.	Other operating expenses/income	195	199
240.	**Operating costs**	**(1,723)**	**(1,573)**
250.	Profit (loss) on equity investments	(5)	(11)
270.	Value adjustments to goodwill	-	(1)
280.	Profit (loss) from disposal of investments	2	(1)
290.	**Profit (loss) before tax from current operating activities**	**1,027**	**656**
300.	Income taxes for the year on current operating activities	(156)	(94)
310.	**Profit (loss) after tax from current operating activities**	**871**	**562**
330.	**Profit (loss) for the year**	**871**	**562**
340.	Profit (loss) for the year for minority interests	-	(2)
350.	**Profit (loss) for the Parent Company**	**871**	**560**

Statement of consolidated comprehensive income

	ITEMS	31/12/2023	31/12/2022
10.	**Profit (loss) for the year**	**871**	**562**
	Other post-tax components of income without reversal to the income statement	**12**	**42**
20.	Equities measured at fair value through other comprehensive income	13	32
30.	Financial liabilities designated at fair value through profit or loss (changes in credit rating)	-	-
40.	Hedging of equities measured at fair value through other comprehensive income	-	-
50.	Tangible assets	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	(1)	10
80.	Non-current assets and groups of assets held for disposal	-	-
90.	Quota of reserves from the valuation of shareholdings measured with the equity method	-	-
100.	Financial revenues or costs relating to insurance contracts issued	-	-
	Other post-tax components of income with reversal to the income statement	**199**	**(316)**
110.	Hedging of foreign investments	-	-
120.	Exchange rate differences	-	-
130.	Cash flow hedging	(1)	1
140.	Hedging instruments (undesignated elements)	-	-
150.	Financial assets (other than equities) measured at fair value through other comprehensive income	200	(318)
160.	Non-current assets and groups of assets held for disposal	-	-
170.	Quota of reserves from the valuation of shareholdings measured with the equity method	-	1
180.	Financial revenues or costs from insurance contracts issued	-	-
190.	Financial revenues or costs relating to reinsurance transfers	-	-
200.	**Total other post-tax components of income**	**211**	**(274)**
210.	**Comprehensive income (Item 10+200)**	**1,082**	**288**
220.	**Consolidated comprehensive income pertaining to minority interests**	**-**	**2**
230.	**Consolidated comprehensive income pertaining to the Parent Company**	**1,082**	**286**

Statement of changes in consolidated equity as at 31/12/2023

	Balance as at 31/12/22	Adjustment to opening balances	Balance as at 01/01/23	Allocation of result from previous year		Changes during the year									Group equity as at 31/12/23	Equity pertaining to minority interests as at 31/12/23
							Equity transactions									
				Reserves	Dividends and other allocations	Changes to reserves	Issue of new shares	Purchase of own shares	Distribution of extraordinary dividends	Change in equity instruments	Derivatives on own shares	Stock Options	Changes in equity investments	Comprehensive income for 2023		
Share capital:																
a) ordinary shares	1,263	X	1,263	-	X	X	6	(6)	X	X	X	X	-	X	1,263	-
b) other shares	8	X	8	-	X	X	-	-	X	X	X	X	-	X	8	-
Share premium	74	X	74	-	X	-	2	X	X	X	X	X	-	X	76	-
Reserves:																
a) profit	6,389	-	6,389	499	X	(4)	-	-	-	X	X	X	(5)	X	6,879	-
b) other	10	-	10	-	X	-	-	X	-	X	-	-	-	X	10	-
Valuation reserves	(231)	-	(231)	X	X	-	X	X	X	X	X	X	-	211	(20)	-
Equity instruments	1	X	1	X	X	X	X	X	X	-	X	X	-	X	1	-
Own shares	(867)	X	(867)	X	X	X	-	(1)	X	X	X	X	X	X	(868)	-
Profit (loss) for the year	560	-	560	(499)	(61)	X	X	X	X	X	X	X	X	871	871	-
Group's equity	**7,207**	**-**	**7,207**	**-**	**(61)**	**(4)**	**8**	**(7)**	**-**	**-**	**-**	**-**	**(5)**	**1,082**	**8,220**	
Equity pertaining to minority interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**-**

Statement of changes in consolidated equity as at 31/12/2022

	Balance as at 31/12/21	Adjustment to opening balances	Balance as at 01/01/22	Allocation of result from previous year		Changes during the year									Group equity as at 31/12/22	Equity pertaining to minority interests as at 31/12/22
							Equity transactions									
				Reserves	Dividends and other allocations	Changes to reserves	Issue of new shares	Purchase of own shares	Distribution of extraordinary dividends	Change in equity instruments	Derivatives on own shares	Stock Options	Changes in equity investments	Comprehensive income for 2022		
Share capital:																
a) ordinary shares	1,264	X	1,264	-	X	X	5	(6)	X	X	X	X	-	X	1,263	-
b) other shares	8	X	8	-	X	X	-	-	X	X	X	X	-	X	8	-
Share premium	73	X	73	-	X	-	1	X	X	X	X	X	-	X	74	-
Reserves:																
a) profit	6,106	-	6,106	294	X	(11)	-	-	-	X	X	X	-	X	6,389	(2)
b) other	8	-	8	-	X	2	-	X	-	X	-	-	-	X	10	-
Valuation reserves	43	-	43	X	X	-	X	X	X	X	X	X	-	(274)	(231)	-
Equity instruments	6	X	6	X	X	X	X	X	X	(5)	X	X	-	X	1	-
Own shares	(866)	X	(866)	X	X	X	-	(1)	X	X	X	X	X	X	(867)	-
Profit (loss) for the year	333	-	333	(294)	(39)	X	X	X	X	X	X	X	X	560	560	2
Group's equity	**6,975**	**-**	**6,975**	**-**	**(39)**	**(9)**	**6**	**(7)**	**-**	**(5)**	**-**	**-**	**-**	**286**	**7,207**	
Equity pertaining to minority interests	**1**	**-**	**1**	**-**	**-**	**(3)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2**		**-**

Consolidated cash flow statement

Indirect method

	Amount	
	31/12/2023	31/12/2022
A. OPERATING ACTIVITIES		
1. Operations	**1,195**	**699**
- income for the year (+/-)	871	562
- gains/losses on financial assets held for trading and other assets/liabilities measured at fair value through profit or loss (-/+)	(1)	28
- gains/losses on hedging activities (-/+)	-	(1)
- net value adjustments/write-backs due to credit risk (+/-)	80	272
- net value adjustments/write-backs to tangible and intangible assets (+/-)	143	133
- net allocations to provisions for risks and expenses and other costs/revenues (+/-)	13	12
- Net revenues and expenses of insurance contracts issued and reinsurance contracts held (-/+)	-	-
- taxes, duties and tax credits not settled (+/-)	93	81
- net value adjustments/write-backs from discontinued operations net of tax (-/+)	-	-
- other adjustments (+/-)	(4)	(388)
2. Cash flows generated/used by the financial assets	**3,379**	**(2,116)**
- financial assets held for trading	3	2
- financial assets designated at fair value	-	-
- other assets obligatorily measured at fair value	177	90
- financial assets measured at fair value through other comprehensive income	93	(178)
- financial assets measured at amortised cost	3,384	(1,005)
- other assets	(278)	(1,025)
3. Cash flows generated/used by the financial liabilities	**(4,421)**	**1,348**
- financial liabilities measured at amortised cost	(4,412)	1,823
- financial liabilities held for trading	(3)	4
- financial liabilities designated at fair value	-	-
- other liabilities	(6)	(479)
4. Cash flows generated/used by insurance contracts issued and reinsurance transfers	**-**	**-**
- insurance contracts issued that are liabilities/assets (+/-)	-	-
- reinsurance transfers that are liabilities/assets (+/-)	-	-
Net cash flow generated/used by operating activities	**153**	**(69)**

	Amount	
	31/12/2023	31/12/2022
B. INVESTMENT ACTIVITIES		
1. Cash flows generated by	**55**	**29**
- sales of equity investments	-	-
- dividends collected on equity investments	4	4
- sales of tangible assets	51	25
- sales of intangible assets	-	-
- sales of subsidiaries and business units	-	-
2. Cash flows used by	**(123)**	**(106)**
- equity investment acquisitions	-	-
- tangible asset acquisitions	(98)	(89)
- intangible asset acquisitions	(25)	(17)
- purchases of subsidiaries and business units	-	-
Net cash flow generated/used by investment activities	**(68)**	**(77)**
C. FUNDING ACTIVITIES		
- issues/purchases of own shares	-	-
- issues/purchases of equity instruments	-	-
- dividend distribution and other	(61)	(39)
- sale/purchase of third parties' controlling interests	-	-
Net cash flow generated/used by funding activities	**(61)**	**(39)**
NET CASH FLOWS GENERATED/USED DURING THE YEAR	**24**	**(185)**

KEY:

(+) generated

(-) absorbed

Reconciliation

ITEMS	Amount	
	31/12/2023	31/12/2022
Cash and cash equivalents at the beginning of the year	710	895
Total net cash flows generated/used during the year	24	(185)
Cash and cash equivalents: impact of exchange differences	-	-
Cash and cash equivalents at year-end	734	710

Consolidated financial statements of the Cassa Centrale Group

CONSOLIDATED EXPLANATORY NOTES

PART A - Accounting policies

A.1 - General Section

Section 1 - Statement of compliance with international accounting standards

Cassa Centrale Banca Credito Cooperativo Italiano Cooperative Banking Group (hereinafter also referred to as the "Cassa Centrale Group" or the "Group") is required to prepare its consolidated financial statements in accordance with the IAS/IFRS issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission under the procedure set out in art. 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, in force at the reference date of this document, including the interpretative documents of the International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC), limited to those applied for the preparation of the consolidated financial statements as at 31 December 2023.

The Bank of Italy defines the formats and rules for the preparation of financial statements in Circular no. 262 of 22 December 2005, including subsequent updates. The eighth update, published on 17 November 2022, is in force.

In interpreting and applying the new international accounting standards, reference was also made to the "Framework for the Preparation and Presentation of Financial Statements" (known as "Conceptual Framework" or the "Framework"), issued by the IASB. In terms of interpretation, also considered were the documents on the application of IAS/IFRS in Italy, prepared by the Italian Accounting Body (OIC) and the Italian Banking Association (ABI).

In the absence of a standard or an interpretation specifically applicable to a particular transaction, the Group uses the professional judgement of its departments in developing accounting recognition rules which make it possible to provide a reliable financial disclosure, necessary for guaranteeing that the financial statements give a true and fair view of the Group's equity and financial position, reflecting the economic substance of the transaction as well as the relevant related aspects.

In formulating these accounting recognition rules, reference was made, as much as possible, to the provisions contained in the international accounting standards and the associated interpretations that address similar cases.

Section 2 - General preparation criteria

The consolidated financial statements of the Cassa Centrale Group include the Parent Company Cassa Centrale Banca and the direct and indirect subsidiaries: for further details on the scope of consolidation, please refer to "Section 3 - Scope and methods of consolidation" of this Part A.

The consolidated financial statements consist of i) the consolidated balance sheet, ii) the consolidated income statement, iii) the statement of consolidated comprehensive income, iv) the statement of changes in consolidated equity, v) the consolidated cash flow statement, vi) the consolidated explanatory notes, and are accompanied by the Directors' report on operations and the situation of the Group.

In addition, IAS 1 "Presentation of financial statements", requires the representation of a "statement of comprehensive income" also illustrating, among the other income components, the changes in the value of the assets recorded in the period as a contra-entry to equity. In line with the information contained in the aforementioned Bank of Italy Circular no. 262 of 22 December 2005 and subsequent updates, the Group chose, as permitted by the accounting standard in question, to use two statements to provide the statement of comprehensive Income: a first statement highlighting the traditional components of the income statement and the relevant result for the year, and a second statement that, based on the latter, shows the other components of the statement of comprehensive Income.

In accordance with the provisions of Article 5 of Italian Legislative Decree no. 38/2005, the consolidated financial statements are prepared using the euro as the accounting currency. The consolidated balance sheet and the consolidated income statement, as well as the statement of consolidated comprehensive income, the statement of changes in consolidated equity, the consolidated cash flow statement and the consolidated explanatory notes have been prepared in millions of euros. Any differences found between the amounts in the explanatory notes and the consolidated financial statements are attributable to rounding up.

The consolidated balance sheet and the consolidated income statement comprise items, sub-items and additional detailed information. Items not valued either in the current or the previous year are not reported.

In the consolidated income statement and the related section of the explanatory notes, revenues are recorded without sign, while the costs are indicated in brackets. In the statement of consolidated comprehensive income, the negative amounts are stated in brackets.

Furthermore, the complementary information deemed suitable to supplement the financial statements data was provided in the consolidated explanatory notes, including when not specifically required by the legislation.

The financial statements as at 31 December 2023 have been prepared with clarity and give a true and fair view of the financial position, economic result for the year, changes in Group equity and generated cash flows.

The consolidated financial statements are prepared on the basis of the going concern assumption of the Cassa Centrale Group, as the directors reasonably expect that the Group will continue operating in the foreseeable future. The situation of the financial markets and the real economy and the still uncertain forecasts made with reference to the short/medium-term require particularly precise valuations to be performed as regards the going concern assumption, since the results history of the Group and its easy access to financial resources may not be sufficient in the current context. The directors believe that the risks and uncertainties to which the Group may be subject in the flow of its operations are not significant and therefore do not cast doubt on the company's ability to continue as a growing concern, despite considering the current macroeconomic environment characterised by various factors, such as inflation, high interest rates, geopolitical risks related to the Russia-Ukraine conflict and to the one in the Middle East, as well as related uncertainties affecting future developments.

Estimation processes are based on past experience as well as other factors considered reasonable in the circumstances, and aim to estimate the book value of assets and liabilities that are not readily apparent from other sources. In particular, estimation processes were adopted that support the book value of some of the most important valuation items posted in the accounts, according to reference regulations. These processes are mainly based on estimates of future recoverability of the values in the accounts and were carried out on a going concern basis.

The main cases for which subjective evaluations are required to be made by the Board of Directors include:

- the quantification of expected losses due to the reduction of loan values and, in general, of other financial assets;
- the determination of the fair value of financial instruments, with particular reference to financial assets not listed on active markets;
- the assessment of congruity in the value of goodwill, other intangible assets and equity investments;
- the measurement of personnel funds and provisions for risks and charges;
- the estimates and assumptions regarding recoverability of deferred tax assets.

The information provided on the accounting policies applied for the main aggregate values of the consolidated financial statements includes the necessary details for identifying the main assumptions and subjective evaluations made in preparing the consolidated financial statements. For further details on the breakdown and relative book values of the specific statement captions affected by said estimates, see the relevant sections of these consolidated explanatory notes. The processes adopted support the book values on the date of preparing the consolidated financial statements. The measurement process, as in the previous year, continues to be complex in consideration of the persisting uncertainty of the macroeconomic and market environment, characterised both by the considerable volatility of the financial parameters determined for the measurement and by a progressive increase in interest rates, despite the fact that in 2023, we are experiencing a slowdown of the inflationary trend and, at present, no significant indicators of impairment in credit quality have yet been found. These parameters and the information used to check the mentioned values are significantly affected by these factors which are out of the Group's control and may undergo rapid and unforeseeable changes. For further details, see paragraph d) of the Section 5 - Other Aspects.

The consolidated financial statements also make reference to the general preparation criteria listed below, where applicable:

- principle of clarity, truth, fairness and completeness in the presentation of the balance sheet, income statement and cash flows (true and fair view);
- accrual principle;
- principle of consistent presentation and classification from one year to another (comparability);
- principle of prohibited offsetting of entries, except where expressly permitted;
- principle of prevalence of economic substance over legal form;
- principle of prudence in exercising the necessary judgement to make the estimates required in conditions of uncertainty so that the assets or revenues are not overestimated and the liabilities or costs are not underestimated, without this implying the creation of hidden reserves or excessive allocations;
- principle of neutral nature of information;
- principle of relevance/significance of the information.

Ultimately, with reference to the main implications related to the method of application of the international accounting standards (in particular IFRS 9) in the current macroeconomic environment characterised by geopolitical tensions, please refer to the specific paragraph "d) Risks, uncertainties, impacts and methods of application of the international accounting standards in the current macroeconomic scenario" included in "A.1 - General Part, Section 5 - Other Aspects" of this Part A.

The 2023 financial year was not characterised by any changes in the estimation criteria already applied for the preparation of the financial statements as at 31 December 2022 except for what is shown in "Other Aspects" in point d) in relation to the measurement of loans to customers in the current macroeconomic environment.

Section 3 - Scope and methods of consolidation

The consolidated financial statements refer to a scope of consolidation better defined below. In this regard, the provisions of IFRS 10, 11, 12 and IFRS 3 have been taken into account, including in the scope of consolidation - as specifically provided for by IAS/IFRS – including companies operating in sectors of activity different from that of the Parent Company. Similarly, structured companies are also included if their control requirements are met, regardless of their mere shareholding.

Moreover, with regard to the consolidation of Cooperative Banking Groups, it should be pointed out that Law no. 145 of 30 December 2018 "State Budget for the 2019 financial year and multi-annual budget for the three-year period 2019-2021" (2019 Budget Law), in transposing into Italian law, Article 2, paragraph 2, letter b) of Directive no. 86/635/EEC on the treatment of central bodies for the purposes of consolidated accounts, introduced the obligation to prepare consolidated financial statements for the whole of the central body and its affiliates (known as "single consolidating entity"). The adoption of this EU provision introduced, inter alia, the following two regulatory changes:

a. "for the purposes of preparing the consolidated financial statements, the Parent Company and the banks belonging to the cooperative banking group constitute a single consolidating entity";

b. "in preparing the consolidated financial statements, the accounting items relating to the Parent Company and the Affiliated Banks are recorded on a consistent basis".

In this regard, it seems reasonable to believe that the Italian legislator, as part of the amendments introduced by the 2019 Budget Law, has taken into account the interpretation provided by the European Commission in 2006 according to which, even in the case of IAS adopters, the obligation to prepare consolidated financial statements must be assessed in accordance with the provisions of the national transposition of European directives.

In light of the interpretation of the European Commission and considering that, as a result of the transposition into Italian law of Article 2, paragraph 2, letter b) of Directive no. 86/635/EEC, in the case of Cooperative Banking Groups, the entity required to prepare consolidated financial statements (reporting entity) is represented by the aggregation of the central body and the Affiliated Banks (known as "single consolidating entity"), it is considered that the rules of IFRS 10 - Consolidated financial statements apply only for the purposes of identifying the scope of consolidation of the reporting entity; i.e. only for the purposes of assessing the existence of situations of control between the entities forming the reporting entity and third parties (e.g. subsidiaries of the Parent Company or individual Affiliated Banks).

Recognition of the reporting entity nature within the sole consolidating entity also implies that IFRS 3 would apply only to the accounting of business combinations involving the latter and third parties (e.g. in the case of acquisition of new subsidiaries).

The provision of the Testo Unico Bancario (Consolidated Banking Act - TUB), according to which the Cohesion Contract ensures the existence of a situation of control as defined by international accounting standards, must also be interpreted in light of the subsequent amendments made to national accounting regulations by the 2019 Budget Law.

In this context, on the one hand, the 2019 Budget Law defines the procedures with which to comply with the consolidation obligations in the case of central bodies, on the other hand, the TUB's provisions are important in order to circumscribe the Central Body's governance powers over its affiliates.

The aforementioned approach is consistent, among other things, with the approach already adopted in other European jurisdictions with regard to the manner in which central bodies and their affiliated entities are consolidated, as for example in France.

That being said, in line with the above, the preparation of the consolidated financial statements was carried out through a process of aggregation of:

- financial statements of the Parent Company Cassa Centrale Banca and its subsidiaries/associates over which it exercises control on the basis of the majority of voting rights and/or the connection on the basis of significant influence;
- financial statements of the Affiliated Banks and their subsidiaries/associates over which the Parent Company exercises direction and coordination on the basis of the Cohesion Contract.

This process was followed by a subsequent phase of reclassification to own shares of the same shares of Cassa Centrale Banca held by the Affiliated Banks and the elimination of the asset and economic balances attributable to intra-group transactions.

Subsidiaries

Without prejudice to that stated in the previous paragraph regarding the peculiarities of the consolidation method of the Cooperative Banking Group, the scope of consolidation is determined in compliance with the provisions contained in international accounting standard IFRS 10 - Consolidated financial statements. Based on this principle, the control requirement forms the basis of the consolidation of all types of entities, and is realised when an investor simultaneously:

- has the power to determine the relevant activities of the entity;
- is exposed to or benefits from the variable returns deriving from its involvement with the entity;
- has the ability to exercise its power to influence the amount of its returns (link between power and returns).

IFRS 10 establishes that, to have control, the investor must have the ability to direct the relevant activities of the entity, based on a legal right or mere de facto situation, and also be exposed to the variability of the results stemming from this power.

The subsidiaries are consolidated from the date on which the Group acquires control, according to the 'acquisition method' - IFRS 3, and cease to be consolidated when control is no longer held.

The existence of control is subject to a continuous valuation process if there are events and circumstances that indicate the presence of a change in one or more of the three elements forming the control requirement, presented in the following paragraph "Significant valuations and assumptions for determining the scope of consolidation".

The full consolidation consists of the 'line-by-line' acquisition of the aggregates of the balance sheet and the income statement of the entities controlled, as contra-entry to the cancellation of the investment held by the Group in the entity and the recognition, in the appropriate items, of the shares held by minority interests.

The differences emerging from this offsetting were subject to the provisions of IFRS 3; if they were allocated to the appropriate items, they are subject to the accounting treatment of the reference standard; if they were not specifically allocated, they are booked to goodwill under intangible assets and subject to impairment testing. Negative differences (so-called bargain purchase or badwill) are recognised in the consolidated income statement.

In addition, for entities controlled through an investment relationship, the share of equity pertaining to minority interests, the result for the year and comprehensive income is represented separately in the respective consolidated financial statements (under consolidated balance sheet liability item 190. Minority interests, 340. Profit (loss) for the year for minority interests in the consolidated income statement and 190. Consolidated comprehensive income pertaining to minority interests in the statement of consolidated comprehensive income).

Costs and revenues relating to the controlled entity are included in the Consolidated Financial Statements from the date of acquisition of control. The costs and revenues of the subsidiary transferred are included in the consolidated income statement until the transfer date; the difference between the consideration of the transfer and the book value of the net assets of the same is recognised in the consolidated income statement item 280. Profit (loss) from disposal of investments. In the presence of a partial disposal of the controlled entity which does not determine the loss of control, the difference between the consideration of the transfer and the associated book value is booked as a contra-entry to equity.

Controlling interests held for sale are consolidated on a line-by-line basis and stated separately in the Financial Statements as a group held for disposal valued as at the reporting date at the lower of the book value and the fair value less disposal costs, based on the treatment provided for in IFRS 5.

Controlling shareholdings with total assets of less than EUR 10 million are accounted for using the equity method, as line-by-line consolidation would require a considerable effort in terms of production, collection and consolidation of data, against negligible benefits in relation to financial reporting. This option, however, is expressly provided for in Article 19 of Regulation (EU) no. 575/2013 (CRR) on consolidation methods for the purposes of prudential supervision.

In special purpose vehicles, the circumstances that need to be examined for the purposes of any existence of a situation of control pursuant to IFRS 10 are:

- the involvement/role of Group companies in the structuring of the transaction (originator/investor/servicer/facility provider);
- the subscription of a large portion of Asset Backed Securities (ABS) issued by the special purpose vehicle on the part of Group companies;
- the scope/objective of the transaction.

In 2023, the following business combinations between subsidiaries took place:

- since 1 january 2023, the merger by incorporation of Credito Etneo - Banca di Credito Cooperativo in Banca Sicana - Credito Cooperativo with simultaneous change of the company name in Sicilbanca - Credito Cooperativo Italiano;
- since 1 July 2023 with effective 1 January 2023, the merger by incorporation of Friulovest Banca - Credito Cooperativo - Società Cooperativa into BancaTer - Credito Cooperativo FVG Società Cooperativa was carried out, with simultaneous change in the company name to Banca 360 Credito Cooperativo FVG Società Cooperativa.

In addition, in 2023 the Cassa Centrale Group finished exercising the option provided for in the initial joint venture agreements for the purchase from Deutsche Bank of the 40% equity share of Prestipay S.p.A. As a result of the transaction, the Parent Company Cassa Centrale Banca has acquired the entire share capital of Prestipay S.p.A.

The full scope of the subsidiaries that are part of the Cassa Centrale Group as at 31 December 2023 is shown below:

COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		% Votes available
				Investing company	% Share	
A. ENTITIES CONSOLIDATED ON A LINE-BY-LINE BASIS						
A.1 ENTITIES CONSOLIDATED ON A LINE-BY-LINE BASIS - COHESION CONTRACT						
CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	Trento	Trento	4			
BANCA DI CREDITO COOPERATIVO DEL CIRCEO E PRIVERNATE - SOCIETÀ COOPERATIVA	Sabaudia (LT)	Sabaudia (LT)	4			
BANCA DELL'ALTA MURGIA CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	Altamura (BA)	Altamura (BA)	4			
BANCA DI CREDITO COOPERATIVO DEI CASTELLI E DEGLI IBLEI - SOCIETÀ COOPERATIVA	Mazzarino (CL)	Mazzarino (CL)	4			
BANCA MALATESTIANA - CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	Rimini	Rimini	4			
BANCA DI CREDITO COOPERATIVO DEI CASTELLI ROMANI E DEL TUSCOLO - SOCIETÀ COOPERATIVA	Castel Gandolfo (Rome)	Rocca Priora (Rome)	4			
CASSA RURALE VALLAGARINA - BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	Ala (TN)	Ala (TN)	4			
CASSA RURALE ALTO GARDA - ROVERETO BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	Arco (TN)	Arco (TN)	4			
CASSA RURALE DI LEDRO - BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	Ledro (TN)	Ledro (TN)	4			
LA CASSA RURALE – CREDITO COOPERATIVO ADAMELLO GIUDICARIE VALSABBIA PAGANELLA - SOCIETÀ COOPERATIVA	Tione di Trento (TN)	Tione di Trento (TN)	4			
CASSA RURALE VALSUGANA E TESINO - BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	Borgo Valsugana (TN)	Borgo Valsugana (TN)	4			
FPB CASSA DI FASSA PRIMIERO BELLUNO BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	Moena (TN)	Moena (TN)	4			
CASSA RURALE VAL DI SOLE - BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	Malè (TN)	Malè (TN)	4			
CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	Pergine Valsugana (TN)	Pergine Valsugana (TN)	4			
CASSA RURALE VAL DI FIEMME - BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	Cavalese (TN)	Cavalese (TN)	4			

COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		% Votes available
				Investing company	% Share	
CASSA RURALE RENON - SOCIETÀ COOPERATIVA	Collalbo Renon (BZ)	Collalbo Renon (BZ)	4			
CASSA RURALE NOVELLA E ALTA ANAUNIA - BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	Fondo (TN)	Revò (TN)	4			
CASSA RAIFFEISEN DI SAN MARTINO IN PASSIRIA - SOCIETÀ COOPERATIVA	S. Martino in Passiria (BZ)	S. Martino in Passiria (BZ)	4			
CREDITO COOPERATIVO CENTRO CALABRIA - SOCIETÀ COOPERATIVA	Cropani Marina (CZ)	Cropani Marina (CZ)	4			
CASSA RURALE VAL DI NON - ROTALIANA E GIOVO - BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	Cles (TN)	Cles (TN)	4			
CASSA RURALE DI TRENTO, LAVIS, MEZZOCORONA, VALLE DI CEMBRA E ALTA VALLAGARINA - BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	Trento	Trento	4			
BANCA DI CREDITO COOPERATIVO DI ALBEROBELLO, SAMMICHELE E MONOPOLI - SOCIETÀ COOPERATIVA	Alberobello (BA)	Alberobello (BA)	4			
CASSA PADANA BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	Leno (BS)	Leno (BS)	4			
BANCA DI CREDITO COOPERATIVO DI AQUARA - SOCIETÀ COOPERATIVA	Aquara (SA)	Aquara (SA)	4			
BANCANAGNI CREDITO COOPERATIVO SOCIETÀ COOPERATIVA	Anagni (FR)	Anagni (FR)	4			
BANCA DI CREDITO COOPERATIVO DELL'ALTO TIRRENO DELLA CALABRIA VERBICARO - SOCIETÀ COOPERATIVA	Verbicaro (CS)	Verbicaro (CS)	4			
BANCA DI CREDITO COOPERATIVO DI BARLASSINA - SOCIETÀ COOPERATIVA	Barlassina (MB)	Barlassina (MB)	4			
BENE BANCA CREDITO COOPERATIVO DI BENE VAGIENNA (CUNEO) - SOCIETÀ COOPERATIVA	Bene Vagienna (CN)	Bene Vagienna (CN)	4			
CASSA RURALE ED ARTIGIANA DI BORGO SAN GIACOMO (BRESCIA) - CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	Borgo San Giacomo (BS)	Borgo San Giacomo (BS)	4			
CASSA RURALE ED ARTIGIANA DI BOVES - BANCA DI CREDITO COOPERATIVO (BOVES-CUNEO) - SOCIETÀ COOPERATIVA	Boves (CN)	Boves (CN)	4			
BANCA DI CARAGLIO, DEL CUNEESE E DELLA RIVIERA DEI FIORI - CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	Caraglio (CN)	Caraglio (CN)	4			
BANCA DI CREDITO COOPERATIVO DI CASSANO DELLE MURGE E TOLVE - SOCIETÀ COOPERATIVA	Cassano delle Murge (BA)	Cassano delle Murge (BA)	4			
CASTAGNETO BANCA 1910 - CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	Donoratico (LI)	Castagneto Carducci (LI)	4			

COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		% Votes available
				Investing company	% Share	
BANCA DI CREDITO COOPERATIVO DELLA ROMAGNA OCCIDENTALE - SOCIETÀ COOPERATIVA	Castel Bolognese (RA)	Castel Bolognese (RA)	4			
BCC FELSINEA - BANCA DI CREDITO COOPERATIVO DAL 1902 - SOCIETÀ COOPERATIVA	San Lazzaro di Savena (BO)	San Lazzaro di Savena (BO)	4			
BANCA DI CREDITO COOPERATIVO DI CHERASCO - SOCIETÀ COOPERATIVA	Rovereto di Cherasco (CN)	Rovereto di Cherasco (CN)	4			
BANCO MARCHIGIANO CREDITO COOPERATIVO	Civitanova Marche (MC)	Civitanova Marche (MC)	4			
BANCA DI CREDITO COOPERATIVO DI CONVERSANO - SOCIETÀ COOPERATIVA	Conversano (BA)	Conversano (BA)	4			
BANCA CENTRO EMILIA - CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	Corporeno (FE)	Corporeno (FE)	4			
CORTINABANCA – CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	Cortina d'Ampezzo (BL)	Cortina d'Ampezzo (BL)	4			
BANCA DI CREDITO COOPERATIVO DI FLUMERI - SOCIETÀ COOPERATIVA	Flumeri (AV)	Flumeri (AV)	4			
BANCA DI CREDITO COOPERATIVO VALDOSTANA - COOPERATIVE DE CREDIT VALDOTAINE - SOCIETÀ COOPERATIVA	Aosta	Gressan (AO)	4			
BANCA DEL VENETO CENTRALE - CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	Longare (VI)	Longare (VI)	4			
BANCA DI CREDITO COOPERATIVO DI LOCOROTONDO CASSA RURALE E ARTIGIANA - SOCIETÀ COOPERATIVA	Locorotondo (BA)	Locorotondo (BA)	4			
CREDITO COOPERATIVO - CASSA RURALE ED ARTIGIANA DEL FRIULI VENEZIA GIULIA - SOCIETÀ COOPERATIVA	Gorizia (GO)	Gorizia (GO)	4			
BANCA 360 CREDITO COOPERATIVO FVG - SOCIETÀ COOPERATIVA	Udine	Udine	4			
PRIMACASSA – CREDITO COOPERATIVO FVG - SOCIETÀ COOPERATIVA	Martignacco (UD)	Martignacco (UD)	4			
BVR BANCA - BANCHE VENETE RIUNITE CREDITO COOPERATIVO DI SCHIO, PEDEMONTE, ROANA E VESTENANOVA - SOCIETÀ COOPERATIVA	Schio (VI)	Schio (VI)	4			
BANCA DI CREDITO COOPERATIVO DI BRESCIA - SOCIETÀ COOPERATIVA	Nave (BS)	Brescia	4			
BANCA CENTRO LAZIO CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	Palestrina (Rome)	Palestrina (Rome)	4			
BANCA DEL TERRITORIO LOMBARDO CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	Brescia	Brescia	4			
BANCA DI CREDITO COOPERATIVO DI PIANFEI E ROCCA DE' BALDI - SOCIETÀ COOPERATIVA	Pianfei (CN)	Pianfei (CN)	4			

COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		% Votes available
				Investing company	% Share	
BANCA MONTE PRUNO - CREDITO COOPERATIVO DI FISCIANO, ROSCIGNO E LAURINO - SOCIETÀ COOPERATIVA	Roscigno (SA)	Roscigno (SA)	4			
BANCA DI CREDITO COOPERATIVO DI LODI - SOCIETÀ COOPERATIVA	Lodi	Lodi	4			
BANCA DI CREDITO COOPERATIVO DI SAN GIOVANNI ROTONDO - SOCIETÀ COOPERATIVA	San Giovanni Rotondo (FG)	San Giovanni Rotondo (FG)	4			
BANCA DI CREDITO COOPERATIVO DI SAN MARZANO DI SAN GIUSEPPE - TARANTO - SOCIETÀ COOPERATIVA	San Marzano di San Giuseppe (TA)	San Marzano di San Giuseppe (TA)	4			
BANCA TERRITORI DEL MONVISO - CREDITO COOPERATIVO DI CASALGRASSO E SANT'ALBANO STURA - SOCIETÀ COOPERATIVA	Carmagnola (TO)	Sant'Albano Stura (CN)	4			
BANCA DI CREDITO COOPERATIVO DI SARSINA - SOCIETÀ COOPERATIVA	Sarsina (FC)	Sarsina (FC)	4			
ROMAGNABANCA CREDITO COOPERATIVO ROMAGNA EST E SALA DI CESENATICO - SOCIETÀ COOPERATIVA	Bellaria-Igea Marina (RN)	Rubicone (FC)	4			
BANCA DI CREDITO COOPERATIVO DI SPELLO E DEL VELINO - SOCIETÀ COOPERATIVA	Spello (PG)	Spello (PG)	4			
BANCA DI BOLOGNA CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	Bologna	Bologna	4			
BANCA PREALPI SAN BIAGIO CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	Tarzo (TV)	Tarzo (TV)	4			
ZKB CREDITO COOPERATIVO DI TRIESTE E GORIZIA - SOCIETÀ COOPERATIVA	Opicina (TS)	Opicina (TS)	4			
BANCA LAZIO NORD CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	Viterbo	Viterbo	4			
BANCA DI CREDITO COOPERATIVO LA RISCOSSA DI REGALBUTO - SOCIETÀ COOPERATIVA	Regalbuto (EN)	Regalbuto (EN)	4			
BANCA DI CREDITO COOPERATIVO ABRUZZI E MOLISE - SOCIETÀ COOPERATIVA	Atessa (CH)	Atessa (CH)	4			
BANCA ADRIA COLLI EUGANEI - CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	Adria (RO)	Adria (RO)	4			
SICILBANCA - CREDITO COOPERATIVO ITALIANO	Caltanissetta	Caltanissetta	4			

COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		% Votes available
				Investing company	% Share	
A.2 ENTITIES CONSOLIDATED ON A LINE-BY-LINE BASIS OTHER THAN COHESION CONTRACT						
NORD EST ASSET MANAGEMENT SA	Luxembourg	Luxembourg	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	100.00	100.00
ALLITUDE S.p.A.	Trento	Trento	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	96.70	96.70
				OTHER MINORITY INTERESTS	3.01	3.01
					99.71	99.71
ASSICURA AGENZIA S.r.l.	Udine	Udine	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	100.00	100.00
ASSICURA BROKER S.r.l.	Trento	Trento	1	ASSICURA AGENZIA S.r.l.	100.00	100.00
CLARIS LEASING S.p.A.	Treviso	Treviso	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	100.00	100.00
CENTRALE SOLUZIONI IMMOBILIARI S.r.l.	Trento	Trento	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	100.00	100.00
BANCA DI BOLOGNA REAL ESTATE S.p.A.	Bologna	Bologna	1	BANCA DI BOLOGNA CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	100.00	100.00
IMMOBILIARE VILLA SECCAMANI S.r.l.	Leno (BS)	Leno (BS)	1	CASSA PADANA BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	100.00	100.00
PRESTIPAY S.p.A.	Udine	Udine	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	100.00	100.00
A.3 ENTITIES CONTROLLED BUT CONSOLIDATED AT EQUITY FOR MATERIALITY LIMITS						
AZIENDA AGRICOLA ANTONIANA S.r.l.	Leno (BS)	Leno (BS)	1	CASSA PADANA BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	100.00	100.00
BENACO GESTIONI IMMOBILIARI S.r.l.	Leno (BS)	Leno (BS)	1	CASSA PADANA BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	100.00	100.00
CÀ DEL LUPO S.r.l.	Leno (BS)	Leno (BS)	1	CASSA PADANA BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	100.00	100.00
AGORÀ S.r.l.	Leno (BS)	Narbolia (OR)	1	CASSA PADANA BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	100.00	100.00
BTV GESTIONI S.r.l.	Brescia	Brescia	1	BANCA DEL TERRITORIO LOMBARDO CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	100.00	100.00
IMMOBILIARE BCC DI BRESCIA S.r.l.	Nave (BS)	Nave (BS)	1	BANCA DI CREDITO COOPERATIVO DI BRESCIA - SOCIETÀ COOPERATIVA	100.00	100.00
RAIFFEISEN IMMOBILIEN S.r.l.	Renon (BZ)	Renon (BZ)	1	CASSA RURALE RENON - SOCIETÀ COOPERATIVA	100.00	100.00
VERDEBLU IMMOBILIARE S.r.l.	Cherasco (CN)	Cherasco (CN)	1	BANCA DI CREDITO COOPERATIVO DI CHERASCO - SOCIETÀ COOPERATIVA	100.00	100.00

COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		% Votes available
				Investing company	% Share	
CASSA RURALE ALTA VALSUGANA SOLUZIONI IMMOBILIARI S.r.l.	Pergine Valsugana (TN)	Pergine Valsugana (TN)	1	CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	100.00	100.00
QUADRIFOGLIO 2018 S.r.l.	Castenaso (BO)	Castenaso (BO)	1	BCC FELSINEA - BANCA DI CREDITO COOPERATIVO DAL 1902 - SOCIETÀ COOPERATIVA	100.00	100.00
SOCIETÀ AGRICOLA TERRE DELLA ROCCA S.r.l.	Bologna	Bologna	1	BANCA DI BOLOGNA REAL ESTATE S.p.A.	100.00	100.00
ASSICURA S.r.l.	Udine	Udine	1	BANCA 360 CREDITO COOPERATIVO FVG - SOCIETÀ COOPERATIVA	32.78	32.78
				PRIMACASSA – CREDITO COOPERATIVO FVG - SOCIETÀ COOPERATIVA	19.68	19.68
				CREDITO COOPERATIVO - CASSA RURALE ED ARTIGIANA DEL FRIULI VENEZIA GIULIA - SOCIETÀ COOPERATIVA	15.19	15.19
				ZKB CREDITO COOPERATIVO DI TRIESTE E GORIZIA - SOCIETÀ COOPERATIVA	9.98	9.98
					77.63	77.63
CLARIS RENT S.p.A.	Treviso	Treviso	1	CLARIS LEASING S.p.A.	100.00	100.00
CENTRALE TRADING S.r.l.	Trento	Trento	1	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	42.50	42.50
				ALLITUDE S.p.A.	10.00	10.00
					52.50	52.50
FONDO LEONIDA	Verona	Verona	4	BANCA DEL TERRITORIO LOMBARDO CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	n.a.	n.a.

*Relationship type:

1 = majority of voting rights in the ordinary shareholders' meeting

2 = dominant influence in the ordinary shareholders' meeting

3 = agreements with other shareholders

4 = other forms of control

5 = unitary management pursuant to Article 39, paragraph 1, of "Legislative Decree no. 136/2015"

6 = unitary management pursuant to Article 39, paragraph 2, of "Legislative Decree no. 136/2015"

Structured entities

In accordance with IFRS 12 paragraph B21, there are defined entities structured so that voting or similar rights are not the predominant factor in determining who controls the entity.

Structured entities have all or some of the following characteristics:

- limited activities;
- a limited and well-defined social purpose;
- insufficient equity to allow the structured entity to finance its activities without subordinated financial support;
- loans by investors that create concentrations of credit risk or other risks (tranches).

Structured entities subject to consolidation are those over which the Cassa Centrale Group has the power over the entity’s relevant activities and is exposed to the variability of their returns, by virtue of the financial instruments underwritten.

At the end of the reporting period, the Cassa Centrale Group consolidated the Fondo Leonida (closed-end alternative real estate investment fund) using the equity method because it is below the aforementioned materiality limit, by virtue of the financial instruments subscribed (fund units), financial support to the fund and exposure to the variability of returns on the fund’s relevant activities.

Associates

An associate is a company in which the investing company has significant influence and which is not a subsidiary or part of a joint venture. Significant influence is presumed when the investing company holds, directly or indirectly, at least 20% of the capital of another company. Further indicators of significant influence are as follows:

- representation on the company’s governance body;
- participation in the process of defining policies, including therein participation in decisions relating to dividends or other profit distributions;
- the existence of significant transactions between the investor and the investee company;
- the exchange of managerial personnel;
- provision of essential technical information.

Equity investments in associates are consolidated according to the equity method. The equity method provides for the initial recognition of the investment at cost and its subsequent value adjustment based on the share of the investee company's equity. The equity investment in associates includes goodwill (net of any impairment) paid for the acquisition. Participation in the post-acquisition profits and losses of associates is booked to the income statement under item 250. Profit (loss) on equity investments.

Any distribution of dividends is used to reduce the book value of the equity investment.

If the interest in the losses of an associate is equal to or exceeds the book value of the investee, no further losses are recognised, unless specific obligations have been undertaken in favour of the associate or payments have been made to said entity.

The valuation reserves of the associates are shown separately in the Statement of Consolidated Comprehensive Income.

The full scope of the investments in associates belonging to the Cassa Centrale Group as at 31 December 2023 is shown below:

NAME	Registered office	Operating headquarters	Relationship type*	Investment relationship		% Votes available
				Investing company	% Share	
B. COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE						
LE CUPOLE S.r.l.	Manerbio (BS)	Manerbio (BS)	4	CASSA PADANA BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	22.00	22.00
FINANZIARIA TRENTINA DELLA COOPERAZIONE	Trento	Trento	4	CASSA RURALE DI TRENTO, LAVIS, MEZZOCORONA, VALLE DI CEMBRA E ALTA VALLAGARINA - BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	8.49	8.49
				CASSA RURALE ALTO GARDA - ROVERETO BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	7.22	7.22
				CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	7.18	7.18
				CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	4.08	4.08
				CASSA RURALE VAL DI NON - ROTALIANA E GIOVO - BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	3.78	3.78
				FPB CASSA DI FASSA PRIMIERO BELLUNO BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	3.27	3.27
				LA CASSA RURALE – CREDITO COOPERATIVO ADAMELLO GIUDICARIE VALSABBIA PAGANELLA - SOCIETÀ COOPERATIVA	3.14	3.14
				CASSA RURALE VAL DI FIEMME - BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	3.12	3.12
				CASSA RURALE VALSUGANA E TESINO - BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	2.88	2.88
				OTHER MINORITY INTERESTS	4.35	4.35
					47.51	47.51

NAME	Registered office	Operating headquarters	Relationship type*	Investment relationship		% Votes available
				Investing company	% Share	
PARTECIPAZIONI COOPERATIVE S.r.l.	Trento	Trento	4	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	13.92	13.92
				CASSA RURALE DI TRENTO, LAVIS, MEZZOCORONA, VALLE DI CEMBRA E ALTA VALLAGARINA - BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	7.89	7.89
				CASSA RURALE ALTO GARDA - ROVERETO BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	5.80	5.80
				CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	5.10	5.10
				CASSA RURALE VAL DI NON - ROTALIANA E GIOVO - BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	4.18	4.18
				FPB CASSA DI FASSA PRIMIERO BELLUNO BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	2.32	2.32
				CASSA RURALE VALLAGARINA - BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	2.09	2.09
				OTHER MINORITY INTERESTS	6.49	6.49
					47.79	47.79
SERENA S.r.l.	Manzano (UD)	Manzano (UD)	4	BANCA 360 CREDITO COOPERATIVO FVG - SOCIETÀ COOPERATIVA	29.05	29.05
RITTNERHORN SEILBAHNEN AG	Renon (BZ)	Renon (BZ)	4	CASSA RURALE RENON - SOCIETÀ COOPERATIVA	23.97	23.97
SENIO ENERGIA S.r.l., IN LIQUIDAZIONE	Faenza (RA)	Faenza (RA)	4	BANCA DI CREDITO COOPERATIVO DELLA ROMAGNA OCCIDENTALE - SOCIETÀ COOPERATIVA	22.22	22.22
RENDENA GOLF S.p.A.	Bocenago (TN)	Bocenago (TN)	4	LA CASSA RURALE – CREDITO COOPERATIVO ADAMELLO GIUDICARIE VALSABBIA PAGANELLA - SOCIETÀ COOPERATIVA	24.76	24.76
SCOUTING S.p.A.	Bellaria - Igea Marina (RN)	Bellaria - Igea Marina (RN)	4	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	8.26	8.26
				ROMAGNABANCA CREDITO COOPERATIVO ROMAGNA EST E SALA DI CESENATICO - SOCIETÀ COOPERATIVA	6.29	6.29
				CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	6.29	6.29
				BANCA PREALPI SAN BIAGIO CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	4.88	4.88
				BANCA MALATESTIANA - CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	4.65	4.65
					30.37	30.37

NAME	Registered office	Operating headquarters	Relationship type*	Investment relationship		% Votes available
				Investing company	% Share	
CABEL HOLDING S.p.A.	Empoli (FI)	Empoli (FI)	4	CASTAGNETO BANCA 1910 - CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	19.50	19.50
				CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	7.66	7.66
				BANCA LAZIO NORD CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	2.01	2.01
					29.17	29.17
SERVIZI E FINANZA FVG S.r.l.	Udine	Udine	4	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	27.19	27.19
CONNESSIONI - IMPRESA SOCIALE S.r.l.	Brescia	Brescia	4	CASSA PADANA BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	30.00	30.00
DISTRETTO RURALE TERRE BASILIANE DEL CILENTO S.C.a.r.L	Futani (SA)	Futani (SA)	4	BANCA DI CREDITO COOPERATIVO DI AQUARA - SOCIETÀ COOPERATIVA	20.69	20.69

*Relationship type:

1 - majority of voting rights in the ordinary shareholders' meeting

2 - dominant influence in the ordinary shareholders' meeting

3 - agreements with other shareholders

4 - company subject to a significant influence

5 - unitary management pursuant to Article 26, paragraph 1, of "Legislative Decree no. 87/92"

6 - unitary management pursuant to Article 26, paragraph 2, of "Legislative Decree no. 87/92"

7 - joint ventures

8 - other type of relationship

Jointly controlled companies

A joint arrangement is a contractual agreement in which two or more counterparties have joint control.

Joint control is the sharing, on a contractual basis, of control of an agreement, which exists solely when the unanimous consent of all parties that share control is required for decisions relating to significant assets. According to IFRS 11, joint arrangements must be classified as joint operations or joint ventures based on the contractual rights and obligations held by the Group.

A joint operation is a joint arrangement in which the parties have rights over the assets and obligations with respect to the liabilities of the agreement. A joint venture is a joint arrangement in which the parties have rights over the net assets of the agreement. These equity investments are measured according to the equity method.

The full scope of the investments in jointly controlled companies forming part of the Cassa Centrale Group as at 31 December 2023 is shown below:

NAME	Registered office	Operating headquarters	Relationship type*	Investment relationship		% Votes available
				Investing company	% Share	
A. JOINTLY CONTROLLED COMPANIES						
CASSE RURALI RAIFFEISEN FINANZIARIA S.p.A., IN LIQUIDAZIONE	Bolzano	Bolzano	7	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	50.00	50.00
FRONTE PARCO IMMOBILIARE S.r.l.	Bologna	Bologna	7	BANCA DI BOLOGNA CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	50.00	50.00

*Relationship type:

1 - majority of voting rights in the ordinary shareholders' meeting

2 - dominant influence in the ordinary shareholders' meeting

3 - agreements with other shareholders

4 - company subject to a significant influence

5 - unitary management pursuant to Article 26, paragraph 1, of "Legislative Decree no. 87/92"

6 - unitary management pursuant to Article 26, paragraph 2, of "Legislative Decree no. 87/92"

7 - joint ventures

8 - other type of relationship

Significant valuations and assumptions for determining the scope of consolidation

The scope of consolidation is determined in compliance with the provisions contained in international accounting standard IFRS 10 - Consolidated financial statements. Based on this principle, the control requirement forms the basis of the consolidation of all types of entities, including structured entities when the conditions are met, and is realised when an investor simultaneously has:

- the power to determine the relevant activities of the entity;
- is exposed to or benefits from the variable returns deriving from its involvement with the entity;
- the ability to exercise its power to influence the amount of its returns (link between power and returns).

IFRS 10 establishes that, to have control, the investor must have the ability to direct the relevant activities of the entity, based on a legal right or mere de facto situation, and also be exposed to the variability of the results stemming from this power.

Therefore, the Cassa Centrale Group consolidates all types of entities when all three aspects of control are present.

Generally, when an entity is directed through voting rights, control derives from holding more than half of the voting rights.

In other cases, determination of the scope of consolidation calls for consideration of all factors and circumstances that give the investor the practical ability to unilaterally manage the relevant activities of the entity (de facto control). To this end, it is necessary to consider a combination of factors, such as, merely by way of an example:

- the scope and design of the entity;
- the identification of the relevant activities and how they are managed;
- any right held through contractual agreements which confer the power to govern the relevant activities, such as the power to determine the financial and operating policies of the entity, the power to exercise the majority of voting rights in the decision-making body or the power to appoint or remove the majority of the body with decision-making functions;
- any potential voting rights exercisable and considered substantial;
- the involvement in the entity in the role of agent or principal;
- the nature and the dispersion of any rights held by other investors.

With reference to the Group's situation at the date of these consolidated financial statements, all companies in which the majority of voting rights in the ordinary shareholders' meeting are held are considered wholly-owned subsidiaries, given that no evidence has been highlighted that the other investors have the practical ability to direct the relevant activities.

For companies in which half or less of voting rights are held, at the date of these consolidated financial statements, no agreements, statutory clauses or situations able to attribute the Cassa Centrale Group the practical capacity to unilaterally govern the relevant activities were identified.

Equity investments in wholly-owned subsidiaries with significant third-party interests

At the date of these consolidated financial statements, there are no subsidiaries through an equity relationship with significant third-party interests.

Significant restrictions

At the date of these consolidated financial statements, there are no legal or substantive obligations or restrictions able to obstruct the rapid transfer of capital resources within the Group. The only restrictions are those attributable to regulatory provisions which may require a minimum amount of regulatory capital to be retained, or to the provisions of the Italian Civil Code on distributable profits and reserves.

It should be noted that there are no protective rights held by minorities able to limit the Group's capacity to access or transfer assets between Group companies or settle the Group's liabilities, including in relation to the fact that, as at 31 December 2023, there are no subsidiaries with significant third-party interests, as stated in the previous paragraph.

Other information

The accounting positions forming the basis of the line-by-line consolidation process are those relating to 31 December 2022, as approved by the competent bodies of the consolidated companies adjusted, where necessary, to bring them into line with the homogeneous accounting standards of the Group.

For the consolidation of companies subject to joint control and investments in associates, the most recent financial statements (annual or interim) approved by the companies have been used. In cases where the companies do not apply IAS/IFRS, it is verified that any application of IAS/IFRS would not have had a significant impact on the Consolidated Financial Statements of the Cassa Centrale Group.

Section 4 - Subsequent events

In relation to the provisions of IAS 10, in the period between the reference date of this document and its approval by the Board of Directors on 28 March 2024, no events occurred such as to entail a change in the data presented in the financial statements.

The accounting estimates as at 31 December 2023 were made on the basis of a series of macroeconomic and financial indicators expected at that date.

Note the following non-amending event occurring after the end of the year, for which information must be provided.

Transfers of Unlikely To Pay (UTP) non-performing positions

In the first quarter of 2024, a portfolio of mostly mortgage loan UTPs with a GBV of EUR 40.9 million originating from eight Group banks was published on the BlinkS Platform, the digital marketplace managed by Prelios Innovation Srl. The portfolio was awarded at a price of EUR 17.1 million and the signing of the transfer contracts will take legal effect from the transfer date of 2 April.

Section 5 - Other aspects

a) IFRS accounting standards, amendments and interpretations applicable from 1 January 2023

The following IFRS accounting standards, amendments and interpretations were applied by the Group for the first time from 1 January 2023:

- IFRS 17 "Insurance Contracts" (including the amendments published in June 2020): intended to replace IFRS 4 Insurance Contracts;
- amendments to IFRS 17 "Insurance contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information";
- amendments to IAS 1 "Presentation of Financial Statements" and "IFRS Practice Statement 2: Disclosure of Accounting Policies" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates". The changes are aimed at improving accounting policy disclosures in order to provide investors and other primary users of the financial statements with more usable information, and to enable companies to distinguish between changes to accounting estimates and changes to accounting policy;
- amendments to IAS 12 "Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction" and standard Pillar II regulations (international tax reform). With Legislative Decree no. 209 of 27 December 2023 - published in Official Gazette General Series no. 301 of 28 December 2023 (Delegated Decree) and entered into force on 29 December 2023 - Italy adopted Directive (EU) 2022/2523, intended to

guarantee, according to the common approach of the OECD model rules (GloBE Model Rules), a minimum level of effective taxation for multinational groups of companies and, according to the Directive, also for national groups on a large scale in the Union (so-called Global Minimum Tax, or GMT).

The GMT is intended to limit tax competition through a minimum global tax rate of 15% for each jurisdiction in which the companies of a multinational group operate and, at European level, this includes domestic groups. Taking account of the options exercised by Italy and other countries for the introduction of a domestic minimum tax, the GMT is structured into three different forms of taxation, in a specifically governed coordinated and hierarchical order of application:

- domestic minimum tax (applicable from financial year 2024);
- additional minimum tax (applicable from financial year 2024);
- top-up minimum tax (applicable from financial year 2025).

The provisions set out by the delegated decree refer to further implementing and coordinating measures for GMT national regulations.

Notwithstanding the fact that the first obligations met by companies in terms of communications, statements, and payments fall after the year ended as at 31 December 2023, for the purposes of the financial statements at that date, specific reporting obligations governed by IAS 12 apply.

In this regard, note that with Regulation (EU) 2023/2468, the European Commission adopted the "Amendments to IAS 12 Income Taxes: International Tax Reform - Pillar Two Model Rules" published by the IASB in May 2023, which introduced further changes to IAS 12 on the application of the OECD Pillar Two provisions and supplementary financial statement information.

The changes made to IAS 12 involve:

- the introduction of a temporary exemption from reporting obligations on deferred tax assets and liabilities relating to the Pillar Two Model Rules for entities affected by the related International Tax Reform immediately after the publication of the amendments by the IASB and retroactively in compliance with IAS 8;
- the obligation to disclose certain supplementary information starting from the financial statements for years beginning 1 January 2023 or later.

In this last regard in particular, in periods in which the "Pillar Two" legislation is in place or substantially in force but not yet effective, the entity must provide information that is known or can be reasonably estimated to help financial statement users to understand its exposure to the Pillar Two income tax determined by the aforesaid legislation.

Also in accordance with such provisions, note that the current regulatory framework - pending the aforementioned implementing and/or coordinating measures - is characterised by certain interpretation doubts, including with specific reference to the subjective scope of application in question.

In detail, there are reasonable motivations, subject to ongoing discussions at institutional tables, according to which, for Cooperative Banking Groups – based on the cohesion contract – the Group entities (such as affiliated BCC and related subsidiaries) in which the Parent Company does not hold a controlling equity interest are considered excluded from the subjective scope of the Cooperative Group, and thus from the GMT scope of application, since such investment relationship is a necessary requirement for identifying a Group as well as an essential pre-condition for the applicability and functioning of the GMT.

With effect from 1 January 2024, the Cassa Centrale Banca Group, as defined on the basis of the controlling equity interest mentioned and without taking account of the cohesion contract, as a Multinational Group that exceeded the revenue threshold of EUR 750 million, for two of the four previous financial years, falls under the scope of application of the GMT.

On the basis of paragraph 4.A of IAS 12, which, in derogation of the provisions of the Standard, provides for the option not to disclose and communicate information about the deferred tax assets and liabilities relating to Pillar Two income tax, information is not communicated and deferred tax assets and liabilities relating to Pillar Two income tax are not disclosed.

Exposure to Pillar Two income tax, with regard to the Group companies identified on the basis of the controlling equity interest (and any entities under joint control) located in each individual jurisdiction, stems from the level of effective taxation that, for each of such jurisdictions, depends on various factors, including interconnected factors, such as mainly the income produced there, the level of the nominal rate, the tax rules for determining the taxable basis, the provision, form and enjoyment of incentives or other tax benefits.

Therefore, considering the new development and the underlying complexity of determining the level of effective taxation, the Pillar Two legislation provides, for the initial periods of efficacy (so-called transition valid for periods beginning before 31 December 2026 and ending no later than 30 June 2028), for the possibility to apply a simplified regime (so-called transitional safe harbour from country-by-country reporting) based mainly on the accounting information available for each relevant jurisdiction that, in case of passing at least one of three tests, leads to the reduction in compliance expenses and the zeroing out of Pillar Two taxes.

On the basis of the information known or reasonably estimated, the exposure of the Cassa Centrale Banca Group, identified on the basis of the controlling equity interest, to the Pillar Two income tax in the two jurisdictions in which it operates (Italy and Luxembourg) at the closing date of the financial year is assessed to be nil, since, on the basis of an initial estimate, in both jurisdictions, the so-called Simplified ETR Test is passed, applied taking account of the OECD clarifications available to date.

The Group is organising and preparing for the obligations associated with the Pillar Two legislation, including in order to manage its exposure for later periods, through the preparation of adequate systems and procedures intended to:

- identify, locate and characterise, including continuously over time, for the purposes of Pillar Two legislation, all Group companies (or entities under joint control);
- evaluate the simplified tests (so-called transitional safe harbours from country-by-country reporting) for each relevant jurisdiction, in order to enjoy the related benefits in terms of reduction of compliance expenses and zeroing out of Pillar Two taxes;
- carry out the complete and detailed calculations of the relevant balances as required by Pillar Two legislation for any jurisdictions that do not pass any of the aforementioned tests.

The above amendments did not have an impact on the Group’s financial position and economic results as at 31 December 2023.

b) Endorsed accounting standards that will enter into force after the reporting date

The accounting standards and accounting interpretations or amendments to existing accounting standards that will enter into force after 31 December 2023 are shown below:

- amendments to IFRS 16 “Leases: Lease Liability in a Sale and Leaseback” to clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The changes are effective since 1 January 2024;
- amendments to IAS 1 “Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants” to clarify how the conditions that an undertaking must satisfy, within twelve months from the end of the financial year, influence the classification of a liability. The changes are effective since 1 January 2024;

The directors do not foresee that the adoption of the accounting standards and amendments cited above will have a significant impact on the financial and economic position of the Group.

c) Accounting standards still not endorsed which will enter into force in the next few years

The following amended accounting principles, instead, have not yet been endorsed by the European Commission:

- amendments to IAS 7 and IFRS 7: "Supplier Finance Arrangements" to add quantitative and qualitative disclosure obligations related to financing agreements with suppliers;
- amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability". The amendment clarifies when one currency cannot be converted into another, how to estimate the exchange rate, and the information to be provided in the explanatory notes.

The directors do not foresee that the adoption of the accounting standards and amendments cited above will have a significant impact on the financial and economic position of the Group.

d) Risks, uncertainties, impacts and methods of application of the international accounting standards in the current macroeconomic scenario

With reference to the guidance and guidelines issued by European regulatory and supervisory bodies, as well as by standard setters, aimed at clarifying the methods of application of international accounting standards with particular reference to IFRS 9 in the context of the COVID-19 pandemic, please refer to the in-depth description in the Annual Financial Report at 31 December 2022 and previous years.

One of the most recent relevant publications is the public statement issued by the ESMA on 23 October 2023 entitled "European Common Enforcement Priorities for 2023 – Annual Financial Reports". Climate-related issues continue to be at the top of the list of priorities for application in ESMA legislation. In particular, the ESMA underlines the need for consistency between financial reports and non-financial information (for example, between the assumptions used in climate-related estimates and measurements). Furthermore, it highlights the importance of understanding the impact of climate risk on allocations for credit losses.

In addition to climate aspects, the ESMA, in the public statement issued last year, had also noted how the current macroeconomic context posed a significant challenge for the calculation models of expected losses used by European financial institutes, due to the difficulty modelling the new and unusual macroeconomic and geopolitical scenarios. Furthermore, it recognised that the same macroeconomic scenarios could impact differently on groups of debtors with different characteristics, requiring that the higher exposure to specific risks of certain economic sectors be taken into consideration in the measurement of expected loss.

During the previous year, aspects of uncertainty were seen due to the end stage of the COVID-19 pandemic and the ongoing Russia/Ukraine conflict. In particular, new elements of uncertainty had emerged that resulted in a revision of forecasts due to the conflict, rendering the risk measurement system particularly complex and characterised by the uncertainties reflected in the markets. These uncertainties are mainly attributable to the increase in the price of energy and food, the interruption in procurement chains, as well as the sudden increase in demand following the reopening of the economic sectors previously hardest hit by the pandemic. In this context, the Cassa Centrale Group implemented a particularly conservative risk management policy, continuing to adopt strengthened measures and processes, as in the previous two years.

In 2023, the geopolitical uncertainties were worsened by the continuation of the Russia/Ukraine conflict and the onset of new tensions with a potential influence on the European economy, such as the Israel/Palestine conflict and the terrorism recorded in the commercial maritime stretches of the Middle East. These conditions of possible instability were also joined in 2023 by a significant increase in the interest rates intended to contain inflation. The restrictive policies enacted by the European Central Bank, with the primary aim of bringing inflation back down to the 2% target, are influencing growth in the Eurozone and Italy with possible direct and indirect impacts on credit risk and on so-called (re)financing.

In this context of particular uncertainty, in 2023 the Group continued to pay particular attention to the onset of potential critical concerns and new vulnerabilities in the context of credit risk, thus launching important activities intended, on the one hand, to identify any direct impacts on the risk factors associated with the exposures and, on the other, to incorporate macroeconomic expectations and the identification of new sector-level vulnerabilities, thanks to the updates introduced within the IFRS 9 model, taking account among other aspects of certain parameters linked to ESG topics, as more widely discussed in the following section.

From a macroeconomic perspective, in 2023, the ECB published decreasingly optimistic GDP growth forecasts for the Eurozone, indicating a growing economic trend of +0.8%, +1.5% and +1.5%, respectively, for the 2024-2026 three-year period compared to the forecast issued in December 2023, which showed an increase of +0.6% for 2024. The growth shown in the forecasts for the three-year period is slower and more modest compared to the projections by the Supervisory Authority published in 2022 and the first part of 2023 as a result of less favourable lending conditions, linked to changes in the interest rates and the high level of uncertainty perceived by consumers in relation to the geopolitical context and the level of inflation, which impacts on the purchasing power of said consumers.

In fact, the GDP forecasts for the Eurozone published in 2022 by the ECB indicated a respective growth of +0.5%, +1.9% and +1.8% in the 2023-2025 three-year period, overall a more sustained trend than shown in the new projections issued in June and December 2023.

Similar trends can be seen across the Italian macroeconomic context. In particular, in December 2023, the Bank of Italy published the GDP forecasts for Italy, which indicated a growth trend of +0.6%, +1.1% and +1.1%, respectively, for the 2024-2026 three-year period and +0.7% for 2023. The latter figure is still higher than the expectations issued in October 2023. Like the Eurozone GDP, this growth is below the forecasts published in 2022 and at the beginning of 2023. The most recent outlook of economic forecasts for the 2023-2025 period issued in December 2022 by the Bank of Italy indicate more pronounced economic growth for the second and third year, at +0.4%, +1.2% and +1.2% respectively.

In terms of preparing the financial statement disclosures as at 31 December 2023, the Group continued to adopt the guidelines and recommendations issued by the European regulatory and Supervisory Authorities, as well as by the standard setters, while taking into account the assessments of the significant business activities and the residual support measures put in place by the Government to support households and businesses.

Lastly, the management of the Cassa Centrale Group placed, as usual, special attention on the causes of uncertainty inherent in the estimates that are part of the quantification process of certain items relating to the financial statement assets and liabilities. Due to the effects of the evolution of the current macroeconomic environment arising from international tensions, the main areas of uncertainty in estimates include those relating to credit losses, the fair value of financial instruments, the fair value of real estate investments (IAS40), income taxes, goodwill, and other intangible assets.

The main areas of the financial statements most affected by the effects of the current macroeconomic environment and the related accounting decisions made by the Cassa Centrale Group as at 31 December 2023 are shown below.

Classification and measurement of loans to customers based on the general impairment model IFRS 9

In order to calculate expected loss at 31 December 2023, the Cassa Centrale Group has incorporated into its IFRS 9 impairment model, consistently with the provisions of the standard, macroeconomic scenarios that include the effects of the war in Ukraine and the uncertain evolution of the economic and geopolitical environment, aspects which have a major influence on growth forecasts, the main macroeconomic variables and the financial indicators for 2024-2026, compared to the previous forecasts.

In order to determine the IFRS 9 value adjustments on the customer loan portfolio as at 31 December 2023, conservative criteria – in accordance with the IAS/IFRS accounting standards – were adopted, taking into account the uncertainty arising from the geopolitical context of reference and the significant increase in interest rates, made during 2023 and intended to contain the inflationary spiral. Given the difficulty in estimating their duration and development, the Group incorporated the potential impacts of the aforementioned events — which suggest a possible increase in insolvency rates in the future — into its credit evaluations. The residual support measures introduced by the State, such as those relating to the granting of state guarantees, required a high degree of attention to the management and monitoring mechanism undertaken by the Group, in order to promptly intercept the possible effects of deterioration of counterparties that still remain unclear.

These uncertainties resulted in the identification of some areas of intervention considered worthy of further incisive actions to increase coverage, in line with the strict requirements envisaged by the Group policies and with the recommendations of the Supervisory Authority.

In this context, in 2023 the Group maintained the existing system of minimum provisioning at geo-sectoral level, introduced in 2022, on the performing positions considered at-risk since they fall into the economic sectors most vulnerable to the indirect effects of the Russia/Ukraine conflict (so-called energy-intensive/gas-intensive sectors). Furthermore, in order to prevent negative impacts on credit risk associated with the increase in interest rates, the Group introduced another mechanism to determine appropriate levels of additional coverage (so-called add-on) to the exposure of variable rate mortgage loans in stage 2.

At the meeting of 25 May 2023, the Parent Company's Board of Directors approved, for all entities of the Group, the removal of the minimum allocation levels on the moratorium pursuant to the COVID-19 portfolio in place, as from the reporting date of 30 June 2023. This decision was supported by the analyses conducted during the first half of 2023 and the positive evaluation of the credit risk framework for the portfolio in question, compared to the current IFRS 9 model, in a deeply different context characterised by overcoming the COVID-19 emergency and which sees the recovery of ordinary amortisation conditions for the loans under previous moratorium.

A further area of intervention concerned positions in Stage 3 defined as sub-threshold, in accordance with the "Group Credit Classification Policy", i.e. with an exposure of less than EUR 100 thousand and for which there is no analytical recovery plan. In line with the approach in December 2021, minimum coverage has been set for these positions with the aim of aligning the coverage to the average Group coverage assessed on an analytical basis.

More generally, in the process of identifying and measuring credit risk, account was also taken of the technical indications and recommendations contained in the communication of 4 December 2020 of the European Central Bank "Identification and measurement of credit risk in the context of the coronavirus (COVID-19) pandemic", which were still deemed valid in view of the geopolitical uncertainty and new economic framework associated with the sudden increase in interest rates.

For the purposes of calculating the expected loss as at 31 December 2023, the Cassa Centrale Group has used the three scenarios (mild, baseline, adverse), appropriately averaging their contributions, in accordance with the assessment of macroeconomic projections that expect continued high variability in the future. The scenarios used were those provided by the info-provider Prometeia, in accordance with a scenario generation system that considers publications from leading forecasting bodies, as well as publications issued by the Supervisory Authorities, with no corrections. The historical series used to calibrate all parameters of the IFRS 9 model (PD, LGD, EAD and SICR) were updated to the most recent series available at June 2023. Despite the confirmed growth trend for the 2024-2026 three-year period, the update of the macroeconomic scenarios continues to impact negatively on the medium/long-term forecasts of the Group's risk factors, albeit less severely compared to previous projections.

After over two years, the COVID-19 pandemic has entered into a more structured and ordinary management of healthcare. Therefore, several prudential measures that were previously introduced in 2021 in the IFRS9 model have been revised. Several methodological adjustments were introduced, with particular reference to the PD, LGD and SICR parameters, from a more evolved perspective in line with market best practices. In the final quarter of 2023, the macroeconomic models (so-called PD satellite models) were also replaced, aimed at transferring the macroeconomic forecasts into the Group's primary risk factors and into the staging allocation, with a new version that was more methodologically advanced. This update is consistent with the framework of the EBA stress test, based on more up-to-date data, which takes account of a geo-sectoral diversification. Finally, additional corrective measures were introduced on PD and LGD parameters, with the intention to incorporate into the model and, therefore, influence the provisions relating to loans to customers, the initial impacts related to climate and environmental risks and, in a more extensive approach, the main ESG factors.

In order to reflect the uncertainty in the outlook for certain segments of the economy and in line with ECB regulations, PD curves were kept differentiated by sector, a component calibrated using the Group's internal data and refined in the fourth quarter of 2023. This all had an effect on the staging and the calculation of expected losses, several economic sectors, and geographic areas measured as most at risk.

Access to support measures was treated from a particularly conservative approach: in particular, for government guarantees given as part of newly originated loans or existing exposures, a specific LGD has been consistently factored into the expected loss calculation that also reflects the collection capacity of the same guarantees.

With reference to the stage classification process of the performing portfolio, as in the previous year, the effects of the prudential backstop of 300% of the SICR continued to manifest as the maximum threshold of variation between lifetime PD at the reporting date and that defined at the origination date on each relationship.

With reference to the aforesaid approach and the staging allocation criteria in place at 31 December 2023, a suitable and appropriate criteria was identified for collective stage 2 classification was identified to integrate the individual SICR approach. In this way, homogeneous clusters of credit exposures were determined in terms of geographic area, economic activity, and counterparty rating, which, given the risk level, are classified as stage 2 with a forward-looking approach.

Furthermore, with reference to the EAD parameter, for the purposes of determining the expected loss lifetime and the staging allocation, in the absence of a contractual maturity, on the basis of the provisions of the CRR (Capital Requirements Regulation) on maturity of AIRB (Advanced Internal Rating Based) models, a behavioural maturity of 30 months is assigned, instead of the 12 months defined previously.

The interventions outlined above, guided primarily by a conservative approach, in accordance with the IAS/IFRS accounting standards, and in any case improved and finalised during previous years, made it possible to limit potential future "cliff effects" as well as identify the economic sectors at greatest risk in the current environment. At the same time, this also ensured the reduction of potentially distorted elements in the estimates.

The retrospective sensitivity analysis, carried out on the portfolios of loans to commercial customers, with reference to the primary updates to the IFRS 9 model, showed the following effects as at 31 December 2023:

- the update of the historical series, macroeconomic scenarios, and primary methodological refinement of the model parameters shows a decrease of around 15.7% in the stage 2 exposure, with, however, a potential increase in allocations of around +16.1% in terms of overall coverage of the performing portfolio;
- the application of the AIRB-like maturities of 2.5 years on exposures without a contractual maturity entails a slight increase in stage 2 exposure (approx. +2.06%) and an increase in allocations for around +0.3% in terms of overall coverage of the performing portfolio;
- the inclusion of ESG components, intended primarily to anticipate the climate and environmental effects in the estimate of expected losses, leads to an increase in allocations for around +1.4% in terms of overall coverage of the performing portfolio, substantially in line with the allocation stage.

During the first quarter of 2023, the Group NPL Service and the Risk Management Department formally concluded their monitoring of the correct classification of loan positions, with reference to the evolution of credit risk of counterparties who, at the time, benefited from COVID-19 support measures, while ordinary monitoring cycles were carried out throughout 2023 on exposures to unlikely to pay and customers with positions in stage 2.

The Risk Management Department also carried out in-depth analysis on classification, provisioning and forbearance detection, aimed at verifying the overall compliance of the associated banks, as part of the granting processes in the current post-pandemic environment, with regard to the identifying conditions of financial difficulty of the counterparty before becoming forborne.

Therefore, the above activities had a significant impact, all other conditions being equal, on the level of conservatism of net value adjustments to loans for the year.

Measurement of securities at fair value

The Cassa Centrale Group's securities portfolio at fair value mainly consists of listed government securities with fair value level 1 that do not give rise to valuation issues arising from the effects of the pandemic crisis.

The remaining investments in unlisted non-controlling interests and recognised in the portfolio of financial assets measured at fair value through other comprehensive income, exceeding certain thresholds, provided for by the Group's fair value Policy were measured as at 31 December 2023. Considering that, for these securities, the prevailing valuation methods are those of the market (market approach), it is believed that they incorporate the current market context. In this regard, in order to reflect the turbulence seen on the financial markets it was deemed appropriate to adopt a limited observation horizon of the market capitalisations of comparable listed companies. Specifically, reference was made to the precise observations as at the date the parameters were updated and, limited to the application of the regression methodology, also to the average of the six-month observations.

Impairment test of goodwill and intangibles

As provided for by IAS 36 “Impairment of Assets”, the Cassa Centrale Group analysed goodwill and intangibles during preparation of these consolidated financial statements at 31 December 2023, since 12 months had passed since the previous assessment, taking into account the financial projections of the CGUs included in the 2024 Budget and in the Prospective Data.

The impairment test confirmed that the recoverable value of the Group’s CGUs was higher than their book value. Therefore, the goodwill posted to the consolidated financial statements at 31 December 2023 was not written down.

The analysis of the impairment indicators did not show trigger events that would require an impairment test to be performed on the intangibles present in the consolidated annual financial statements at 31 December 2023, with the exception of the Allitude customer relationship. Given that the company now generates most of its revenues through the provision of services to companies belonging to the Cassa Centrale Group, and thus is substantially “captive”, it was considered appropriate to zero out the book value of the associated intangible entries.

For more details see Part B, Section 10 - Intangible assets.

e) Disclosure regarding Targeted Longer-Term Refinancing Operations (TLTRO-III)

At the date of these consolidated financial statements, the Cassa Centrale Group had outstanding refinancing operations through the Eurosystem forming part of the TLTRO-III programme for a book value of about EUR 9 billion. The outstanding transactions at the beginning of the year resulted in a negative contribution to interest margin of about EUR 307 million as at 31 December 2023.

The Group has assessed that the transactions of the TLTRO-III programme cannot be assimilated to loans at an interest rate lower than the market rate, as:

- there is no reference market where financing transactions with comparable characteristics can be negotiated;
- the European Central Bank defines the economic conditions applied to the refinancing operations in order to achieve monetary policy objectives for the benefit of the entire economic system of the Eurozone.

At the end of the reporting period, both monitoring time windows for the achievement of performance targets for loan disbursements envisaged by the TLTRO-III programme had been completed. The result obtained was also confirmed by the Bank of Italy.

Consequently, the method used to apply the interest rate to existing TLTRO-III operations considered the following hypotheses:

- incorporation of reference rates effective until the date of the report and subsequent stability of the reference rates of the European Central Bank until the maturity of the operations;
- maintenance of transactions in place until natural maturity, a provision incorporated within the Strategic Plan approved by the Board of Directors of the Parent Company. At accounting level, in line with this strategic approach and in continuity with the accounting method applied previously, in the case of changes in the rates in interim periods, the internal rate of return of the loan is determined using the residual value of the same transaction.

f) Tax consolidation option

The Consolidated Law on Income Tax (TUIR) provides for the possibility, for companies belonging to the same group, to determine a single overall global income – or a single reportable tax loss – corresponding, in principle, to the algebraic sum of the taxable incomes or tax losses of the individual participant companies (i.e. parent company and companies directly and/or indirectly controlled to an extent greater than 50% according to certain requirements) and, as a result, to determine a single tax debt/credit (so-called national tax consolidation, governed by articles 117-129 of the TUIR).

By virtue of this option, the Parent Company and the subsidiaries Allitude S.p.A., Claris Leasing S.p.A., Prestipay S.p.A., Assicura Agenzia S.r.l., Assicura Broker S.r.l., Centrale Soluzioni Immobiliari S.r.l. and Claris Rent S.p.A., which joined the national tax consolidation exercising according to the law the related option for the 2023-2025 three-year period, determined their tax burden and the corresponding taxable income was transferred to the Parent Company.

g) Extraordinary tax calculated on higher net interest income

It should be noted that Decree Law no. 104 of 10 August 2023, converted with amendments by Law no. 136 of 9 October 2023, contains a provision for an extraordinary tax for banks, determined by applying – to the individual financial statements – a rate of 40% on the amount of the margin of interest included in item 30 of the statement for the year 2023, which exceeds the maximum margin in financial year 2021 by at least 10%. However, the regulation sets a maximum limit of the tax due to 0.26% of the risk-weighted assets. Banks can decide whether or not to pay the tax theoretically due if, during approval of the 2023 financial statements, the decision is made to allocate an amount equal to 2.5 times the amount theoretically due to a non-distributable reserve.

During approval of the 2023 financial statements, the affiliated banks allocated to a non-distributable reserve the amount corresponding to 2.5 times the amount of the tax, making use of the option provided for by the Italian government.

h) Statutory Audits

These consolidated financial statements are subject to an audit by Deloitte & Touche S.p.A..

On 16 June 2021, the Shareholders' Meeting of Cassa Centrale Banca S.p.A. appointed Deloitte & Touche S.p.A. to audit the Parent Company's separate and consolidated financial statements for the nine-year period 2021-2029.

i) Information pursuant to Annex A of First Part, Title III, Chapter 2 of Bank of Italy Circular no. 285 of 17 December 2013

Government Grants Received

It should be noted, in accordance with the provisions of Annual Market and Competition Law (Law no. 124/2017), that the Group received in the 2023 financial year contributions from Public Administrations amounting to approximately EUR 1 million and mainly referring to training activities. It should also be noted that, in compliance with the provisions envisaged for the compilation of the disclosure in question, transactions with Central Banks for financial stability purposes or transactions whose objective is to facilitate the monetary policy transmission mechanism are excluded.

A.2 - Part relating to the main items in the accounts

The accounting standards adopted for the preparation of these consolidated financial statements are shown below.

1 - Financial assets measured at fair value through profit or loss

Classification criteria

Financial assets measured at fair value through profit or loss include:

- financial assets which, according to the business model of the Group, are held for trading purposes, i.e. debt and equities and the positive value of derivative contracts held for trading purposes. These assets are included under consolidated asset item 20. Financial assets measured at fair value through profit or loss, sub-item "a) financial assets held for trading";
- the financial assets designated at fair value at the moment of initial recognition where the conditions are satisfied (that happens if, and only if, on designation at fair value an accounting asymmetry is eliminated or significantly reduced). These assets are included under consolidated asset item 20. Financial assets measured at fair value through profit or loss, sub-item "b) financial assets designated at fair value";
- the financial assets that do not pass the so-called SPPI Test (financial assets whose contractual terms do not make exclusive provision for the repayments of principal and interest payments on the amount of principal to be repaid) or that in any case, are obligatorily measured at fair value. These assets are included under consolidated asset item 20. Financial assets measured at fair value through profit or loss, sub-item "c) other financial assets mandatorily measured at fair value".

Therefore, the Group recognises the following in this item:

- debt securities and loans included in an Other business model (not attributable to Hold to Collect or Hold to Collect and Sell business models) or that do not pass the SPPI Test (including therein UCITS units);
- equity instruments, excluded from those addressed by IFRS 10 and IAS 27 (controlling interests, associates or joint ventures), not measured at fair value through other comprehensive income. In fact, IFRS 9 provides for the possibility of exercising, at the time of initial recognition, the irreversible option (so-called OCI option) to recognise an equity instrument at fair value through other comprehensive income.

This item also includes derivative contracts held for trading that have a positive fair value. The offsetting between the positive and negative present values deriving from transactions with the same counterparty is only possible if there is a legal right to offset the amounts recognised in the accounts and if there is an intention to settle on a net basis the items subject to offsetting.

The reclassification of a financial asset to a different accounting category is permitted only in the event of a change in the business model. Exceptions to this rule are equities for which no reclassification is permitted. More specifically, changes in business model – which in any case should very rarely happen – must be decided by senior management as a result of external or internal changes, must be relevant to the Group's operations and must be demonstrable to external parties. A change in business model could, for example, occur in the case of the acquisition, termination or divestment of a business line or branch of business. In the rare cases of changes to the business model, financial assets measured at fair value through profit or loss may be reclassified to financial assets measured at amortised cost or to financial assets measured at fair value through other comprehensive income.

The reclassification is applied prospectively from the date of reclassification, which, in fact, coincides with the first day of the accounting period following the change in business model that led to the reclassification of the financial assets.

In the event of reclassification from this category to the amortised cost category, the fair value at the date of reclassification represents the new gross carrying amount on the basis of which the effective interest rate is determined.

If, on the other hand, the category in question is reclassified to the category of financial assets measured at fair value through other comprehensive income, the fair value at the date of reclassification is the new gross carrying amount and the effective interest rate is determined on the basis of this value at the date of reclassification. In addition, for the purposes of applying the provisions on write-downs from the date of reclassification, the latter is considered to be the date of initial recognition.

Recognition criteria

The initial recognition of financial assets takes place at the settlement date if settled with the time intervals set by market practices (regular way), otherwise at the trade date. In the case of recognising the financial assets at the settlement date, the profits and losses recorded between the trade date and the settlement date are recognised in the income statement. Upon initial recognition the financial assets held for trading are recorded at the fair value; unless otherwise indicated, this is represented by the amount paid for executing the transaction, without considering the costs or income referring to it and attributable to the same instrument, which are recorded directly in the income statement.

Measurement criteria

Following initial recognition, the financial assets measured at fair value through profit or loss are measured at fair value with recognition of the related changes in the income statement. If the fair value of a financial asset becomes negative, this entry is booked as a financial liability. The change in the fair value of derivative contracts with "customers" counterparties takes their credit risk into account.

To calculate the fair value of the financial instruments listed in an active market, the market listings are used. In the absence of an active market, commonly adopted estimation methodologies are used to factor in all relevant risk factors related to the instruments.

For further details on how fair value is determined, please refer to paragraph "A.4 - Information on fair value" of this Part A.

Derecognition criteria

The financial assets measured at fair value through profit or loss are derecognised when the contractual rights on the cash flows deriving from the same expire or when the financial asset is sold substantially transferring all the associated risks and rewards.

When it is not possible to ascertain the substantial transfer of the risks and rewards, the financial assets are derecognised from the financial statements unless control of said assets has been maintained. Conversely, if control is maintained, even only partial, it is necessary to retain the assets in the financial statements to the extent of the continuing involvement, measured by the exposure to changes in value of the assets transferred and the changes in their cash flows.

The securities delivered as part of a transaction which contractually envisages their repurchase are not derecognised from the financial statements.

Criteria for the recognition of the income components

The positive income components represented by the interest income on securities and relating similar income, as well as the differentials and margins accrued until the date of the financial statements relating to the derivative contracts classified to the item, but managerially connected to the assets or liabilities measured at fair value (the fair value option), are entered in the Income Statement items relating to interest on an accrual basis. The profits and losses from the disposal or repayment and the profits and losses not realised deriving from the changes in the fair value of the trading book are classified in the consolidated income statement under item 80. Net result from trading for instruments held for trading and in item 110. Net result of other financial assets and liabilities measured at fair value through profit or loss for instruments obligatorily measured at fair value and for instruments measured at fair value.

2 - Financial assets measured at fair value through other comprehensive income

Classification criteria

The financial assets recorded under this item include:

- debt securities, loans and receivables for which:
    - the business model associated to financial assets aims at collecting both the cash flows envisaged contractually and the flows deriving from sale (Hold To Collect and Sell business model);
    - the SPPI Test is passed as the contractual terms only provide for repayments of principal and interest payments on the amount of principal to be repaid;
- equities for which the so-called OCI option has been exercised as an irrevocable choice to present subsequent changes in the fair value of these instruments in other components of the comprehensive income statement. In this respect, it should be noted that the exercise of the so-called OCI option:
    - shall be made at the time of initial recognition of the instrument;
    - must be carried out at the level of the individual financial instrument;

- is irrevocable;
- is not applicable to instruments that are held for trading or represent contingent consideration recognised by a purchaser in a business combination to which IFRS 3 applies.

The reclassification of a financial asset to a different accounting category is permitted only in the event of a change in the business model. Exceptions to this rule are equities for which no reclassification is permitted. More specifically, changes in business model – which in any case should very rarely happen – must be decided by senior management as a result of external or internal changes, must be relevant to the Group's operations and must be demonstrable to external parties. A change in business model could, for example, occur in the case of the acquisition, termination or divestment of a business line or branch of business. In the rare cases of changes to the business model, financial assets measured at fair value through other comprehensive income may be reclassified to financial assets measured at amortised cost or to financial assets measured at fair value through profit or loss.

The reclassification is applied prospectively from the date of reclassification, which, in fact, coincides with the first day of the accounting period following the change in business model that led to the reclassification of the financial assets.

In the event of reclassification from this category to the amortised cost category, the fair value at the date of reclassification becomes the new gross value for the purposes of amortised cost. The cumulated profits and losses recorded in the OCI reserve are eliminated from equity and adjusted for the fair value of the financial assets at the date of reclassification. Consequently, the financial asset is valued at the date of reclassification as if it had always been measured at amortised cost. The effective interest rate and the valuation of expected losses are not restated following the reclassification.

If, on the other hand, this category is reclassified to the category of financial assets measured at fair value through profit or loss, the fair value at the date of reclassification becomes the new gross Book value. The cumulated profits and losses recognised in the OCI reserve are reclassified to the income statement at the date of reclassification.

Recognition criteria

The initial recognition of financial assets takes place at the settlement date if settled with the time intervals set by market practices (regular way), otherwise at the trade date. In the event of recognising financial assets at the settlement date, the profits and losses recorded between the trade date and the settlement date are recognised in the equity. Upon initial recognition, the financial assets are recognised at fair value; it is represented, unless otherwise indicated, by the amount paid for executing the transaction, including the transaction costs or income directly attributable to the same instrument.

Measurement criteria

Following initial recognition, the debt securities, loans and receivables classified in this item continue to be measured at fair value. For the aforementioned financial assets the following are recognised:

- in the income statement, the interest calculated with the effective interest rate method, which considers the depreciation of both the transaction costs and the differential between the cost and the repayment value;
- in equity, in a specific reserve, changes in fair value (net of tax) until the asset is derecognised. When the instrument is fully or partially disposed, the cumulated profit or loss in the OCI reserve are booked to the Income Statement (so-called recycling).

Equities classified under this item also continue to be measured at fair value after initial recognition. In this case, however, unlike in the case of debt securities, loans and receivables, the cumulated profit or loss included in the OCI reserve must never be reversed to the income statement (in this case there will be no recycling). In fact, in case of transfer, the OCI reserve may be transferred to a specific available equity reserve. For these equities, only the component relating to dividends received is recorded in the income statement.

For further details on how fair value is determined for financial assets, please refer to paragraph "A.4 - Information on fair value" of this Part A.

It should also be noted that "financial assets measured at fair value through other comprehensive income", both in the form of debt securities, loans and receivables, are subject to impairment in accordance with IFRS 9 in the same way as "financial assets measured at amortised cost". Therefore, for the afore-mentioned instruments, a value adjustment to cover expected losses will be recognised in the income statement. The estimate of the expected loss using the expected credit loss ("ECL") method is based on the allocation of each position to the three reference stages as explained in more detail in the paragraph "Impairment of financial assets".

The equity instruments are not subject to the impairment process.

Derecognition criteria

The financial assets measured at fair value through other comprehensive income are derecognised when the contractual rights on the cash flows deriving from the same expire or when the financial asset is sold substantially transferring all the associated risks and rewards.

When it is not possible to ascertain the substantial transfer of the risks and rewards, the financial assets are derecognised from the financial statements unless control of said assets has been maintained. Conversely, if control is maintained, even only partial, it is necessary to retain the assets in the financial statements to the extent of the continuing involvement, measured by the exposure to changes in value of the assets transferred and the changes in their cash flows.

The securities delivered as part of a transaction which contractually envisages their repurchase are not derecognised from the financial statements.

Criteria for the recognition of the income components

Interest income on debt securities, loans and receivables – calculated on the basis of the effective interest rate – is recognised in the income statement on an accruals basis. For these instruments, the effects of impairment and any changes in exchange rates are also recognised in the income statement, while other gains or losses deriving from changes in fair value are recognised in a specific equity reserve. At the moment of full or partial disposal, the cumulated profit or loss in the valuation reserve are reversed, wholly or partly to the income statement (recycling).

With reference to equity instruments, the only component that is recognised in the income statement is dividends. The latter are recognised in the income statement only when (par. 5.7.1A of IFRS 9):

- the right of the entity to receive the dividend payment arises;
- it is likely that the economic benefits from the dividend will flow to the entity;
- the amount of the dividend may be reliably estimated.

Normally the aforementioned conditions occur at the time of collection of the dividend following the shareholders' resolution approving the financial statements and distribution of the result for the year by the investee company.

In the case of equities, changes in fair value are recognised as a contra-entry to equity and must not be subsequently transferred to the income statement even if they are realised (no recycling).

3 - Financial assets measured at amortised cost

Classification criteria

Financial assets measured at amortised cost include debt securities, loans and receivables that jointly meet the following conditions:

- the business model associated to financial assets aims at collecting the cash flows envisaged contractually (Hold To Collect business model);
- the SPPI Test is passed as the contractual terms only provide for repayments of principal and interest payments on the amount of principal to be repaid.

Therefore, in the presence of the aforementioned conditions, the Group recognises in this item:

- loans to banks (current accounts, security deposits, debt securities, etc.). This includes operating receivables related to the provision of financial activities and services as defined by the TUB and the TUF (e.g. distribution of financial products). Also included are loans to Central Banks (e.g. compulsory reserve), other than deposits on demand included in the consolidated balance sheet item 10. Cash and cash equivalents;
- loans to customers (mortgages, finance lease transactions, factoring transactions, debt securities, etc.). Also included are loans to post offices and the Cassa Depositi e Prestiti, variation margins with compensation bodies for transactions on derivative contracts and operating receivables related to the provision of financial activities and services as defined by the TUB and the TUF. (e.g. servicing activities).

The reclassification of a financial asset to a different accounting category is permitted only in the event of a change in the business model. Exceptions to this rule are equities for which no reclassification is permitted. More specifically, changes in business model – which in any case should very rarely happen – must be decided by senior management as a result of external or internal changes, must be relevant to the Group's operations and must be demonstrable to external parties. A change in business model could, for example, occur in the case of the acquisition, termination or divestment of a business line or branch of business. In the rare cases of changes to the business model, financial assets measured at amortised cost may be reclassified to financial assets measured at fair value through other comprehensive income or to financial assets measured at fair value through profit or loss.

The reclassification is applied prospectively from the date of reclassification, which, in fact, coincides with the first day of the accounting period following the change in business model that led to the reclassification of the financial assets.

In the event of reclassification from this category to the fair value category through other comprehensive income, any differences between the previous amortised cost and the fair value at the date of reclassification are recognised in the OCI reserve. The effective interest rate and the valuation of expected losses are not restated following the reclassification.

If, on the other hand, the category in question is reclassified to the category of financial assets measured at fair value through profit or loss, any difference between the previous amortised cost and the fair value at the date of reclassification is recognised in the income statement.

Recognition criteria

Financial assets are first recognised on the disbursement date (in the case of loans or receivables) or on the settlement date (in the case of debt securities) based on the fair value of the financial instrument. The fair value is normally equal to the amount disbursed or the subscription price, including income and charges directly attributable to the individual instrument and determinable from the origin of the transaction, even when liquidated at a subsequent time. Excluded are the costs that, though having the above mentioned characteristics, are subject to repayment by the debtor counterparty or can be classified among the normal internal costs of an administrative nature.

In the case of assets for which the net amount of the loan disbursed or the price paid on subscription of the security does not correspond to the fair value of the asset, for example due to the application of an interest rate significantly lower than the market rate, initial recognition is made on the basis of the fair value determined using valuation techniques (e.g. discounting future cash flows at an appropriate market rate).

In some cases, the financial asset is considered impaired upon initial recognition (so-called purchased or originated credit-impaired financial assets), for example because the credit risk is very high and, in the case of acquisition, it is acquired with large discounts. In such cases, at the time of initial recognition, an adjusted effective interest rate is calculated for the receivable which includes, in the cash flow estimates, the expected losses calculated over the life of the receivable. The above rate will be used for the application of the amortised cost criterion and the related calculation of interest to be recognised in the income statement.

Measurement criteria

After initial recognition, financial assets are measured at amortised cost using the effective interest rate method. Amortised cost is the amount at which the financial asset is measured on initial recognition less repayments of principal, plus or minus the cumulated amortisation, according to the effective interest criterion, of any difference between that initial amount and the amount at maturity and, for financial assets, adjusted for any provision to cover losses. The effective interest rate is identified by calculating the rate that equals the current value of the future flows of the asset, for principal and interest, to the disbursed amount including the costs/income attributable to said financial asset.

The exceptions to the application of the amortised cost method concern short-term assets, assets that do not have a defined maturity date and receivables subject to revocation. For the above cases, the application of the amortised cost criterion is considered not significant and the valuation is maintained at cost.

It should also be noted that financial assets measured at amortised cost, both in the form of debt securities and loans and receivables, are subject to impairment in accordance with IFRS 9. Therefore, for the aforementioned instruments, a value adjustment to cover expected losses will be recognised in the income statement. The estimate of the expected loss using the expected credit loss ("ECL") method is based on the allocation of each position to the three reference stages as explained in more detail in the paragraph "Impairment of financial assets".

In such cases, for the purpose of calculating amortised cost, the entity is required to include in its cash flow estimates, the expected losses on initial receivables when calculating the credit-adjusted effective interest rate for financial assets that are considered purchased or originated credit- impaired financial assets on initial recognition (IFRS 9 para. B5.4.7).

Derecognition criteria

The financial assets measured at amortised cost are derecognised when the contractual rights on the cash flows deriving from the same expire or when the financial asset is sold by substantially transferring all the risks and rewards connected to it.

When it is not possible to ascertain the substantial transfer of the risks and rewards, the financial assets are derecognised from the financial statements unless control of said assets has been maintained. Conversely, if control is maintained, even only partial, it is necessary to retain the assets in the financial statements to the extent of the continuing involvement, measured by the exposure to changes in value of the assets transferred and the changes in their cash flows.

The securities delivered as part of a transaction which contractually envisages their repurchase are not derecognised from the financial statements.

If the contractual cash flows of a financial asset are subject to renegotiation or, in any case, to an amendment, in accordance with IFRS 9, it is necessary to assess whether or not these amendments have the characteristics to determine the derecognition of the financial asset. More specifically, contractual changes lead to the derecognition of the financial asset and the recognition of a new one when they are considered substantial. In order to assess the substantiality of the change, a qualitative analysis of the reasons why the changes were made is necessary. In regards to this, we wish to distinguish between:

- renegotiations made for commercial purposes with performing customers for reasons other than the economic and financial difficulties of the debtor. These refer to renegotiations which are granted at market conditions, in order to avoid losing customers in cases where they require the cost of the loan to be adjusted to the conditions applied by other banking institutions. These types of contractual changes are considered substantial as they are aimed at avoiding a decrease in future revenues that would occur if the customer decides to turn to another operator. They entail the recognition in the income statement of any differences between the Book value of the derecognised financial asset and the Book value of the newly recognised asset;
- renegotiations due to financial difficulties of the counterparty: this scenario includes concessions made to counterparties in financial difficulty (forbearance measures) that aim to maximise the repayment of the original loan by the customer and thus avoid or contain any future losses, by granting contractual conditions that are potentially more favourable to the counterparty. In these cases, as a rule, the change is closely related to the debtor's inability to repay the cash flows originally established and, therefore, in the absence of other factors, this indicates that there was in substance no extinction of the original cash flows such as to lead to the derecognition of the asset. As a result, the aforementioned renegotiations or contractual amendments qualify as non-substantial. Therefore, they do not generate the derecognition of the financial asset and, according to paragraph 5.4.3 of IFRS 9, involve the recognition in the Income Statement of the difference between the pre-amendment Book value and the value of the financial asset recalculated by discounting the renegotiated or modified cash flows at the original effective interest rate.

In order to assess the substantiality of the contractual amendment, in addition to understanding the reasons underlying the amendment itself, it is necessary to assess the possible presence of elements that alter the original nature of the contract because they introduce new elements of risk or have a significant impact on the original contractual flows of the asset so as to lead to its derecognition and the consequent recognition of a new financial asset. This includes, for example, the introduction of new contractual clauses which change the reference currency of the contract, which allow the credit to be converted/replaced into equity instruments of the debtor or which lead to the failure of the SPPI Test.

Criteria for the recognition of the income components

Interest on loans to banks and customers is classified under consolidated income statement item 10. Interest income and similar revenues and is recorded on an accrual basis, based on the effective interest rate, i.e. applying the latter to the gross book value of the financial asset, except for:

- Purchased or originated credit- impaired financial assets. As noted above, for these financial assets, the effective interest rate adjusted for the receivable at the amortised cost of the financial asset from initial recognition is applied;
- financial assets that are not purchased or originated credit- impaired financial assets but have become impaired financial assets in a second phase. For these financial assets, the effective interest rate is applied to the amortised cost of the financial asset in subsequent years.

If there is an improvement in the credit risk of the financial instrument, as a result of which the financial asset is no longer impaired, and the improvement can be objectively linked to an event occurring after the application of the requirements in point 2 of the above list, interest income shall be calculated in subsequent years by applying the effective interest rate to the gross book value.

It should be noted that the Group applies the criterion referred to in point 2 of the above list only to impaired assets measured using a specific analytical method. Therefore, stage 3 financial assets valued on a flat-rate analytical basis, for which interest is calculated on the gross value of the exposure, are excluded.

Adjustments and write-backs are recorded at each reporting date in the consolidated income statement under item 130. Net value adjustments/write-backs due to credit risk. Profits and losses resulting from the sale of receivables are recorded in the consolidated income statement under item 100. Profit (Loss) from disposal/repurchase.

The positive income components represented by the interest income and similar revenues relating to securities are entered on an accrual basis, based on the effective interest rate, in the income statement items relating to interest.

Profit and loss relating to securities are recognised in the consolidated income statement under item 100. Profit (Loss) from disposal/repurchase at the time the assets are sold.

Any impairment of securities is recognised in the consolidated income statement under item 130. Net value adjustments/write-backs due to credit risk. If the reasons that led to the evidence of the decline in value are removed, the write-back is included with recognition in the income statement in the same item.

4 - Hedging transactions

With regard to hedging transactions (hedge accounting), the Group avails itself of the option, provided by the introduction of IFRS 9, to continue to apply IAS 39 in full with regard to both specific hedges and macro hedges.

Classification criteria

This item includes derivative contracts designated as effective hedging instruments. In this regard, hedging transactions are designed to neutralise any losses, that may be incurred on a specific item or group of items, linked to a specific risk should the aforementioned risk actually occur.

The types of hedging provided for by IAS 39 are:

- fair value hedge, aimed at hedging against the exposure to the change in fair value of a financial statement entry (asset or liability) attributable to a particular risk. The objective of macro fair value hedges is to reduce fluctuations in fair value, attributable to interest rate risk, by a monetary amount arising from a portfolio of financial assets or liabilities;
- cash flow hedge, aimed at hedging against the exposure to the change in future cash flows attributable to a particular risk related to a highly probable present or future financial statement entry;
- hedging instruments of a net investment in a foreign company for which the assets were or are managed in a non-euro country or currency.

Only instruments involving a counterparty outside the Cassa Centrale Group may be designated as hedging instruments.

Recognition criteria

The hedging derivative financial instruments are initially entered at fair value and classified in the balance sheet asset or liability item, depending on whether, as at the end of the reporting period, they show a positive or negative fair value.

The hedging transaction is attributable to a strategy predefined by risk management and must be consistent with the adopted risk management policies; it is designated as a hedge if there is formalised documentation of the relationship between the hedged instrument and the hedging instrument, including high initial and prospective effectiveness throughout its life-cycle.

The effectiveness of the hedge depends on the extent to which the changes in fair value of the hedged instrument or the related expected cash flows are offset by those of the hedging instrument. Thus the effectiveness is measured by comparison between these changes.

The hedging is assumed as highly effective when the expected and effective changes in fair value or the cash flows of the hedging financial instrument neutralise almost completely the changes in the hedged element, within the limits set by the interval 80%-125%.

The assessment of the effectiveness is performed at each year-end and interim period using:

- perspective tests, which justify the application of the hedge accounting, since they show its expected effectiveness;
- retrospective tests, which show the level of effectiveness of the hedging reached in the period they refer to.

If the checks do not confirm that the hedging is highly effective, the accounting of the hedging transactions, according to the above, is interrupted and the hedging derivative contract is reclassified among the trading instruments, while the financial instrument subject to hedging goes back to being measured according to the criterion of the original pertinence class and, in case of cash flow hedge, any reserve is reclassified in the income statement along the residual duration of the instrument.

The hedging links also cease when the derivative expires or is sold or exercised and the hedged element is sold or expires or is repaid.

Measurement criteria

After initial recognition, hedging derivatives are measured at fair value. The calculation of the fair value of the derivatives is based on the prices inferred from regulated markets or supplied by operators, on option measurement models or future cash flow discounting models.

For further details on how fair value is determined, please refer to paragraph "A.4 - Information on fair value" of this Part A.

Derecognition criteria

The hedging derivatives are derecognised when the right to receive the cash flows from the asset/liability has expired, or where the derivative is sold, or when the conditions for continuing to book the financial instrument under the hedging derivatives no longer apply.

Criteria for the recognition of the income components

Fair value hedge

In the case of a fair value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. This offsetting actually takes place through the recognition in the income statement of changes in value, referring both to the hedged item and the hedging instrument. Any difference represents the ineffectiveness of the hedge and is reflected in the income statement in terms of net effect. In the case of macro fair value hedges, changes in fair value with reference to the hedged risk of the hedged assets and liabilities are recognised in the balance sheet, respectively, in the consolidated financial statements item 60. Fair value change of financial assets in hedged portfolios or item 50. Adjustment of the financial liabilities subject to macro-hedging.

If the hedging relationship no longer satisfies the conditions for the application of hedge accounting and the hedging relationship is revoked, the difference between the carrying amount of the hedged element at the time when the hedge ceases and that which would have been its carrying amount if the hedge had never existed, is amortised in the income statement along the residual lifespan of the hedged element based on the effective rate of return in case of instruments entered at amortised cost. In the event that it is excessively costly to recalculate the internal rate of return, it is considered acceptable to amortise the delta fair value relating to the hedged risk over the residual life of the instrument in a linear manner or in relation to the residual portions of capital.

If this difference refers to non-interest bearing financial instruments, it is recorded immediately in the income statement. If the hedged element is sold or repaid, the portion of fair value not yet amortised is recognised immediately in the income statement.

Cash flow hedges and hedging instruments of a net investment in a foreign currency

In the case of cash flow hedges, changes in the fair value of the derivative are recognised, limited to the effective portion of the hedge, in an equity reserve. The above changes are recognised in the income statement only when, with reference to the hedged item, there is a change in the cash flows to be offset or if the hedge is ineffective.

When the hedging relationship no longer meets the conditions for the application of hedge accounting, the relationship is terminated and all losses and gains recognised in the equity reserve up to that date remain suspended within it and reversed to the income statement when the flows relating to the risk originally hedged occur.

5 - Equity investments

Classification criteria

This item includes interests held in associates and jointly controlled companies.

The following definitions in particular apply:

- associate: equity investments in companies for which, despite the conditions of control not being satisfied, the Group, directly or indirectly, is able to exercise a significant influence as it has the power to participate in determining the financial and management policies of the investing company. Such influence is presumed (relative presumption) to exist for companies in which the Group owns at least 20.00% of the voting rights of the investee company;
- jointly controlled company (joint venture): an equity interest in a company that is achieved through a contractual agreement that collectively grants all parties or a group of parties control of the agreement.

Recognition criteria

Equity investments are initially entered at cost, including the directly attributable ancillary charges.

Measurement criteria

Investments in associates and investments in jointly controlled companies are valued using the equity method. This means that, after initial recognition, the Book value is subsequently increased or decreased to record the Group's share of the profits and losses of the investee companies realised after the acquisition date, as a contra-entry to consolidated income statement item 250. Profit (loss) on equity investments.

If there is objective evidence of impairment, an estimate is made of the recoverable amount of the same investment, considering the current value of the future cash flows the same may generate, including the final disposal value of the investment. If the recoverable amount of the asset is lower than its Book value, the impairment loss is recognised in the income statement under item 250. Profit (loss) on equity investments in the consolidated financial statements.

Derecognition criteria

Equity investments are derecognised when the right to receive the cash flows from the asset has expired, or where the equity investment is sold by substantially transferring all the risks and benefits connected to it.

Criteria for the recognition of the income components

Dividends from investee companies are recorded under the consolidated income statement item 70. Dividend and similar income. The latter are recognised in the income statement only when (par. 5.7.1A of IFRS 9):

- the right of the entity to receive the dividend payment arises;
- it is likely that the economic benefits from the dividend will flow to the entity;
- the amount of the dividend may be reliably estimated.

Normally the aforementioned conditions occur upon the shareholders' resolution approving the financial statements and distribution of the result for the year by the investee company.

In the Consolidated Financial Statements, dividends received are deducted from the Book value of the investee company.

Any value adjustments/write-backs connected to the valuation of the equity investments as well as profits or losses deriving from the disposal are recognised under item 250. Profit (loss) on equity investments in the consolidated financial statements.

6 - Tangible assets

Classification criteria

This item mainly includes land, properties for business use (IAS 16) and properties held for investment purposes (IAS 40), the plants, vehicles, furniture, furnishings and equipment of any type for long-lasting use.

Property for business use is defined as those tangible assets that are functional to the pursuit of the corporate purpose (including those held for use in the provision of services or for administrative purposes). On the other hand, property held for investment purposes includes property held for the purpose of receiving rental fees and/or for the appreciation of the invested capital.

The item also includes tangible assets classified under IAS 2 - Inventories, which refer both to assets arising from the enforcement of guarantees or the purchase at auction that the company intends to sell in the near future, without carrying out major renovation work, and which do not qualify for classification in the previous categories, and to the real estate portfolio including buildable areas of land, properties under construction, completed properties for sale and real estate development initiatives, held with a view to disposal.

Included are rights of use acquired through lease and relating to the use of a tangible asset (for lessees), assets under operating leases (for lessors), and improvements and incremental expenses incurred on third party assets, provided they relate to identifiable and separable tangible assets.

Recognition criteria

The tangible assets are initially entered at purchase or construction cost, including any ancillary charges directly attributable to the purchase and commissioning of the asset.

The unscheduled maintenance expenses and the costs of an increasing nature that imply increased future benefits being generated by the asset, if these can be identified and separated, are attributed to the assets they refer to and depreciated in relation to the residual possibility of using the same. If these improvements cannot be identified and separated, they are recorded in the consolidated financial statements under 'Other Assets' and subsequently depreciated based on the length of the contracts they refer to for the third-party assets, or along the residual life of the asset, if owned.

The expenses for repairs, maintenance or other actions to ensure the ordinary operation of the assets are instead recognised in the income statement of the year when they are incurred.

According to IFRS 16, leases are accounted for on the basis of the right of use model for which, at the initial date, the lessee has a financial obligation to make payments due to the lessor to offset its right to use the underlying asset during the lease term. When the asset is made available to the lessee for use (start date), the lessee recognises both the liability and the asset consisting of the right of use.

Measurement criteria

After initial recognition, the tangible assets, including non-instrumental properties, notwithstanding the specifications below, are entered in the accounts at cost, net of accumulated depreciation and any write-downs for the reductions in value, in compliance with the 'cost model'.

Tangible assets are systematically depreciated each year based on their useful life by adopting the straight line method as the depreciation criterion. The following are not subject to depreciation:

- land, whether purchased individually or incorporated in the value of the buildings, since considered to have an undefined useful life. If their value is incorporated in the value of the building, assets which are separate from the building are only the 'free-standing' property assets; the subdivision between the value of the land and a value of the building is based on the appraisal of independent appraisers;
- works of art, the useful life of which may not be estimated, also since their value normally increases over time;
- real estate investments measured at fair value in compliance with accounting standard IAS 40;
- inventories of tangible assets, in accordance with IAS 2;
- tangible assets classified as held for disposal in accordance with IFRS 5.

The depreciation process starts when the asset is available for use. For the assets acquired during the year, the depreciation is calculated on a daily basis starting from the date of using the asset.

A write-down for value impairment is recorded for an amount corresponding to the excess in the book value compared to the recoverable amount. The recoverable amount of an asset is equal to the higher of the fair value, net of any sales costs, and the related value of using the asset, meant as the current value of the future flows originating from the asset. Any adjustments are recognised in the income statement.

If the reasons leading to recording the loss cease to apply, a write-back is accounted for, which may not exceed the value that the asset would have had, net of depreciation calculated in the absence of previous impairment losses.

Tangible assets recognised in accordance with IAS 2 are valued at the lower of cost and net realisable value. Any adjustments are recognised in the income statement.

With reference to the asset consisting of the right of use, accounted for in accordance with IFRS 16, it is measured using the cost model in accordance with IAS 16 Property, plant and equipment; in this case the asset is subsequently depreciated and subject to impairment testing if indicators of impairment emerge.

Derecognition criteria

Tangible assets are eliminated from the balance sheet at the time of disposal or when they are permanently withdrawn from use and, as a consequence, no future economic benefits are expected which derive from their sale or use.

Capital gains and losses deriving from the release or disposal of the tangible assets are determined as the difference between the net sale payment and the Book value of the asset; they are recorded in the income statement at the same date when they are eliminated from the accounts.

Criteria for the recognition of the income components

Depreciation, value adjustments and write-backs of tangible assets are recorded in the income statement, in consolidated financial statements item 210. Net value adjustments/write-backs to tangible assets.

In the first year the depreciation is recorded proportionally to the effective period of using the asset.

The assets subject to depreciation are adjusted for possible impairment losses each time events or changes in situations indicate that the Book value might not be recoverable. These impairment losses are recognised in the income statement, as are any reversals to be recognised if the reasons for the impairment no longer apply.

In the consolidated income statement item 280. Profit (loss) from disposal of investments, the positive or negative balance between the profits and losses on investments is recognised.

7 - Intangible assets

Classification criteria

Accounting standard IAS 38 defines intangible assets as non-monetary assets without physical substance owned for use in a multi-year or undefined period, which meet the following characteristics:

- identifiability;
- the company holds the control;
- it is probable that the expected future economic benefits attributable to the asset will flow into the company;
- the cost of the asset may be reliably measured.

In the absence of one of these characteristics, the expense to acquire or generate the same internally is recorded as a cost in the year when it was incurred.

Intangible assets include, in particular, the application software with multi-year use and the other identifiable intangible assets that originate from legal or contractual rights.

Intangible assets also include goodwill, which represents the positive difference between the purchase cost and the fair value of the assets and liabilities of the acquired company.

Recognition criteria

Intangible assets are entered at cost, adjusted for any ancillary costs incurred to arrange the use of the asset, only if it is probable that the future economic benefits attributable to the asset will be realised and if the cost of the same asset may be determined reliably. Otherwise the cost of the tangible asset is recorded in the income statement in the year when it was incurred.

Measurement criteria

After initial recognition, intangible assets with a definite useful life are recognised at cost, net of the accumulated amortisation and impairment losses.

The amortisation process starts when the asset is available for use, or when it is in the place and conditions suitable to be able to work in the set manner.

Amortisation is carried out with the straight line method, in a way to reflect the multi-year use of the assets based on the estimated useful life. In the first year the depreciation is recorded proportionally to the effective period of using the asset. Amortisation ends from the date when the asset is eliminated from the accounts.

At each year-end, given the presence of evidence of impairment losses, an estimate is made of the recoverable amount of the asset. The amount of the impairment, recorded in the income statement, is equal to the difference between the Book value of the asset and its recoverable amount.

Derecognition criteria

Intangible assets are eliminated from the balance sheet at the time of their disposal or when future economic benefits are not expected. Capital gains and losses from the release or disposal of an intangible asset are calculated as the difference between the net sale payment and the Book value of the asset and entered in the income statement.

Criteria for the recognition of the income components

In the first year the depreciation is recorded proportionally to the effective period of using the asset.

In the consolidated income statement item 220. Net value adjustments/write-backs to intangible assets, the positive or negative balance between the value adjustments, amortisation and write-backs relating to the intangible assets is indicated. In the consolidated income statement item 280. Profit (Loss) from disposal of investments, the positive or negative balance between the profits and losses on investments is recognised.

8 - Non-current assets and groups of assets held for disposal

Classification criteria

This item includes the non-current assets held for sale and the associated groups of assets and liabilities held for disposal, according to the provisions of IFRS 5.

More specifically, assets and groups of assets are classified in this item whose Book value will be mainly recovered with a sale rather than their continuous use.

For the recovery of a non-current asset or a group held for disposal through a sale to materialise, two conditions must be met:

- the asset must be available for immediate sale in its current condition, subject to conditions, which are usual and customary, for the sale of such assets (or groups held for disposal);
- the sale of the non-current asset (or group held for disposal) must be highly probable.

Since the sale is highly probable, Management at a suitable level must be committed to an asset disposal programme, and activities must be started to identify a purchaser and complete the programme. In addition, the asset must be actively exchanged in the market and put up for sale, at a reasonable price compared to its current fair value. The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the sale plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Non-current assets and groups of assets held for disposal and discontinued operations and related liabilities are shown under specific items of the consolidated assets (120.Non-current assets and groups of assets held for disposal) and the consolidated liabilities (70.Liabilities associated with assets held for disposal).

Recognition criteria

The non-current assets and groups of assets held for disposal are initially recognised at the lower between the Book value and the fair value net of costs to sell. With the exception of certain types of assets (e.g. financial assets falling within the scope of IFRS 9), IFRS 5 specifically provides that the measurement criteria of the relevant accounting standard must be applied.

Measurement criteria

In the measurements subsequent to initial recognition, non-current assets and groups of non-current assets held for disposal continue to be valued at the lower of their Book value and their fair value net of costs to sell, with the exception of certain types of assets (e.g. financial assets falling within the scope of IFRS 9) for which IFRS 5 specifically provides that the measurement criteria of the relevant accounting standard must be applied.

In cases where assets held for disposal are depreciable, the depreciation process is interrupted from the time when classification as non-current assets held for disposal takes place.

Derecognition criteria

The non-current assets and groups of assets held for disposal are eliminated from the balance sheet at the time of disposal.

If an asset (or group held for disposal) classified as held for sale loses the criteria for inclusion in accordance with accounting standard IFRS 5, the asset (or group held for disposal) must no longer be classified as held for sale.

It is necessary to assess a non-current asset that ceases to be classified as held for sale (or ceases to be part of a group held for disposal and classified as held for sale) at the lower between:

- the accounting value before the asset (or group held for disposal) was classified as held for sale, adjusted for all the amortisation, write-downs or write-backs that would have otherwise been recorded if the asset (or group held for disposal) had not been classified as held for sale;
- its recoverable amount at the date of the subsequent decision to not sell.

The items include the current and deferred tax assets and current and deferred tax liabilities recognised in application of IAS 12.

Income taxes relating to discontinued operations are calculated in compliance with current taxation regulations and are recognised in the income statement on an accrual basis, in line with the recognition in the accounts of the costs and revenues that generated them, except for those relating to the entries charged or credited directly in the equity, for which the recognition of the related taxation takes place, for consistency, in the equity.

Criteria for the recognition of the income components

Income and expenses (net of the tax effect) attributable to groups of assets held for disposal or recognised as such during the year are shown in the relevant consolidated income statement item 320. Profit (loss) after tax from discontinued operations.

9 - Current and deferred taxes

Current taxes

Current tax assets and liabilities are recorded at the value due or recoverable against the tax profit (loss) by applying the rates and the current taxation regulations. Current taxes that are entirely or partially unpaid at the reference date are posted under ‘Current tax liabilities’ of the consolidated balance sheet.

In the event of overpayment, which gave rise to a recoverable receivable, this is accounted for among the ‘Current tax assets’ of the consolidated balance sheet.

In accordance with IAS 12, the Group compensates current tax assets and liabilities if, and only if, it:

- has an enforceable right to offset the amounts recognised;
- intends to settle for the net residual, or realise the asset and simultaneously settle the liability.

Deferred taxes

Deferred tax assets and liabilities are booked by using the so-called balance sheet liability method, taking into account the temporary differences between the Book value of an asset or a liability and its value recognised for tax purposes. They are calculated using the applicable tax rates according to current laws, in the year when the deferred tax asset will be realised or the deferred tax liability will be settled.

Tax assets are recorded only if it is deemed probable that in the future a taxable income will be realised, against which this asset may be used.

In particular, tax regulations may lead to differences between taxable income and statutory income that, if temporary, only cause a temporal mismatch that implies the advance or deferment of the time of taxation compared to the period of accrual, thus determining a difference between the carrying amount of an asset or a liability in the balance sheet and its value recognised for tax purposes. These differences are distinguished between 'deductible temporary differences' and 'taxable temporary differences'.

Deferred tax assets

Deductible temporary differences indicate a future reduction in taxation, against a prepayment of tax compared to the economic-statutory accrual. They generate deferred tax assets since they will determine a lower tax burden in the future, on the condition that in the following years, taxable profits are realised in a sufficient measure to cover the realisation of the taxes paid in advance.

Deferred tax assets are recorded for all the deductible temporary differences if it is probable that a taxable income will be realised against which the deductible temporary differences may be used. However the probability of recovering advance taxes relative to goodwill, other intangible assets and adjustments to receivables is to be considered automatically fulfilled pursuant to the provisions of the law that provide for their transformation into a tax credit in the event of a statutory and/or tax loss.

The transformation enters into effect from the date of the approval of the shareholders' meeting of the separate financial statements of the entities in which the loss is recognised.

The origin of the difference between the higher fiscal income and the statutory one is mainly due to negative income components fiscally deductible in years that are subsequent to those of recognition in the financial statements.

Deferred tax liabilities

Taxable temporary differences indicate a future increase in taxation and consequently generate deferred tax liabilities, since these differences give rise to taxable amounts in the following years to those when they are attributed to the statutory income statement, determining a deferment of the taxation compared to the economic-statutory accrual.

Deferred tax liabilities are recorded for all the taxable temporary differences with the exception of the deferred tax reserves since transactions that determine the taxation are not envisaged.

The origin of the difference between the lower fiscal income and the statutory one is due to:

- positive income components taxable in years after those when they were entered in the accounts;
- deductible negative income components in years prior to the one when they will be entered in the accounts according to statutory criteria.

Assets and liabilities entered for advance and deferred taxes are systematically measured to take into account any amendments taking place in the regulations or in the rates.

Advance taxes and deferred taxes are accounted for at capital level with open balances and without offsetting and are booked in consolidated balance sheet item 110. Tax assets, sub-item “b) deferred” and 60. Tax liabilities, sub-item “b) deferred”.

If the deferred tax assets and liabilities refer to components which concerned the income statement, the contra-entry is represented by income tax. In case the advance and deferred taxes concern transactions which directly regard the equity without influencing the income statement (such as the valuation of financial instruments measured at fair value through other comprehensive income), they are recorded as a contra-entry to equity, affecting the specific reserve when applicable.

Global Minimum Tax (Legislative Decree no. 209 of 27 December 2023)

The changes made to IAS 12 involve:

- the introduction of a temporary exemption from reporting obligations on deferred tax assets and liabilities relating to the Pillar Two Model Rules for entities affected by the related International Tax Reform immediately after the publication of the amendments by the IASB and retroactively in compliance with IAS 8;
- the obligation to disclose supplementary information starting from the financial statements for years beginning 1 January 2023 or later.

In this last regard in particular, in periods in which the “Pillar Two” legislation is in place or substantially in force but not yet effective, the entity must provide information that is known or can be reasonably estimated to help financial statement users to understand its exposure to the Pillar Two income tax determined by the aforesaid legislation.

10 - Provisions for risks and charges

Classification criteria

In compliance with the provisions of IAS 37, the provisions for risks and charges include the provisions relating to current (legal or implicit) obligations originating from a past event, for which the use of economic resources is probable to fulfil the same obligation, as long as a reliable estimate of the related amount can be made.

Recognition criteria

Therefore, this item includes the following:

- provision for credit risk relative to commitments and financial guarantees given: the value of the total provisions for credit risk is recognised in respect of the commitments to disburse funds and financial guarantees given which are subject to the impairment rules of IFRS 9 (see paragraph 2.1, letter e); paragraph 5.5; appendix A), including therein the financial guarantees given and the commitments to disburse funds which are measured at the first-time recognition value, net of the total revenues booked in compliance with IFRS 15;
- provision for other commitments and guarantees given: the value of the total provisions in respect of other commitments and other guarantees given which are not subject to the impairment rules of IFRS 9 is recognised (see IFRS 9, paragraph 2.1, letters e) and g));
- provisions for post-employment benefits includes the provisions in respect of benefits provided to the employee after terminating the employment relationship in the form of defined contribution plans or defined benefit plans;
- other provisions for risks and charges: these include other provisions for risks and charges established in compliance with the provisions of the international accounting standards (e.g. personnel expenses, tax disputes).

Measurement criteria

The amount recorded as allocation represents the best estimate possible of the charge requested to fulfil the existing obligation at the reference date.

Where the time element is significant, the provisions are discounted by using current market rates.

The allocated funds are periodically reviewed and adjusted, if necessary, to reflect the best current estimate. If, following the review, the charge becomes unlikely to be incurred, the provision is cancelled. With regard to provisions for employee benefits, please refer to paragraph "15.2 - Provision for severance indemnity and seniority bonuses" below.

Derecognition criteria

If it is unlikely that the use of resources to produce economic benefits to fulfil the obligation will be necessary, the provision must be cancelled. A provision must be used only for those expenses for which it was originally entered.

Criteria for the recognition of the income components

The provision is recognised in the income statement, in consolidated financial statements item 200. Net allocations to provisions for risks and charges.

The item includes the positive or negative balance between the allocations and any re-attributions to the income statement of funds deemed redundant.

The net allocations also include the decreases in funds for the discounting effect as well as the corresponding increases due to the passing of time (accrual of the interest implicit in discounting).

11- Financial liabilities measured at amortised cost

Classification criteria

Financial liabilities measured at amortised cost include amounts due to banks and customers, whatever their technical form (deposits, current accounts, loans, leases), other than Financial liabilities held for trading and Financial liabilities designated at fair value.

This item also includes securities issued for funding purposes (e.g. certificates of deposit, bonds) measured at amortised cost. Securities that, as at the reference date, are expired but still not repaid are included.

Recognition criteria

The initial recognition of these financial liabilities takes place upon receiving the sums collected or issuing the debt securities. The value at which they are entered corresponds to the related fair value, normally equal to the amount collected or the issue price, increased by any additional costs/income directly attributable to the individual funding or issue transaction and not repaid by the creditor counterparty. Internal costs of an administrative nature are excluded.

The fair value of the financial liabilities, possibly issued at different conditions from market conditions, is subject to a suitable estimate and the difference compared to the amount collected is, where appropriate, directly recognised in the income statement.

Measurement criteria

Following initial recognition, carried out at fair value, on the date of signing of the contract, the financial liabilities are measured at the amortised cost, using the effective interest rate method.

Excluded are the short-term liabilities, where the time factor is negligible, which remain recorded at their collected value, and whose costs and income directly attributable to the transaction are entered in the relevant items of the income statement.

Derecognition criteria

The financial liabilities are derecognised from the financial statements when settled or expired, or when securities issued by the Group are reacquired, with a consequent redefinition of the debt entered for debt securities in issue.

Criteria for the recognition of the income components

The negative income components represented by the interest expense are entered on an accrual basis in the items in the income statement relating to interest.

Any difference between the value of repurchasing own securities and the corresponding Book value of the liability is entered in the income statement, under the consolidated financial statements item 100. Profit (Loss) from disposal/repurchase of: c) Financial liabilities.

12 - Financial liabilities held for trading

Classification criteria

Subject to recognition in this item are the financial liabilities, whatever their technical form (debt securities, loans, etc.) classified in the trading book.

The item includes, where present, the negative value of the trading derivative contracts. Derivatives connected to the fair value option are also included in this category (as defined in IFRS 9, section 4.2.2) which are operationally related to the assets and liabilities measured at fair value which on the reporting date have a negative fair value, except for derivatives which are designated as effective hedging instruments and recognised in a separate liability item in the balance sheet. If the fair value of a derivative subsequently becomes positive, it shall be recognised among financial assets measured at fair value through profit or loss.

Recognition criteria

The derivative financial instruments are entered at the subscription date and measured at fair value through profit or loss.

Measurement criteria

Subsequently to the initial recognition, the financial liabilities are measured at fair value through profit or loss.

For details on how fair value is determined, please refer to the following paragraph "A.4 - Information on fair value" of this Part A.

Derecognition criteria

Financial liabilities held for trading are derecognised from the financial statements when the contractual rights to the relevant cash flows expire or when the financial liability is transferred with the substantial transfer of all the risks and rewards deriving from its ownership.

Criteria for the recognition of the income components

Profits and losses deriving from changes in fair value and/or from the disposal of financial liabilities held for trading are recognised in the income statement under item 80. Net result from trading.

13 - Financial liabilities designated at fair value

Classification criteria

Classified in this item are those financial liabilities designated at fair value with valuation results entered in the income statement as a result of the exercise of the fair value option provided by IFRS 9, i.e. when:

- an inconsistency in the valuation or recognition is eliminated or significantly reduced (sometimes defined as an accounting mismatch), which would otherwise result from the measurement of assets or liabilities or the recognition of the associated profits and losses on a different basis;
- there is an implicit derivative;
- a group of financial liabilities or financial assets and liabilities is managed and its return is designated at fair value according to a documented risk management or investment strategy and the information relating to the group is provided internally on said basis to executives with strategic responsibilities.

Recognition criteria

Financial liabilities designated at fair value are initially recognised at fair value on the issue date, which normally corresponds to the amount collected without considering the transaction costs or income directly attributable to the same instrument, which are instead attributed to the income statement.

Measurement criteria

Liabilities are designated at fair value. The income components are reported according to the provisions of IFRS 9, as set out below:

- changes in fair value attributable to the change of its creditworthiness are stated in the appropriate equity reserve (statement of consolidated comprehensive income);
- the remaining changes in fair value are recognised in the income statement, under consolidated financial statements item 110. Net result of other financial assets and liabilities measured at fair value through profit or loss.

For details on how fair value is determined, please refer to the following paragraph "A.4 - Information on fair value" of this Part A.

Derecognition criteria

The financial liabilities designated at fair value are derecognised from the financial statements when they have expired or are extinct.

Derecognition also takes place in case of repurchasing previously issued securities. The difference between the Book value of the liability and the amount paid to purchase is recorded in the income statement.

The re-placement on the market of own securities subsequently to their repurchase is considered as a new issue with entry of the new placement price, without effects on the income statement.

Criteria for the recognition of the income components

The cost for interest on debt instruments is classified among the interest expense and similar charges of the consolidated income statement.

The income components relating to this financial statements item are reported according to the provisions of IFRS 9, as below:

- changes in fair value attributable to the change of its creditworthiness are stated in the appropriate equity reserve (statement of consolidated comprehensive income);
- the remaining changes in fair value are recognised in the income statement, under consolidated financial statements item 110. Net result of other financial assets and liabilities measured at fair value through profit or loss.

14 - Foreign exchange transactions

Classification criteria

Among the assets and liabilities in foreign currencies, in addition to those explicitly expressed in a currency other than the Euro, are also those to which financial indexing clauses apply, connected to the Euro exchange rate with a certain currency or a given basket of currencies.

For the purpose of the conversion method to be used, the assets and liabilities in foreign currencies are subdivided into monetary items (classified among the current items) and non-monetary items (classified among the non-current items).

The monetary elements consist of cash at hand and in the assets and liabilities to be received or paid, in cash amounts that are fixed or to be determined. In non-monetary elements, the right to receive or the obligation to deliver a cash amount that is fixed or to be determined is absent.

Recognition criteria

Transactions in foreign currencies are recorded, at the time of initial recognition, in a currency account, by applying the exchange rate in force at the transaction date to the amount in a foreign currency.

Measurement criteria

At the time of closing the financial statements or the interim period, the elements originally denominated in foreign currencies are valued as follows:

- the monetary items are converted at the exchange rate at year-end;
- the non-monetary items measured at the historical cost are converted at the exchange rate in force at the transaction date;
- the non-monetary items carried at fair value are converted at the spot exchange rate at year-end.

Criteria for the recognition of the income components

The exchange rate differences found between the transaction date and the related payment date, on the monetary elements, are booked in the income statement in the year when they arise, together with those which derive from the conversion of monetary elements at different rates from the initial conversion rates or the conversion at the previous year-end.

When a profit or loss relating to a non-monetary element is recorded in the Equity, the exchange rate difference relating to this element is also recorded in the Equity.

When a profit or loss is recorded in the income statement, the related exchange rate difference is also recorded in the income statement.

15 - Other information

15.1 Sales and repurchase contracts (repos)

Securities sold and subject to a repurchase agreement are classified as committed financial instruments when the purchaser has the right to resell or re-commit the underlying asset by contract or agreement; the liability of the counterparty is included in the liabilities to other banks, other deposits or customer deposits.

The securities purchased in relation to a resale contract are accounted for as loans or advances to other banks or customers.

The difference between the sales price and the purchase price is booked as interest and recorded on an accrual basis along the lifespan of the transaction.

15.2 Provision for severance indemnity and seniority bonuses

Provision for severance indemnity is similar to a post-employment benefit of the defined benefit plan type the value of which IAS 19 requires to be determined using actuarial methodologies.

Consequently, the valuation at the end of the year is made on the basis of the benefits accrued using the projected unit credit method.

This method provides for a projection of future outflows based on historical, statistical and probability analysis as well as by virtue of adopting the appropriate basic demographic techniques.

It makes it possible to calculate the severance indemnity accrued on a certain date in actuarial terms, distributing the expense for all the years of expected residual permanence of the existing employees and no longer as an expense to be settled in the event that the company ceases its operations on the reference date.

The valuation of the employee severance indemnity is carried out by an independent actuary pursuant to the method indicated above.

Following the entry into effect of the supplementary pension reform, pursuant to Legislative Decree no. 252/2005, the portions of the provision for severance indemnity accrued to 31 December 2006 will remain in the company, while the portions that accrue from 1 January 2007 have been, at the option of the employee, applied to supplementary pension plans or the INPS fund.

The latter were therefore recognised in the income statement based on the contributions due in each year; the obligation to the supplementary fund or INPS has not been discounted, due to a maturity of less than 12 months.

Based on IAS 19, the severance indemnity paid to the Pension Fund Treasury (INPS) is considered as a defined contribution plan, as is the amount paid into the supplementary fund.

The portions accrued and paid into the supplementary pension funds are recognised in the consolidated income statement sub-item 190. a) Staff expenses.

These portions are configured as a defined contribution plan since the obligation of the company towards the employee ends with the payment of the accrued amounts. Therefore, for these cases, only the portion of the debt can be recorded under the liabilities (among 'Other liabilities') for payments still to be made to the INPS or the supplementary funds, on the reference date.

IAS 19 requires all actuarial gains and losses accrued on the reference date to be immediately recognised in the "statement of consolidated comprehensive income".

The 'other long-term benefits' described by IAS 19 include the seniority bonuses to employees. These benefits must be valued, in compliance with IAS 19, with the same methodology used to determine the provision for severance indemnity, as these are compatible.

The liability for the seniority bonus is recorded under the provisions for risks and charges of the balance sheet.

The allocation, as the reattribution to the income statement of any excesses of the specific fund (due for example to changes to the actuarial assumptions) are recognised in the income statement among the "Personnel costs".

15.3 Recognition of revenues and costs

Revenues are recognised when control of the goods or services is transferred to the customer at an amount that represents the amount of the consideration to which the customer is deemed to be entitled.

Revenues are recorded through a process of analysis that involves the following steps:

- identification of the contract, defined as an agreement in which the parties have undertaken to fulfil their respective obligations;
- identification of the individual performance obligations contained in the contract;
- determination of the transaction price, i.e. the expected consideration for the transfer of the goods or services to the customer;
- allocation of the transaction price to each performance obligation, based on the sales prices of the individual obligation;
- recognition of revenues when (or as) the performance obligation is fulfilled by transferring the promised good or service to the customer.

That said, the recognition of revenues may occur:

- at a given time, when the entity meets its performance obligation by transferring the promised good or service to the customer or
- over a period of time, as the entity meets its performance obligation by transferring the promised good or service to the customer.

With reference to point b) above, a performance obligation is satisfied over a period of time if at least one of the following conditions is met:

- the customer controls the asset involved in the contract at the moment in which it is created or enhanced;
- the customer simultaneously receives or consumes the benefits provided by the entity's performance as the entity performs;
- the company's performance creates a personalised asset for the customer and the company has a payment right for the services completed at the date of transfer of the asset.

If none of the above criteria are met, then the revenue is recognised at a given moment.

The indicators of the transfer of control are:

- the obligation to pay;
- the legal title of the right to the consideration accrued;
- the physical possession of the asset;
- the transfer of risks and benefits related to ownership;
- the acceptance of the asset.

With regards to revenues realised over a period of time, the Group adopts a time-based accounting method. In relation to the above, the main approaches adopted by the Group are summarised below:

- the interest is recognised on a temporal basis, based on the contractual interest rate or the effective rate in the case of applying the amortised cost;
- the overdue interest, possibly set contractually, is booked in the income statement only at the time of its actual collection;
- the dividends are recorded in the income statement in the period in which their distribution is resolved;
- the fees and commissions for revenue from services are entered, based on the existence of contractual agreements, in the period when the same services were rendered.

The revenues from the sale of non-financial assets are recorded at the time of finalising the sale, unless most of the risks and benefits associated with the asset have been maintained.

The costs are booked to the income statement according to the accrual principle; the costs relating to obtaining and fulfilling of the contracts with the customer are recognised in the income statement in the periods in which the associated revenues are recognised.

15.4 Improvements to third-party assets

The restoration costs on third party properties are capitalised in consideration of the fact that, throughout the duration of the lease, the using company has the control of the goods and may gain future economic benefits from them. The aforementioned costs are classified among the 'Other assets' and are amortised for a period not exceeding the duration of the lease.

15.5 Methods of recognition of impairment losses

Impairment of financial assets

Financial assets other than those measured at fair value through profit or loss, in accordance with IFRS 9, are subject to an assessment – to be carried out at the end of each reporting period – to verify whether there are any indicators that these assets may be impaired (known as impairment indicators).

If the above indicators exist, the financial assets in question are considered impaired (stage 3) and value adjustments equal to the expected losses over their entire residual life must be recorded against them.

For financial assets for which there are no impairment indicators (stage 1 and stage 2), it is necessary to verify whether there are indicators such that the credit risk of the individual transaction is significantly increased compared to the time of initial recognition and apply, consequently, the criteria underlying the IFRS 9 impairment model.

The IFRS 9 impairment model

The scope of application of the IFRS 9 impairment model adopted by the Group, on which the requirements for the calculation of allocations are based, includes financial instruments such as debt securities, loans, trade receivables, assets deriving from contracts and receivables originating from lease transactions, measured at amortised cost or fair value through other comprehensive income, as well as off-balance sheet exposures (financial guarantees and commitments to disburse funds).

The aforementioned impairment model is characterised by a forward looking approach and in given circumstances, may require the immediate recognition of all expected losses over the life of a loan. This estimate will also need to be continuously adjusted to take account of the credit risk of the counterparty. In order to prepare this estimate, the impairment model must not only consider past and present data, but also information relating to future events.

For credit exposures falling within the scope of application of the impairment model, the accounting standard provides for the allocation of the individual positions in one of the 3 stages listed below:

- in stage 1, positions that do not present, at the valuation date, a significant increase in credit risk or which can be identified as 'low credit risk';
- in stage 2, positions that, at the reference date, present a significant increase or that do not present the characteristics to be identified as 'low credit risk';
- in stage 3, non-performing positions.

More specifically, the Group made provision for the allocation of the individual credit, on-balance and off-balance sheet positions, in one of the three stages listed below, based on the following criteria:

- in stage 1, positions with generation date of less than three months from the measurement date or that do not present any of the characteristics described in the following point;
- in stage 2, the positions, which at the reference date, showed a significant increase in credit risk:
    - positions belonging to certain particularly risky geo-sectoral clusters, identified by an IFRS 9 PD higher than 20% on average, or identified "collectively" as at risk;
    - positions which, at the valuation date, are classified to 'watch list', i.e. 'performing under observation';
    - positions which, as at the valuation date, show an increase in PD compared to that at origination, which exceeds certain thresholds calculated using quantile regression methods;
    - presence of a 'forborne performing' attribute;
    - presence of past due amounts and/or overrun by more than 30 days;
    - positions (without 'lifetime PD' at the disbursement date) that, at the measurement date, do not present the characteristics to be identified as 'low credit risk' (as described below);
    - counterparty positions classified as performing and identified on the basis of the Group policy as POCI (Purchased or Originated Credit Impaired);
- in stage 3, non-performing loans. These concern individual positions relating to counterparties classified in one of the impaired loan categories set forth by Bank of Italy Circular no. 272/2008 and subsequent updates. Falling into this category are impaired past due and/or overrun, 'unlikely to pay' and impaired exposures.

Performing positions that possess the following characteristics at the measurement date are considered 'low credit risk':

- absence of 'lifetime PD' at the disbursement date;
- Low risk class (class 5 for the Private segment, class 3 for Small Economic Operators and class 4 for Small Businesses and Companies).

Positions are allocated automatically to the stages set out in IFRS 9 according to the criteria defined above.

The estimate of expected loss using the Expected Credit Loss (ECL) methodology, for the classes defined above, takes place on the basis of the allocation of each position into the three reference stages, as detailed below:

- stage 1, expected loss is calculated on a time horizon of one year;
- stage 2, the expected loss is calculated by considering all the losses that it is presumed will be incurred during the entire life of the financial asset (lifetime expected loss);
- stage 3, the expected loss must be calculated from a lifetime perspective, but unlike the positions in stage 2, the calculation of lifetime expected loss will be analytical. In addition, where appropriate, forward looking elements will be introduced to the measurement of the aforementioned positions represented, in particular, by the inclusion of different scenarios (e.g. sale), weighted for the relevant probability of occurrence. More specifically, as part of the estimate of the recovery value of the positions (in particular those classified as non-performing), the inclusion of a transfer scenario, as

an alternative to the internal management scenario, normally involves the recognition of greater value adjustments connected with the application of weighted sale prices for the relative probability of occurrence of the transfer scenario.

With specific reference to loans to banks, the Group has adopted a model for determining the significant increase in credit risk that differs slightly from that applied to loans to customers, although the stage allocation logic adopted for loans to banks have been defined as consistently as possible with those implemented for loans to customers.

More specifically, with reference to loans to banks, the low credit risk ratios are performing ratios which at the valuation date have the following characteristics:

- absence of 'lifetime PD' at the disbursement date;
- PD Point in Time lower than 0.3%.

Interbank positions are allocated automatically to the stages set out in IFRS 9 according to the criteria defined above. Now, therefore, for loans to banks, the Group adopts the IFRS 9 impairment model developed on an ad hoc basis for the specific counterparty type and, therefore, different from the model used for loans to customers.

Also for loans to banks, the estimate of expected loss using the Expected Credit Loss (ECL) methodology, for the classes defined above, takes place on the basis of the allocation of each position into the three reference stages, as detailed below:

- stage 1: expected loss is calculated on a time horizon of 12 months;
- stage 2: expected loss is calculated on a time period that incorporates the entire duration of the position until maturity (so-called LEL, Lifetime Expected Loss);
- stage 3, expected loss must be calculated from a lifetime perspective, but unlike the positions in stage 2, the calculation of lifetime expected loss is analytical.

The probability of default and exposure at default (hereinafter also PD and EAD) risk parameters are calculated by the impairment model.

The loss given default (hereinafter also "LGD") parameter is prudentially set at the regulatory level of 45% valid in the IRB Foundation model, for portfolios composed of risk assets other than subordinated and guaranteed instruments.

With reference to the portfolio of securities, the use of the approach for loans is confirmed, i.e. allocation of securities into one of the three stages set forth by IFRS 9, which correspond to the three different expected loss calculation methodologies.

In stage 1, expected loss is measured within a time horizon of one year, therefore with a probability of default at 12 months.

In the stage 1 of creditworthiness, securities were placed:

- at the moment of purchase, regardless of their risk;
- which, at the measurement date, have not experienced a significant increase in credit risk with respect to the moment of purchase;
- which have experienced a significant decrease in credit risk.

In stage 2, the ECL is calculated by using the probability of lifetime default. This stage will include those securities that possess the following characteristics:

- at the measurement date, the instrument presents an increase in credit risk with respect to the purchase date as such to request the recognition of an expected loss until maturity;
- instruments that fall under stage 3 on the basis of a significant decrease in risk.

The third and final stage includes exposures for which the ECL is calculated using a probability of default of 100%.

The decision to place instruments in stage 1 or in stage 2 is connected with the quantification of the thresholds that identify a significant increase in the credit risk of the individual tranche subject to valuation. These thresholds are calculated from the characteristics of the portfolio. As regards stage 3, an analysis is conducted as to whether the increase in risk was high enough, from the moment of initial recognition, to consider the assets 'impaired', i.e. whether events were verified as such to negatively impact future cash flows. As outlined previously, an incremental loss must be recognised from stage 1 to stage 3. In more detail:

- the 12-month ECL represents the expected value of the loss estimated on an annual basis;
- the lifetime ECL is the estimate of expected loss until maturity of the security;
- the estimate parameters of the ECL are the probability of default, the 'Loss Given Default' and the 'Exposure at Default' of the individual tranche (PD, LGD, EAD).

Analytical impairment of receivables in stage 3

With reference to the analytical valuation of loans, the model used by the Group to determine allocations for impaired loans (stage 3) measured at amortised cost or at fair value through other comprehensive income requires, depending on their characteristics, the use of a specific analytical valuation or a flat-rate analytical valuation.

The specific analytical valuation method is designed to determine the correct quantification of the allocations for each position, considering both the characteristics of the individual position being valued and the characteristics of the counterparty to which the same is registered.

The purpose of the flat-rate analytical valuation is to determine the correct quantification of allocations for each position and is carried out by estimating risk parameters defined by a statistical model, in line with the provisions for the collective assessment of performing exposures with reference to stage 2 credit exposures.

The flat-rate analytical valuation shall apply to credit exposures with the following characteristics:

- impaired past due and/or overrun exposures;
- impaired off-balance sheet exposures (e.g. endorsement exposures, available margins on credit);
- On-balance exposures classified as unlikely to pay that do not exceed an amount threshold defined at the individual debtor level (so-called size threshold);
- On-balance exposures classified as non-performing that do not exceed the size threshold.

The specific analytical valuation applies to credit exposures that have the following characteristics:

- On-balance exposures classified as unlikely to pay that exceed the size threshold;
- On-balance exposures classified as non-performing that exceed the size threshold.

For the purposes of applying the size threshold, the overall credit exposure is taken as a reference at the level of the individual debtor, thus determining, alternatively, a flat-rate or specific analytical valuation for all cash relationships in the name of the same debtor. The size threshold for counterparties classified as unlikely to pay and non-performing is EUR 100,000.

The assessment of expected losses, in particular with regard to non-performing exposures, shall be carried out taking into account the probability that different credit realisation scenarios will occur, such as the assignment of the exposure or, conversely, internal management.

With regard to the specific analytical valuation of recoverable amount (valuation component), the Group adopts two alternative approaches that reflect the characteristics and riskiness of individual credit exposures:

- going concern approach, which applies only to business counterparties, operating in sectors other than real estate, that have objective prospects of going concern that are assumed when:
    - the debtor's future operating cash flows are pertinent and can be reliably estimated from documentable sources, such as:
        - updated, complete and regular official financial statements;
        - the business plan, the use of which for estimating cash flows is subject to (i) verification of the reliability and feasibility of the assumptions underlying the plan and (ii) full compliance with the plan, if it is already in progress;
        - the plan provided for in relation to agreements pursuant to the Bankruptcy Law such as, for example, pursuant to Article 67 letter d), Article 182 bis and septies, Article 186 bis, Article 160 et seq., it being understood that as long as the plans have only been submitted and not sworn in by the external professional appointed, the participating banks must carry out the same checks as those provided for with reference to the business plans;
    - the debtor's future operating cash flows are adequate to repay the financial debt to all creditors;
- gone concern approach, which applies obligatorily to credit exposures in the name of individuals and for companies with a view to business cessation or where it is not possible to estimate operating cash flows.

The discounting of the recoverable amount (financial component), applied for non-performing loans and unlikely to pay, is based on the determination of the discount rate and the recovery time.

Impairment of equity investments

At each reporting date, investments in associates or jointly controlled companies are subject to an impairment test to verify whether there is objective evidence that the Book value of the assets in question is not fully recoverable. If there is any indication of this, the entity must estimate the asset's recoverable amount that, therefore, is tested for impairment.

The presence of impairment indicators (such as the presence of lower than expected economic performance of the investee company, significant changes in the environment or in the market where the company operates or in market interest rates, etc.) leads to the recognition of an impairment loss to the extent that the recoverable amount of the investment is lower than its carrying amount.

The recoverable amount is represented by the higher of the fair value, net of costs to sell and the value in use of the equity investment. As a consequence, the need to estimate both values does not apply if one of them has been valued above the Book value.

For the valuation methods used to determine fair value, reference should be made to paragraph "A.4 - Information on fair value" of this Part A.

The value in use of the investment is the present value of the expected cash flows from the asset. This quantity responds to a general logic according to which the value of an asset is a direct expression of the cash flows it is able to generate over the period of its use. The determination of value in use therefore presupposes the estimate of the cash flows expected from the use of the assets or their final disposal expressed in terms of present value through the use of appropriate discount rates.

When an equity investment does not generate cash flows that are largely independent from other assets, it is subject to an impairment test not independently, but at the level of the CGU. Therefore, when assets attributable to a subsidiary are included in a CGU larger than the investment itself, the impairment test can only be carried out at the latter level and not at the level of the individual investee company for which a value in use cannot be correctly estimated.

If the outcome of the impairment shows that the recoverable amount is higher than the Book value of the equity investment, no value adjustment is recognised; otherwise, an impairment loss is recognised in Consolidated Income Statement item 250. Profit (loss) on equity investments.

Should the recoverable amount subsequently be higher than the new Book value because it can be demonstrated that the elements that led to the write-down are no longer present, a write-back is permitted up to the amount of the previously recorded adjustment.

Impairment of other fixed assets

Tangible assets

IAS 36 establishes that, at least once a year, the company must verify whether the tangible assets held show one or more indicators of impairment. If such indicators are found, the enterprise must carry out a valuation (impairment test) in order to detect any impairment loss.

The impairment test does not apply to the tangible assets that constitute:

- real estate investments measured at fair value (IAS 40);
- inventories (IAS 2);
- assets within the scope of IFRS 5.

The impairment indicators to be considered are those defined by paragraph 12 of IAS 36. In this regard, impairment indicators specific to tangible assets may occur, for example, in the presence of obsolescence that prevents normal use of the same such as fire, collapse, unusability and other structural defects.

Although IAS 36 is applicable to individual assets, it is often very difficult or, in some cases, impossible to calculate the value in use of an individual tangible asset. For example, it is not always possible to attribute specific incoming or outgoing cash flows to a property that hosts the Management (so-called corporate asset) or to a plant or machinery. In these cases, IAS 36 states that the CGU, i.e. the smallest grouping of assets that generates independent cash flows, must be identified and tested at this higher level (rather than on the individual asset). This is precisely because it is often a group of assets – and not a single asset – that generates cash flow and for this reason it is not possible to calculate the value in use of the individual asset.

Without prejudice to the above, the impairment test involves the need to compare the recoverable amount (which in turn is the higher of value in use and fair value net of costs to sell) of the tangible asset or the CGU with the relative Book value.

If and only if the recoverable amount of an asset or of the CGU is lower than its Book value, the latter must be reduced to the recoverable amount, configuring an impairment loss.

Intangible assets

Pursuant to IAS 36, the Group is required to perform an impairment test at least once a year, irrespective of the presence of impairment indicators, on the following assets:

- intangible assets with an indefinite useful life (including goodwill);
- intangible assets not yet available for use (including those in progress).

Other intangible assets (e.g. those with a defined useful life such as core deposits acquired in a business combination) must be subject to an impairment test only if there is an indicator of impairment.

In this regard, the impairment indicators to be considered for intangible assets are those defined by paragraph 12 of IAS 36. Specific impairment indicators for intangible assets (and in particular for goodwill) may occur, for example, in the event of actual results significantly below budget forecasts (which suggests a downward revision of the projections used for the test) or in the event of an increase in the discount rate or a reduction in the long-term growth rate.

Intangible assets with a definite useful life, such as any value of the asset management portfolio acquired as part of business combinations, in the presence of impairment indicators are subject to a new assessment process to verify the recoverability of the values recorded in the financial statements. The recoverable amount is determined on the basis of the value in use, i.e. the present value, estimated using a rate representative of the time value of money and the risks specific to the asset, the profit margins generated by the relationships existing at the date of the valuation over a time horizon expressing the expected residual duration of the same.

Intangible assets with an indefinite useful life, represented mainly by goodwill, as mentioned above, are tested annually for impairment. As there are no independent cash flows, the impairment test is carried out for the above mentioned assets with reference to the Cash Generating Unit (CGU) to which the values have been attributed.

The CGU represents the smallest identifiable group of assets generating cash inflows (revenues) that are largely independent of the flows generated by other assets or groups of assets. It identifies the lowest possible level of aggregation of assets provided that it is, at that level, possible to identify cash inflows that are objectively independent and autonomous from other assets.

Once the CGUs have been identified, it is necessary to determine their recoverable amount, which will be compared with their Book value in order to quantify any impairment. The recoverable amount is defined as the greater of:

- value in use;
- the fair value less costs to sell.

IAS 36 at para. 19 states that if one of the two values (value in use or fair value less costs to sell) is higher than the Book value of the CGU, it is not necessary to estimate the other.

Value in use represents the present value of future cash flows expected to arise from a CGU. The value in use, therefore, responds to a general logic according to which the value of an asset is a direct expression of the cash flows it is able to generate over the period of its use. The determination of value in use requires an estimate of the expected cash inflows and outflows from the CGU and the appropriate discount rate depending on the level of risk of these flows.

Fair value is the amount obtainable from the sale of an asset or Cash Generating Unit (CGU) in a free transaction between knowledgeable and independent counterparties. Costs to sell include those directly associated with the potential sale (e.g. legal fees).

A CGU is written down when its Book value is higher than its recoverable amount. In essence, an asset or CGU needs to be written down because it is impaired, either because the cash flows that will be generated from the use of the asset are not sufficient to recover the book value of the asset, or because the asset would be sold for less than its book value.

15.6 Business combinations

A business combination consists of the bringing together of companies or company activities into a single entity required to prepare financial statements.

A business combination may give rise to an investment link between the Parent Company (acquirer) and subsidiary (acquiree). A business combination may also make provision for the purchase of the net assets of another company, including any goodwill, or the acquisition of the capital of another company (mergers and contributions).

Based on the provisions of IFRS 3, business combinations must be accounted for by applying the purchase method which envisages the following phases:

- identification of the purchaser;
- determination of the cost of the business combination;
- allocation, at the acquisition date, of the cost of the business combination to the assets acquired and liabilities assumed, including therein any contingent liabilities.

In particular, the cost of a business combination is determined as the sum of the fair value, at the date of the exchange, of the assets transferred, the liabilities incurred or assumed and the equity instruments issued, in exchange for control of the acquiree augmented by any cost directly attributable to the business combination.

The acquisition date is the date on which control of the business acquired is effectively obtained. When the acquisition is carried out via a single exchange, the exchange date coincides with the acquisition date.

When the business combination is achieved through several exchange transactions:

- the cost of the combination is the total cost of the individual transactions;
- the exchange date is the date of each exchange transaction (i.e. the date on which each investment is recognised in the financial statements of the acquiring company), while the acquisition date is the date on which control of the business acquired is obtained.

The cost of a business combination is allocated by recognising the identifiable assets, liabilities and contingent liabilities of the acquiree at the associated fair values at the acquisition date.

The identifiable assets, liabilities and contingent liabilities of the acquiree are recognised separately at the acquisition date only if, at said date, they satisfy the following criteria:

- in the event of an asset other than an intangible asset, it is likely that any future related economic benefits flow to the purchaser and it is possible to reliably measure its fair value;
- in the event of a liability other than a contingent liability, it is likely that, to extinguish the obligation, the use of resources aimed at generating economic benefits will be necessary and it is possible to reliably measure its fair value;
- in the event of an intangible asset or a contingent liability, the relevant fair value can be reliably measured.

The positive difference between the cost of the business aggregation and the purchaser's interest at the net fair value of the identifiable assets, liabilities and contingent liabilities must be accounted for as goodwill.

Following initial recognition, the goodwill acquired in a business combination is measured at the relevant cost, and is subject to an impairment test at least annually. In the event of a negative difference, a new measurement is performed. This negative difference, if confirmed, is booked immediately as revenue in the income statement.

15.7 Accruals and deferrals

Accruals and deferrals that include expenses and income pertaining to the period accrued on assets and liabilities are booked to the financial statements as an adjustment to the assets and liabilities to which they refer.

15.8 Own shares

Any own shares held are deducted from equity. Similarly, the original cost of the same and the profits or losses arising from their subsequent sale are recognised as movements in equity. Similarly, shares issued by the Parent Company and subscribed by the Affiliated Banks as part of the sole consolidating entity are also deducted from Group's equity.

15.9 Payments based on shares

This case does not apply to the Group, as it does not have a so-called 'stock option plan' in place on Group-issued shares.

15.10 Transfer of the "Tax bonus" tax credit - Law no. 77 of 17 July 2020

As known, Law no. 77 of 17 July 2020, converting, with amendments, to the Relaunch Decree law, has strengthened tax deductions for seismic and energy upgrade interventions on national real estate assets, granting taxpayers the possibility of opting for the conversion of the tax deduction into a tax credit that can be transferred to third parties, mainly to credit institutions and suppliers.

Since the conversion into law of the Relaunch Decree, the tax deductions arising from construction works have undergone significant changes, both in terms of the procedure for exercising the option of sale or discount on the invoice as well as in terms of the time period within which the expenses are incurred.

With the recent conversion into law of Decree Law no. 11 of 16 February 2023 which, with a view to combating fraud in the construction sector, abolished the possibility granted to the taxpayer to transfer the credit to third parties, there will be a progressive reduction of transfers to credit institutions and suppliers, which will remain limited to exceptions of specific cases provided for by regulations.

In relation to the accounting classification to be adopted in the financial statements of the assignee, there is no single reference framework for the particular and new characteristic of the instrument in question. In particular, the present case:

- does not fall within the scope of IAS 12 "Income taxes" as it cannot be assimilated to taxes that affect the ability of the company to produce income;
- does not fall within the scope of the definition of government grants according to IAS 20 "Accounting for government grants and disclosure of government assistance" as the ownership of the receivable from the tax authorities arises only after payment of a consideration to the transferor;
- is not attributable to the provisions of IFRS 9 "Financial instruments" as the tax credits purchased do not originate from a contract between the assignee and the Italian State;
- is not attributable to IAS 38 "Intangible assets", as the tax credits in question can be considered monetary assets, allowing the payment of tax payables usually settled in cash.

The tax credit in question therefore represents a case not explicitly dealt with by an IAS/IFRS accounting standard, and as such requires reference to the provisions of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and in particular the need for the reporting entity to define an accounting treatment that reflects the economic substance and not merely the form of the transaction and that is neutral, prudent and complete.

The approach followed, with particular reference to the application of the accounting standard IFRS9, is the one identified both by the Italian Accounting Body (OIC) and by the Bank of Italy/CONSOB/IVASS Document no. 9 ("Accounting treatment of tax credits related to the Cura Italia and Rilancio Decree Laws acquired following their transfer by direct beneficiaries or previous purchasers"). Tax credits are, in fact, substantially similar to a financial asset in that they can be used to offset a debt usually paid in cash (tax debts), as well as being exchanged for other financial assets. The condition to be met is that the same tax credits may be framed in a business model of the entity. The Cassa Centrale Group includes tax credits in the Hold To Collect business model, as the intention is to hold these receivables until maturity.

In this sense, the following can be established:

- at the time of initial recognition, the fair value of the tax credit is equal to the purchase price of the receivables included in the transaction;
- in the fair value hierarchy envisaged by IFRS 13, the fair value level is similar to level 3, as there are currently no active markets or comparable transactions;

- the purchase price of tax receivables is affected by both the time value of money and the ability to use it within the relative time limit;
- the subsequent accounting of financial assets takes place at amortised cost, through the use of an effective interest rate determined at the origin, so that the discounted cash flows associated with the expected future offsetting, estimated over the expected duration of the receivable tax, equal the purchase price of the same receivables;
- using the amortised cost method, the cash flow estimates are periodically reviewed and the gross book value of the financial asset is adjusted to reflect the actual and restated cash flows. In making these adjustments, the new cash flows are discounted at the original effective interest rate. This accounting therefore makes it possible to recognise the income during the life of said tax credit, as well as to immediately recognise any losses of the transaction;
- if the estimates regarding the use of the tax credit are revised through offsetting, the gross book value of the tax credit is adjusted to reflect the estimated, actual and restated uses. This also includes the breakdown into ten annual instalments of the residual credits arising from the transfer or invoice discount relating to the deductions due for certain building works;
- SPPI Test: the mechanism of compensation in annual portions ensures that the test is passed because each portion offset is assimilated to a constant cash flow, which includes a principal and an implicit interest rate (French amortisation), where the interest rate is determined on the basis of an internal rate of return of the transaction determined at the origin and no longer modified;
- taking into account the special characteristics of these tax credits, held with the aim of using them until they are completely offset, within the time period allowed, with the payments of debts payable through F24, as mentioned above, the Cassa Centrale Group attributes the tax credits to the Hold To Collect business model.

If, according to a Group company, the actual or prospective individual ceiling has been exceeded and, on the basis of the transfer orders collected from its customers, in order to preserve the established commercial relationships, it enters into forward contracts to transfer tax credits with counterparties outside the Group, it is considered more appropriate from an accounting perspective to attribute these credits to the Hold To Collect and Sell business model, which better represents tax credits held for sale or, alternatively, for offsetting.

This business model provides for a measurement of the items at fair value through equity, i.e. at each accounting closing it is necessary to adjust the book value to align it with the fair value calculated and to measure at equity the delta between the fair value measurement and the one at amortised cost.

In light of the forward contracts and related transfer prices, it follows that the purchasers grant the entities of the Cassa Centrale Group purchase prices close to the book values at the presumed transfer date. Therefore, the book value of such loan portfolio as at 31 December 2023 is representative of the fair value found in the market transactions stipulated with counterparties outside the Group.

A.3 - Information on transfers between portfolios of financial assets

The Group has not performed any transfer between the portfolios of the financial instruments during the current year. Thus the compilation of the envisaged tables is omitted.

A.4 – Information on fair value

Information of a qualitative nature

The accounting standard IFRS 13 defines fair value as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value policy of the Cassa Centrale Group has defined the principles and methods for determining the fair value of financial instruments and the criteria for determining the so-called "fair value hierarchy".

A fair value measurement assumes that the sale of the asset or the transfer of the liability takes place:

- in the main market for the asset or liability;
- in the absence of a main market, in the most advantageous market for the asset or liability.

In the absence of a main market, all reasonably available information is taken into consideration in order to identify an active market among the available markets where the fair value of an asset/liability can be measured: in general, a market is active in relation to the number of contributors and the type of the same (dealer, market maker), the frequency of price updating and deviation, the presence of an acceptable bid-offer spread. These prices are immediately executable and binding and express the actual and regular levels of exchange on the valuation date.

In order to identify these markets, the Group has equipped itself with tools to monitor whether or not a market can be considered active, in particular with regard to bonds, shares and funds.

In this respect, in general, a financial instrument is considered to be quoted on an active market if prices are readily and regularly available, are immediately executable and binding and represent actual market transactions that occur regularly in normal trading on a regulated market or Multilateral Trading Facilities (MTFs).

The presence of official prices in an active market is the best evidence of fair value; these prices therefore represent the prices to be used in priority for fair value measurements.

In the absence of an active market, fair value is determined using prices recorded on non-active markets, valuations provided by info providers or techniques based on internal valuation models which are described in the Group's internal regulations.

When using such models, the use of relevant observable inputs shall be maximised where possible and the use of non-observable inputs shall be minimised. Observable inputs refer to prices formed within a market and used by market participants in determining the exchange price of the financial instrument being valued. This includes prices of the same asset/liability in a non-active market, parameters supported and confirmed by market data and valuation estimates based on daily observable inputs.

The non-observable inputs, on the other hand, are those not available on the market, processed on the basis of assumptions that the operators/assessors would use in determining the fair value for the same instrument or similar instruments of the same type.

IFRS 13 defines a fair value hierarchy that classifies the inputs of the valuation techniques adopted to measure fair value into three distinct levels. In particular, there are three levels of fair value:

- Level 1: fair value is determined on the basis of quoted prices observed on active markets. The Group has equipped itself with tools to identify and monitor whether or not a market can be considered active with regard to bonds, shares and funds. A financial instrument is considered to be listed on an active market if prices are readily and regularly available, are immediately executable and binding and represent actual market transactions that occur regularly in normal trading on a regulated market or Multilateral Trading Facilities (MTF). For example, the following are classified at this level of fair value:
    - bonds listed on Bloomberg MTF and valued with composite prices or, limited to Italian government securities, with MOT reference price;
    - shares and ETFs listed on markets where in the last five sessions the volumes traded are not zero and the prices recorded are not identical;
    - UCITS mutual funds, i.e. undertakings for collective investment in transferable securities.
- Level 2: fair value is determined on the basis of valuation techniques that envisage:
    - reference to market values that do not reflect the stringent active market requirements envisaged for Level 1;
    - valuation models using inputs observable on active markets. More specifically, with regard to financial instruments for which it is not possible to identify a fair value in active markets, the Group refers to prices in markets where the stringent requirements of the active market are not met or to valuation models – also developed by info providers – aimed at estimating the price at which a regular sale or transfer of a liability between market participants would take place on the valuation date. These models for determining fair value (e.g. discounting cash flow model, option pricing models) include the representative risk factors that condition the valuation of a financial instrument (cost of money, credit risk, volatility, exchange rates, etc.) and that are observed in active markets such as:
        - the prices of similar financial assets/liabilities;
        - interest rates and yield curves observable at commonly quoted intervals;
        - implied volatility;

- credit spread;
- inputs corroborated by the market based on observable market data.

The fair value thus determined is assigned a level of 2. Some examples of securities classified at this level are:

- non-governmental bonds for which a price is available on a non-active market;
- securities for which the valuation is provided by a third party provider using inputs observable on active markets;
- securities for which valuation is provided using internal models based on inputs observable on active markets (e.g. bonds measured at fair value option);
- shares that are not listed on an active market;
- OTC (Over the counter) financial derivatives concluded with institutional counterparties measured mainly through observable market data.

- Level 3: the estimate of fair value is carried out using valuation techniques that make significant use of inputs that are not observable on the market and assumptions made by operators using historical evidence or statistical assumptions. Where present, as examples, the following are classified at this level:
  - unlisted minority equity investments;
  - insurance investment products;
  - unlisted non-UCITS funds;
  - junior securitisation securities;
  - unlisted Additional Tier 1 bonds.

The classification of fair value is a figure that may vary over the life of a financial instrument. Consequently, it is necessary to verify on an ongoing basis the significance and observability of market data in order to proceed with any change in the level of fair value attributed to an instrument.

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

In the absence of an active market, fair value is determined using valuation techniques appropriate to the circumstances. Below is an illustration of the main valuation techniques adopted for each type of financial instrument, where an internal valuation model is used to determine fair value.

The internal valuation models are reviewed periodically to ensure their full and constant reliability and are updated to the most up-to-date techniques used on the market.

Unlisted bonds not contributed by info providers issued by Italian banks

The procedure for estimating the fair value of bonds is based on a discounted cash flow model.

The yield curve used in the discounting is constructed from liquid bonds, with the same seniority and currency of the instrument being valued, issued by companies belonging to the same sector and with a similar rating class.

As part of the fair value measurement of bonds issued by the issuer, the estimate of fair value takes into account changes in the issuer's creditworthiness. In particular, for securities issued by Affiliated Banks of the Cassa Centrale Banca Cooperative Banking Group or other cooperative credit banks, the rating class is determined on the basis of the rating assigned to the senior unsecured/senior preferred liabilities of the related Parent Company. Changes in the rating may also lead to changes in the fair value calculated according to the characteristics of the security and the discount curve used based on the level of seniority of the bond.

Given the predominant use of observable inputs, the fair value is classified at level 2, expect in some cases where the fair value is set at level 3 since the inputs used are not observable due to the special characteristics of the issue (senior non-preferred or Tier 2 subordinate securities exchanged between companies of the Banking Group, for example).

Derivatives

The fair value of OTC derivatives, for which there is no price quoted on regulated markets, is determined using different quantitative models depending on the type of instrument. In detail, for non-optional instruments the valuation techniques adopted belong to the discount cash flow model category (e.g. interest rate swaps, FX swaps). For instruments of an optional rate nature, the Black model is used.

The models are supplied using market-observable inputs such as rate curves, exchange rates and volatility.

With regards to the determination of the fair value of OTC derivatives in balance sheet assets, IFRS 13 confirmed the rule of applying the credit valuation adjustment - CVA. With regard to financial liabilities represented by OTC derivatives, IFRS 13 introduces a debt valuation adjustment (DVA), i.e. a fair value adjustment to reflect its own default risk on such instruments.

The Group therefore considered it reasonable not to recognise a correction in the fair value of derivatives for CVA and DVA in the cases in which agreements had been made and remained operative for collateralisation of the positions in derivatives with the following characteristics:

- a bilateral exchange of guarantees with a high frequency (daily or at the most weekly);
- the type of guarantee provided in cash or highly liquid government securities with a high credit rating, subject to an appropriate spread;
- absence of a threshold of the fair value of the derivative under which an exchange of guarantees is not required or setting the level to such a threshold which is adequate to allow for effective and significant mitigation of the counterparty risk;
- MTA – minimum transfer amount (that is the difference between the fair value of the contract and the value of the guarantee) – under which there is no adjustment of the collateralisation of the positions, identified contractually at a level that allows for essential mitigation of the counterparty risk.

Unlisted minority equity investments

The main valuation methods adopted by the Group, in accordance with the provisions of IFRS 13, in the valuation of unlisted minority equity investments are set out below:

- market methodologies (market approach): these are based on the idea of comparability with other market participants assuming that the value of an asset can be determined by comparing it to similar assets for which market prices are available. In particular, in practice, two reference sources of market prices are taken into account: stock market prices in active markets and observable information from merger transactions, acquisition or sale of share packages (direct transaction method, transaction multiples, market multiples);

- income approach: these are based on the assumption that future cash flows (e.g. cash flows or dividends) are convertible into a single (discounted) current value. In particular, the main methodologies that fall into this category include i) discounted cash flow (DCF); ii) dividend discount model (DDM); iii) appraisal value;
- adjusted net asset value or ANAV: this method is based on the principle of expressing, at current values, the individual elements of the assets (represented, essentially, by equity investments, whether controlling or not) and liabilities with the emergence also of any items not recorded in the financial statements. This method is normally used to determine the economic value of holding companies and investment companies whose value is closely related to the portfolio of equity investments held.

In accordance with the provisions of IFRS 13, the Group verifies, depending on the specific case, whether it is necessary to apply certain adjustments to the economic value resulting from the application of the aforementioned valuation methods to determine the fair value of the investment under analysis (e.g. liquidity discount, control premium, minority discount).

The choice of valuation approach is left to the judgement of the valuer as long as it favours, compatibly with the available information, methodologies that maximise the use of observable inputs on the market and minimise the use of non-observable inputs.

Lastly, it should be noted that the Group uses the net asset value or cost method (as a proxy for fair value) for minority interests below certain materiality thresholds for which no fair value measurement based on the aforementioned methods is available, based on specific parameters defined within the fair value policy approved by the Board of Directors.

Unlisted mutual investment funds

Mutual investment funds such as unlisted real estate funds, private equity funds and alternative investment funds (hereinafter also referred to as 'AIFs') are characterised by a portfolio of assets generally valued with subjective inputs and provide for the redemption of the subscribed portion only at a certain maturity.

These funds are measured using the net asset value (NAV) corrected, where necessary, by a discount factor associated with a "liquidity premium" determined using an internal model.

For the above reasons, the net asset value (NAV) determined in this way and used as a fair value estimation technique is considered to be level 3.

Insurance investment products

The valuation of these assets provides for the discounting of expected future cash flows from the investment. In this regard, the estimate of cash flows is based on the use of risk-free financial scenarios in which a Monte-Carlo simulative approach is used for the projection of future returns from the separate holding. The input data of the functional model for the estimation of flows consist of:

- historical information on the performance of the separate holdings involved;
- risk-free rates;
- the average asset allocation of the Italian separate holdings taken from market data (source: ANIA) at the last available survey compared to the valuation date.

Cash flow projections are made using a financial-actuarial model that incorporates the data of the policyholder, the financial structure of the insurance investment product (minimum guaranteed rates, management fees), demographic assumptions and financial data in order to consider the value of the financial options included in the insurance investment product. These cash flows are finally discounted using the same risk-free curve specific to the individual scenario.

Loans and receivables

The fair value measurement of loans mainly takes place in cases where the relationship fails the SPPI Test (as set forth in IFRS 9) or in cases of hedge accounting or application of the fair value option.

The valuation method consists of discounting the contractual cash flows net of the expected loss calculated in accordance with the provisions of the IFRS 9 model used to estimate value adjustments.

With reference to loans to customers and banks, recorded under financial assets measured at amortised cost, the fair value of which is provided for disclosure purposes, it should be noted that the fair value of short-term or revocable loans has been conventionally assumed to be equal to the carrying amount.

With regard to non-performing positions – except for situations in which, given the presence of objective elements deriving from valuations on portfolios and/or specific positions expressed by third parties, the values deriving from such valuations are used – the book value has been assumed as an approximation of fair value.

Unlisted Additional Tier 1 (AT1) subordinated bank securities issued by Affiliated Banks

The procedure for estimating the fair value of Additional Tier 1 securities is based on a discounted cash flow model. The yield curve used in discounting is constructed from liquid bonds, taking into account the seniority of the instrument, the sector and the rating class of the issuer. Taking into account the presence, within the model, of assumptions on the evolution of future cash flows, the fair value thus determined is classified at level 3.

A.4.2 Processes and sensitivities of the valuations

The Group generally carries out a sensitivity analysis of non-observable inputs, through a stress test on non-observable inputs that are significant for the evaluation of the different types of financial instruments belonging to level 3 of the fair value hierarchy.

On the basis of this analysis, potential changes in fair value are determined, by type of instrument, attributable to plausible changes in non-observable inputs. The sensitivity analysis was developed for the financial instruments for which the valuation techniques adopted made it possible to carry out this exercise.

That said, financial instruments under assets with a fair value level 3 represent a residual portion of approximately 3% of the total portfolio of financial designated at fair value. They consist mainly of unlisted minority equity investments, shares in mutual investment funds, and insurance investment products (typically life insurance policies).

With reference to insurance investment products, as highlighted above, these are valued on the basis of a calculation model that provides for the discounting of future cash flows expected from the same investment, taking into account financial, demographic and contractual assumptions.

For the above instruments, considering that the financial and demographic assumptions are derived from observable market data (e.g. Italian risk-free interest rate maturity structure with volatility adjustment, ISTAT mortality table, etc.), the sensitivity analysis was carried out with reference to the non-observable inputs underlying the contractual assumptions (relatively less relevant for valuation purposes).

In particular, the sensitivity analysis concerned the spread (obtained by weighting the historical yields of the reference separate holding) added to the Euro swap rate in order to determine the functional capitalisation rate to calculate, starting from the last insured capital communicated by the insurance companies, the insured capital at the valuation date. The above analysis was carried out on a sample of instruments of this type and showed little significant effects on the fair value of the insurance investments resulting from the change in the non-observable inputs under examination, also due to the aforementioned circumstance that the non-observable inputs underlying the contractual assumptions are in relative terms less relevant for valuation purposes.

With reference to the other fair value level 3 instruments, the sensitivity analysis is not produced because the effects deriving from the change in the non-observable inputs are considered not relevant.

A.4.3 Fair value hierarchy

For a description of the fair value hierarchy levels envisaged by the Group, please refer to paragraph “A.4 - Information on fair value”.

With reference to assets and liabilities measured at fair value, classification at the correct level is carried out with reference to the rules and methods set out in internal regulations.

Any transfers to a different level of hierarchy are identified on a monthly basis. The transition from level 3 to level 2 occurs when the relevant parameters used as input to the valuation technique are, at the reference date, observable on the market. The transition from level 2 to level 1 takes place when the presence of an active market, as defined by IFRS 13, has been successfully verified. The transition from level 2 to level 3 occurs when, at the reference date, several of the significant parameters in determining fair value are not directly observable on the market.

A.4.4 Other information

The Group does not hold groups of financial assets and liabilities based on its net exposure to market risks or credit risk.

The Group, with reference to derivatives concluded with financial counterparties with which it stipulated framework netting agreements, availed itself of the possibility to measure the fair value at overall portfolio exposure level in order to take account of the offsetting of counterparty risk.

Information of a quantitative nature

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value levels

	31/12/2023			31/12/2022		
FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss	83	10	201	146	12	315
a) financial assets held for trading	-	5	-	-	7	-
b) financial assets designated at fair value	-	-	1	-	-	1
c) other financial assets mandatorily measured at fair value	83	5	200	146	5	314
2. Financial assets measured at fair value through other comprehensive income	10,917	15	118	10,788	20	111
3. Hedging derivatives	-	84	-	-	125	-
4. Tangible assets	-	-	9	-	-	14
5. Intangible assets	-	-	-	-	-	-
Total	**11,000**	**109**	**328**	**10,934**	**157**	**440**
1. Financial liabilities held for trading	-	4	-	-	7	-
2. Financial liabilities designated at fair value	-	1	-	-	1	-
3. Hedging derivatives	-	4	-	-	1	-
Total	**-**	**9**	**-**	**-**	**9**	**-**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

During the year, there were no significant transfers of assets and liabilities between level 1 and level 2 as defined by IFRS 13, para. 93, letter c).

A.4.5.2 Annual changes in assets measured at fair value on a recurring basis (level 3)

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Tangible assets	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily measured at fair value				
1. OPENING BALANCES	**315**	**-**	**1**	**314**	**111**	**-**	**14**	**-**
2. INCREASES	**23**	**-**	**-**	**23**	**17**	**-**	**-**	**-**
2.1. Purchases	17	-	-	17	5	-	-	-
2.2. Profit attributed to:	6	-	-	6	11	-	-	-
2.2.1. Income Statement	6	-	-	6	-	-	-	-
- of which capital gains	4	-	-	4	-	-	-	-
2.2.2. Equity	-	X	X	X	11	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	1	-	-	-
3. DECREASES	**137**	**-**	**-**	**137**	**10**	**-**	**5**	**-**
3.1. Sales	4	-	-	4	6	-	1	-
3.2. Repayments	122	-	-	122	-	-	-	-
3.3. Losses attributed to:	9	-	-	9	4	-	-	-
3.3.1. Income Statement	9	-	-	9	-	-	-	-
- of which capital losses	7	-	-	7	-	-	-	-
3.3.2. Equity	-	X	X	X	4	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	2	-	-	2	-	-	4	-
4. CLOSING BALANCES	**201**	**-**	**1**	**200**	**118**	**-**	**9**	**-**

Item "3.2 Repayments", relating to other financial assets mandatorily measured at fair value, includes life insurance policy repayments issued by insurance companies of about EUR 102 million.

A.4.5.3 Annual changes in liabilities measured at fair value on a recurring basis (level 3)

At the end of the reporting period, the Group does not hold any liabilities designated at fair value on a recurring basis classified to level 3.

A.4.5.4 Assets and liabilities which are not measured at fair value or which are measured at fair value on non-recurring basis: breakdown by fair value levels

ASSETS AND LIABILITIES WHICH ARE NOT MEASURED AT FAIR VALUE OR WHICH ARE MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	31/12/2023				31/12/2022			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	72,880	22,920	198	49,034	76,376	25,171	332	48,991
2. Tangible assets held for investment purposes	93	-	-	106	100	-	-	109
3. Non-current assets and groups of assets held for disposal	1	-	-	1	1	-	-	1
Total	**72,974**	**22,920**	**198**	**49,141**	**76,477**	**25,171**	**332**	**49,101**
1. Financial liabilities measured at amortised cost	79,218	544	429	78,262	83,588	-	761	82,824
2. Liabilities associated to assets held for disposal	-	-	-	-	-	-	-	-
Total	**79,218**	**544**	**429**	**78,262**	**83,588**	**-**	**761**	**82,824**

KEY:

BV = Book value

L1 = Level 1

L2 = Level 2

L3 = Level 3

A.5 - Information on day one profit/loss

The Group did not carry out any transactions for which, at the moment of first-time recognition of a financial instrument, a difference emerges between the purchase value and the value of the instrument obtained using internal valuation techniques.

PART B - Information on the consolidated balance sheet

Assets

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

	Total 31/12/2023	Total 31/12/2022
a) Cash	579	558
b) Current accounts and demand deposits at central banks	4	5
c) Current accounts and demand deposits at banks	151	147
Total	**734**	**710**

The sub-item " Current accounts and deposits on demand with central banks" refers to transactions with the Bank of Italy.

Section 2 - Financial assets measured at fair value through profit or loss - Item 20

2.1 Financial assets held for trading: breakdown by category

ITEMS/VALUES	Total 31/12/2023			Total 31/12/2022		
	L1	L2	L3	L1	L2	L3
A. CASH ASSETS						
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equities	-	-	-	-	-	-
3. UCITS units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repos	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**
B. DERIVATIVE INSTRUMENTS						
1. Financial derivatives	-	5	-	-	7	-
1.1 trading	-	5	-	-	7	-
1.2 connected to the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.2 connected to the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	**-**	**5**	**-**	**-**	**7**	**-**
Total (A+B)	**-**	**5**	**-**	**-**	**7**	**-**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

This item includes derivative instruments classified in the trading book.

2.2 Financial assets held for trading: breakdown by debtors/issuers/counterparties

ITEMS/VALUES	Total 31/12/2023	Total 31/12/2022
A. CASH ASSETS		
1. Debt securities	**-**	**-**
a) Central Banks	-	-
b) General Governments	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations	-	-
2. Equities	**-**	**-**
a) Banks	-	-
b) Other financial corporations	-	-
of which: insurance companies	-	-
c) Non-financial corporations	-	-
d) Other issuers	-	-
3. UCITS units	**-**	**-**
4. Loans	**-**	**-**
a) Central Banks	-	-
b) General Governments	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations	-	-
f) Households	-	-
Total (A)	**-**	**-**
B. DERIVATIVE INSTRUMENTS		
a) Central counterparties	-	-
b) Other	5	7
Total (B)	**5**	**7**
Total (A+B)	**5**	**7**

2.3 Financial assets designated at fair value: breakdown by category

ITEMS/VALUES	Total 31/12/2023			Total 31/12/2022		
	L1	L2	L3	L1	L2	L3
1. DEBT SECURITIES	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. LOANS	-	-	1	-	-	1
2.1 Structured	-	-	-	-	-	-
2.2 Other	-	-	1	-	-	1
Total	-	-	1	-	-	1

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

2.4 Financial assets designated at fair value: breakdown by debtors/issuers

ITEMS/VALUES	Total 31/12/2023	Total 31/12/2022
1. DEBT SECURITIES	-	-
a) Central Banks	-	-
b) General Governments	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations	-	-
2. LOANS	1	1
a) Central Banks	-	-
b) General Governments	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations	-	-
f) Households	1	1
Total	1	1

2.5 Other financial assets mandatorily measured at fair value: breakdown by category

ITEMS/VALUES	Total 31/12/2023			Total 31/12/2022		
	L1	L2	L3	L1	L2	L3
1. DEBT SECURITIES	**1**	**4**	**2**	**1**	**5**	**3**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	1	4	2	1	5	3
2. EQUITIES	**18**	**1**	**-**	**14**	**-**	**-**
3. UCITS UNITS	**64**	**-**	**73**	**131**	**-**	**79**
4. LOANS	**-**	**-**	**125**	**-**	**-**	**232**
4.1 Repos	-	-	-	-	-	-
4.2 Other	-	-	125	-	-	232
Total	**83**	**5**	**200**	**146**	**5**	**314**

KEY:
L1 = Level 1
L2 = Level 2
L3 = Level 3

The sub-item "1.2. Other debt securities" includes junior and mezzanine securities related to securitisation transactions for approximately EUR 2 million classified in fair value level 3.

Loans include approximately EUR 80 million in life insurance policies issued by insurance companies, linked to the return on a separate holding, and obligatorily measured at fair value following the failure of the SPPI Test.

The item 'UCITS units' is composed of the following main categories of funds:

- bonds for approximately EUR 54 million, about EUR 18 million of which are classified at fair value level 3;
- stocks for approximately EUR 18 million;
- balanced for approximately EUR 10 million;
- real estate of approximately EUR 26 million classified at fair value level 3;
- NPL of approximately EUR 26 million classified at fair value level 3;
- private equity of approximately EUR 3 million classified at fair value level 3.

2.6 Other financial assets mandatorily measured at fair value: breakdown by debtors/issuers

	Total 31/12/2023	Total 31/12/2022
1. EQUITY SECURITIES	**19**	**14**
of which: banks	3	2
of which: other financial corporations	1	1
of which: non-financial corporations	15	11
2. DEBT SECURITIES	**7**	**9**
a) Central Banks	-	-
b) General Governments	-	-
c) Banks	4	5
d) Other financial corporations	3	4
of which: insurance companies	-	-
e) Non-financial corporations	-	-
3. UCITS UNITS	**137**	**210**
4. LOANS	**125**	**232**
a) Central Banks	-	-
b) General Governments	6	6
c) Banks	-	-
d) Other financial corporations	109	214
of which: insurance companies	80	182
e) Non-financial corporations	8	8
f) Households	2	4
Total	**288**	**465**

Section 3 - Financial assets measured at fair value through other comprehensive income - Item 30

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

ITEMS/VALUES	Total 31/12/2023			Total 31/12/2022		
	L1	L2	L3	L1	L2	L3
1. DEBT SECURITIES	**10,909**	**14**	**-**	**10,780**	**19**	**1**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	10,909	14	-	10,780	19	1
2. EQUITIES	**8**	**1**	**118**	**8**	**1**	**110**
3. LOANS	**-**	**-**	**-**	**-**	**-**	**-**
Total	**10,917**	**15**	**118**	**10,788**	**20**	**111**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

The item “2. Equity securities” Level 3 includes Bank of Italy shares held by a number of affiliated banks for a value of around EUR 24 million.

3.2. Financial assets measured at fair value through other comprehensive income: breakdown by debtors/issuers

	Total 31/12/2023	Total 31/12/2022
1. DEBT SECURITIES	**10,923**	**10,800**
a) Central Banks	-	-
b) General Governements	10,699	10,571
c) Banks	171	167
d) Other financial corporations	23	22
of which: insurance companies	-	-
e) Non-financial corporations	30	40
2. EQUITIES	**127**	**119**
a) Banks	41	36
b) Other issuers:	86	83
- other financial corporations	30	30
of which: insurance companies	7	4
- non-financial corporations	56	53
- other	-	-
3. LOANS	**-**	**-**
a) Central Banks	-	-
b) General Governements	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations	-	-
f) Households	-	-
Total	**11,050**	**10,919**

3.3 Financial assets measured at fair value through other comprehensive income: gross value and writedowns

	Gross value					Writedowns				Total partial write-offs*
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	
Debt securities	10,924	2	1	-	-	2	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 31/12/2023	**10,924**	**2**	**1**	**-**	**-**	**2**	**-**	**-**	**-**	**-**
Total 31/12/2022	**10,796**	**2**	**6**	**-**	**-**	**2**	**-**	**-**	**-**	**-**

*Value to be displayed for information purposes

The division by stage of risk of financial assets measured at fair value through other comprehensive income is applied in compliance with the provisions of the impairment model in application of IFRS 9.

For more detailed information, please refer to Part A - Accounting policies in paragraph “15.5 Methods of recognition of impairment losses” and Part E - “Information on risks and related hedging policies”.

Section 4 - Financial assets measured at amortised cost - Item 40

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

TYPE OF TRANSACTIONS/ VALUES	Total 31/12/2023						Total 31/12/2022					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and 2	Stage 3	Purchased or originated credit impaired	L1	L2	L3	Stage 1 and 2	Stage 3	Purchased or originated credit impaired	L1	L2	L3
A. LOANS TO CENTRAL BANKS	**573**	**-**	**-**	**-**	**-**	**573**	**527**	**-**	**-**	**-**	**-**	**527**
1. Fixed-term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserve	573	-	-	X	X	X	527	-	-	X	X	X
3. Repos	-	-	-	X	X	X	-	-	-	X	X	X
4. Others	-	-	-	X	X	X	-	-	-	X	X	X
B. LOANS TO BANKS	**824**	**-**	**-**	**449**	**153**	**183**	**918**	**-**	**-**	**317**	**285**	**244**
1. Loans	**183**	**-**	**-**	**-**	**-**	**183**	**234**	**-**	**-**	**-**	**-**	**234**
1.1 Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Fixed-term deposits	10	-	-	X	X	X	2	-	-	X	X	X
1.3. Other loans:	173	-	-	X	X	X	232	-	-	X	X	X
- Repos receivables	-	-	-	X	X	X	-	-	-	X	X	X
- Financing for leases	-	-	-	X	X	X	-	-	-	X	X	X
- Other	173	-	-	X	X	X	232	-	-	X	X	X
2. Debt securities	**641**	**-**	**-**	**449**	**153**	**-**	**684**	**-**	**-**	**317**	**285**	**10**
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	641	-	-	449	153	-	684	-	-	317	285	10
Total	**1,397**	**-**	**-**	**449**	**153**	**756**	**1,445**	**-**	**-**	**317**	**285**	**771**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

The balance of item "2.2 Other debt securities" includes the subscription, by the Cassa Centrale Group of the subordinated loan, previously issued by Banca Carige and now attributable to the issuer BPER Banca, following the merger by incorporation in 2022, for a nominal value of EUR 100 million and an annual yield of 8.25%.

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

TYPE OF TRANSACTIONS/ VALUES	Total 31/12/2023						Total 31/12/2022					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and 2	Stage 3	Purchased or originated credit impaired	L1	L2	L3	Stage 1 and 2	Stage 3	Purchased or originated credit impaired	L1	L2	L3
1. LOANS	**47,516**	**325**	**10**	**-**	**-**	**48,103**	**47,314**	**455**	**-**	**-**	**-**	**47,944**
1.1. Current accounts	3,726	27	-	X	X	X	3,646	39	-	X	X	X
1.2. Repos receivables	-	-	-	X	X	X	-	-	-	X	X	X
1.3. Mortgage loans	38,021	267	9	X	X	X	38,049	375	-	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	1,185	5	-	X	X	X	1,094	5	-	X	X	X
1.5. Financing for leases	827	9	-	X	X	X	763	13	-	X	X	X
1.6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7. Other loans	3,757	17	1	X	X	X	3,762	23	-	X	X	X
2. DEBT SECURITIES	**23,632**	**-**	**-**	**22,471**	**45**	**175**	**27,162**	**-**	**-**	**24,854**	**47**	**276**
1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2. Other debt securities	23,632	-	-	22,471	45	175	27,162	-	-	24,854	47	276
Total	**71,148**	**325**	**10**	**22,471**	**45**	**48,278**	**74,476**	**455**	**-**	**24,854**	**47**	**48,220**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

Loans to customers are shown net of value adjustments from write-downs. Impaired assets include the impaired loans, unlikely to pay and past due exposures according to Bank of Italy Circular no. 272 of 30 July 2008 and subsequent updates. Details of these exposures, the amounts and the breakdown of the value adjustments, are shown in Part E of the Explanatory Notes - Credit quality. The fair value of short-term or revocable receivables was conventionally assumed to be equal to the book value.

For impaired positions, the fair value was deemed to be equal to the net book value, on the basis of the considerations set out in Part A, section A.4 - Information on fair value, to which reference is made.

The item "2.2. Other debt securities" includes senior securities relating to securitisation transactions for approximately EUR 152 million classified at fair value level 3. The decrease in the item compared to the figure from the previous year is mainly as a result of a repositioning of the financial investments in line with the new Group Proprietary Portfolio Strategy, which envisages a reduction in the incidence of investments classified in the HTC Business Model and a diversification of the same portfolio in terms of duration as well as issuer counterparties.

Loans to customers include loans from third-party funds under administration with risk borne by the Group amounting to approximately EUR 235 million.

Performing exposures to customers consisted mainly of mortgage loans, which amounted to EUR 38,021 million and accounted for approximately 80% of total loans to customers, current accounts receivable of EUR 3,726 million and other loans of EUR 3,757 million.

4.3 Financial assets measured at amortised cost: breakdown by debtors/issuers of loans to customers

TYPE OF TRANSACTIONS/VALUES	Total 31/12/2023			Total 31/12/2022		
	Stage 1 and 2	Stage 3	Impaired assets acquired or originated	Stage 1 and 2	Stage 3	Impaired assets acquired or originated
1. DEBT SECURITIES	**23,632**	**-**	**-**	**27,162**	**-**	**-**
a) General Governements	23,370	-	-	26,791	-	-
b) Other financial corporations	220	-	-	325	-	-
of which: insurance companies	1	-	-	-	-	-
c) Non-financial corporations	42	-	-	46	-	-
2. LOANS TO:	**47,516**	**325**	**10**	**47,314**	**455**	**-**
a) General Governements	284	-	-	279	-	-
b) Other financial corporations	555	1	-	698	1	-
of which: insurance companies	65	-	-	-	-	-
c) Non-financial corporations	22,008	203	6	21,945	285	-
d) Households	24,669	121	4	24,392	169	-
Total	**71,148**	**325**	**10**	**74,476**	**455**	**-**

4.4 Financial assets measured at amortised cost: gross value and writedowns

	Gross value					Writedowns				Total partial write-offs*
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	
Debt securities	24,273	146	50	1	-	6	44	1	-	-
Loans	43,754	-	5,193	2,132	26	176	499	1,807	16	287
Total 31/12/2023	**68,027**	**146**	**5,243**	**2,133**	**26**	**182**	**543**	**1,808**	**16**	**287**
Total 31/12/2022	**69,554**	**258**	**7,072**	**2,495**	**-**	**217**	**488**	**2,040**	**-**	**276**

*Value to be displayed for information purposes

The division by stage of risk of financial assets measured at amortised cost is applied in compliance with the provisions of the impairment model in application of IFRS 9.

For more detailed information, please refer to Part A - Accounting policies in paragraph "15.5 Methods of recognition of impairment losses" and Part E - "Information on risks and related hedging policies".

At 31 December 2023, existing loans that constitute new liquidity granted through public guarantee mechanisms issued in the context of COVID-19 amounted to a total of EUR 4,469 million, and are broken down as follows:

	Gross value					Writedowns			
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired
Newly originated loans	3,882	-	585	193	-	15	44	132	-
Total 31/12/2023	**3,882**	**-**	**585**	**193**	**-**	**15**	**44**	**132**	**-**
Total 31/12/2022	**4,793**	**-**	**1,049**	**156**	**-**	**18**	**51**	**81**	**-**

Section 5 - Hedging derivatives - Item 50

This item features the derivative contracts designated as effective hedging instruments, which at the reference date show a positive fair value.

With regard to hedging transactions, the Group made use of the right to continue to apply the existing requirements of IAS 39 for accounting purposes as required by IFRS 9 until the IASB has completed its project to define the accounting rules for hedging financial instruments.

With regard to the objectives and strategies underlying hedging transactions, please refer to the information provided in Part E - Information on risks and related hedging policies, Section 3 - Derivatives and hedging policies.

5.1 Hedging derivatives: breakdown by type of coverage and levels

	Fair Value 31/12/2023			NV 31/12/2023	Fair Value 31/12/2022			NV 31/12/2022
	L1	L2	L3		L1	L2	L3	
A. FINANCIAL DERIVATIVES								
1. Fair value	-	84	-	719	-	123	-	766
2. Cash flows	-	-	-	-	-	2	-	72
3. Foreign investments	-	-	-	-	-	-	-	-
B. CREDIT DERIVATIVES								
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**84**	**-**	**719**	**-**	**125**	**-**	**838**

KEY:

NV = notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

5.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

TRANSACTIONS / TYPE OF HEDGE	Fair value							Cash flows		Foreign Investments
	Micro-hedge						Macro-hedge	Micro-hedge	Macro-hedge	
	Debt securities and interest rates	Equities and stock market indices	Currencies and gold	Credit	Commodities	Others				
1. Financial assets measured at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	1	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	83	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**1**	**-**	**-**	**-**	**-**	**-**	**83**	**-**	**-**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

Section 6 - Fair value change of financial assets in hedged portfolios - Item 60

This item includes the balance of changes in the value of assets subject to macro interest rate risk hedging, for the application of which the Group avails itself of the possibility, provided by IFRS 9, to continue to apply IAS 39 in the carve-out version.

6.1 Value adjustment of hedged assets: breakdown by hedged portfolios

VALUE ADJUSTMENT OF HEDGED ASSETS/VALUES	Total 31/12/2023	Total 31/12/2022
1. POSITIVE FAIR VALUE CHANGE	**3**	**-**
1.1 of specific portfolios:	3	-
a) financial assets measured at amortised cost	3	-
b) financial assets measured at fair value through other comprehensive income	-	-
1.2 total	-	-
2. NEGATIVE FAIR VALUE CHANGE	**(82)**	**(118)**
2.1 of specific portfolios:	(71)	(41)
a) financial assets measured at amortised cost	(71)	(41)
b) financial assets measured at fair value through other comprehensive income	-	-
2.2 total	(11)	(77)
Total	**(79)**	**(118)**

Section 7 - Equity investments - Item 70

This section includes the equity investments in companies under joint control or subject to a significant influence (IAS 28 and IFRS 11).

At the end of the reporting period, the value of the equity investments amounted to EUR 54 million, relating:

- to “significant” equity investments totalling EUR 29 million (as represented in the following table 7.2);
- to insignificant equity investments totalling EUR 25 million (as represented, on the whole, in the following table 7.4).

The scope of ‘significant equity investments’ was determined by considering the materiality of the book value of the investment and the share of the investee’s assets with respect to the homogeneous balances relating to the current financial statements.

7.1 Equity investments: information on type of relationship

NAME	Registered office	Operating headquarters	Relationship type*	Investment relationship		% Votes available
				Investing company	% Share	
A. JOINTLY CONTROLLED COMPANIES						
CASSE RURALI RAIFFEISEN FINANZIARIA S.p.A., IN LIQUIDAZIONE	Bolzano	Bolzano	7	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	50.00	50.00
FRONTE PARCO IMMOBILIARE S.r.l.	Bologna	Bologna	7	BANCA DI BOLOGNA CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	50.00	50.00
B. COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE						
LE CUPOLE S.r.l.	Manerbio (BS)	Manerbio (BS)	4	CASSA PADANA BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	22.00	22.00
FINANZIARIA TRENTINA DELLA COOPERAZIONE S.p.A	Trento	Trento	4	CASSA RURALE DI TRENTO, LAVIS, MEZZOCORONA, VALLE DI CEMBRA E ALTA VALLAGARINA - BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	8.49	8.49
				CASSA RURALE ALTO GARDA - ROVERETO BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	7.22	7.22
				CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	7.18	7.18
				CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	4.08	4.08
				CASSA RURALE VAL DI NON - ROTALIANA E GIOVO - BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	3.78	3.78
				FPB CASSA DI FASSA PRIMIERO BELLUNO BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	3.27	3.27
				LA CASSA RURALE – CREDITO COOPERATIVO ADAMELLO GIUDICARIE VALSABBIA PAGANELLA - SOCIETÀ COOPERATIVA	3.14	3.14
				CASSA RURALE VAL DI FIEMME - BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	3.12	3.12
				CASSA RURALE VALSUGANA E TESINO - BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	2.88	2.88
				OTHER MINORITY INTERESTS	4.35	4.35
					47.51	47.51
PARTECIPAZIONI COOPERATIVE S.r.l.	Trento	Trento	4	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	13.92	13.92
				CASSA RURALE DI TRENTO, LAVIS, MEZZOCORONA, VALLE DI CEMBRA E ALTA VALLAGARINA - BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	7.89	7.89

NAME	Registered office	Operating headquarters	Relationship type*	Investment relationship		% Votes available
				Investing company	% Share	
				CASSA RURALE ALTO GARDA - ROVERETO BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	5.80	5.80
				CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	5.10	5.10
				CASSA RURALE VAL DI NON - ROTALIANA E GIOVO - BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	4.18	4.18
				FPB CASSA DI FASSA PRIMIERO BELLUNO BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	2.32	2.32
				CASSA RURALE VALLAGARINA - BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	2.09	2.09
				OTHER MINORITY INTERESTS	6.49	6.49
					47.79	47.79
SERENA S.r.l.	Manzano (UD)	Manzano (UD)	4	BANCA 360 CREDITO COOPERATIVO FVG - SOCIETÀ COOPERATIVA	29.05	29.05
RITTNERHORN SEILBAHNEN AG	Renon (BZ)	Renon (BZ)	4	CASSA RURALE RENON - SOCIETÀ COOPERATIVA	23.97	23.97
SENIO ENERGIA S.r.l., IN LIQUIDAZIONE	Faenza (RA)	Faenza (RA)	4	BANCA DI CREDITO COOPERATIVO DELLA ROMAGNA OCCIDENTALE - SOCIETÀ COOPERATIVA	22.22	22.22
RENDENA GOLF S.p.A.	Bocenago (TN)	Bocenago (TN)	4	LA CASSA RURALE – CREDITO COOPERATIVO ADAMELLO GIUDICARIE VALSABBIA PAGANELLA - SOCIETÀ COOPERATIVA	24.76	24.76
SCOUTING S.p.A.	Bellaria - Igea Marina (RN)	Bellaria - Igea Marina (RN)	4	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	8.26	8.26
				ROMAGNABANCA CREDITO COOPERATIVO ROMAGNA EST E SALA DI CESENATICO - SOCIETÀ COOPERATIVA	6.29	6.29
				CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	6.29	6.29
				BANCA PREALPI SAN BIAGIO CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	4.88	4.88
				BANCA MALATESTIANA - CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	4.65	4.65
					30.37	30.37
CABEL HOLDING S.p.A.	Empoli (FI)	Empoli (FI)	4	CASTAGNETO BANCA 1910 - CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	19.50	19.50
				CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	7.66	7.66
				BANCA LAZIO NORD CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	2.01	2.01
					29.17	29.17

NAME	Registered office	Operating headquarters	Relationship type*	Investment relationship		% Votes available
				Investing company	% Share	
SERVIZI E FINANZA FVG S.r.l.	Udine	Udine	4	CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	27.19	27.19
CONNESSIONI - IMPRESA SOCIALE S.r.l.	Brescia	Brescia	4	CASSA PADANA BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	30.00	30.00
DISTRETTO RURALE TERRE BASILIANE DEL CILENTO S.C.a.r.L	Futani (SA)	Futani (SA)	4	BANCA DI CREDITO COOPERATIVO DI AQUARA - SOCIETÀ COOPERATIVA	20.69	20.69

* Relationship type

1 - majority of voting rights in the ordinary shareholders' meeting

2 - dominant influence in the ordinary shareholders' meeting

3 - agreements with other shareholders

4 - company subject to a significant influence

5 - unitary management pursuant to Article 26, paragraph 1, of "Legislative Decree no. 87/92"

6 - unitary management pursuant to Article 26, paragraph 2, of "Legislative Decree no. 87/92"

7 - joint ventures

8 - other type of relationship.

For the criteria and methods of determination of the consolidation scope and the reasons for which there is recourse to joint control or significant influence, please refer to Part A - Accounting policies of these Explanatory notes.

7.2 Significant equity investments: book value, fair value and dividends received

NAME	Book value	Fair value	Dividends received
A. JOINTLY CONTROLLED COMPANIES			
CASSE RURALI RAIFFEISEN FINANZIARIA S.p.A., IN LIQUIDAZIONE	7	-	-
B. COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE			
CABEL HOLDING S.p.A.	8	-	-
FINANZIARIA TRENTINA DELLA COOPERAZIONE S.p.A.	7	-	-
ASSICURA S.r.l.	7	-	-
Total	**29**	**-**	**-**

It should be noted that Assicura S.r.l. is a controlling interest consolidated using the equity method due to materiality limits.

7.3 Significant equity investments: accounting information

The table shows the data obtained from the last accounting position available.

NAME	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenues	Net interest income	Value adjustments and write-backs on tangible and intangible assets	Profit (Loss) before tax from current operating activities	Profit (Loss) after tax from current operating activities	Profit (Loss) after tax from discontinued operations	Profit (Loss) for the year (1)	Other post-tax income components (2)	Comprehensive income (3) = (1) + (2)
A. JOINTLY CONTROLLED COMPANIES														
CASSE RURALI RAIFFEISEN FINANZIARIA S.p.A., IN LIQUIDAZIONE	1	49	-	30	-	-	-	-	(15)	(15)	-	(15)	-	(15)
B. COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE														
CABEL HOLDING S.p.A.	X	17	28	-	3	2	X	X	(2)	(2)	-	(2)	-	(2)
FINANZIARIA TRENTINA DELLA COOPERAZIONE S.p.A	X	11	-	-	-	1	X	X	1	1	-	1	-	1
ASSICURA S.r.l.	X	6	2	-	-	-	X	X	-	-	-	-	-	-

7.4 Non significant equity investments: accounting information

NAME	Book value of equity investments	Total assets	Total liabilities	Total revenues	Profit (loss) after tax from current operating activities	Profit (Loss) after tax from operations	Profit (Loss) for the year (1)	Other post-tax income components (2)	Comprehensive income (3) = (1) + (2)
A. JOINTLY CONTROLLED COMPANIES	-	28	27	-	-	-	-	-	-
B. COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE	25	68	31	19	(1)	-	(1)	-	(1)

The table shows accounting information cumulatively by type of investment relationship, with reference to companies with income statement and balance sheet aggregates not considered significant. 'Total liabilities' does not include Equity.

In the column 'Total revenues' the total amount of the income components with a positive sign is shown, gross of their tax effect.

The values are expressed with reference to the percentage held by the Group, as required by IFRS 12.

7.5 Equity investments: annual changes

	Total 31/12/2023	Total 31/12/2022
A. OPENING BALANCES	**58**	**64**
B. INCREASES	**4**	**10**
B.1 Purchases	-	-
B.2 Write-backs	-	-
B.3 Revaluations	3	3
B.4 Other changes	1	7
C. DECREASES	**8**	**16**
C.1 Sales	-	-
C.2 Value adjustments	3	10
C.3 Write-downs	5	2
C.4 Other changes	-	4
D. CLOSING BALANCES	**54**	**58**
E. TOTAL REVALUATIONS	**8**	**5**
F. TOTAL ADJUSTMENTS	**13**	**10**

The main changes in equity investments during the current year are summarised below:

- item "B.3 Revaluations" contains positive value adjustments for a value of approximately EUR 3 million;
- item "B.4 Other changes" includes the increase in the value of equity investments due to capital contributions to cover losses, mainly referring to the equity investment Claris Rent S.p.A.;
- item "C.2 Value adjustments", for around EUR 3 million, mainly contains the effects arising from the review of the value of the jointly controlled investment in Casse Rurali Raiffeisen Finanziaria S.p.A. in liquidazione;
- item "C.3 Write-downs", amounting to approximately EUR 5 million, includes the results of the valuation of minority equity investments using the equity method.

7.6 Significant valuations and assumptions to establish the existence of joint control or significant influence

For the criteria and methods of determination of the consolidation scope and the reasons for which there is recourse to joint control or significant influence, please refer to Part A - Accounting policies (IFRS 12 para. 7, letters b) and c)).

7.7 Commitments referring to equity investments in subsidiaries under joint control

It should be noted that there are no commitments and contingent liabilities deemed significant.

7.8 Commitments referring to equity investments in companies subject to a significant influence

It should be noted that there are no commitments and contingent liabilities deemed significant.

7.9 Significant restrictions

There are no significant restrictions on the ability of joint ventures or associates to transfer funds to the entity in the form of dividends, loan repayments or advances made by the entity.

Additionally, it should be noted that for Casse Rurali Raiffeisen Finanziaria S.p.A. in liquidazione, the jointly controlled company, the liquidation process began in April 2023.

7.10 Other information

For most of the companies subject to joint control or significant influence, the timing of availability of the year-end financial statements is not compatible with the timing of the closing of the consolidated financial statements of the Cassa Centrale Group; in this regard, for the application of the equity method, reference is made to the latest available accounting reports, represented, in most cases, by the latest financial statements or half-yearly report available.

In any case, when the accounting records of the associate or joint venture used in applying the equity method refer to a date other than that of the consolidated financial statements, adjustments are made to take into account the effects of significant transactions or events that occurred between that date and the date of the Group's consolidated financial statements.

As required by IAS/IFRS, investments are subject to an impairment test to verify whether there is objective evidence that the carrying amount of the assets in question is not fully recoverable. For investments in associates and jointly controlled companies, the process for recognising any impairment involves checking for impairment indicators and the determination of any writedown.

At the end of the reporting period, there are no impairment losses that impact the book value, including goodwill, of equity investments in companies subject to joint control or significant influence, with the exception of the jointly controlled investment in Casse Rurali Raiffeisen Finanziaria S.p.A. in liquidazione with reference to which a value adjustment was carried out for around EUR 2 million to include the effects arising from the review of the value of the equity investment, as illustrated in "7.5 Equity investments: annual changes" in this part.

In general, for the aforementioned equity investments, the book value of the net investment is substantially in line with the corresponding portion of equity held.

Section 8 - Insurance assets - Item 80

The tables of this section do not contain information and therefore were not filled in.

Section 9 - Tangible assets - Item 90

9.1 Tangible assets for business use: breakdown of the assets measured at cost

ASSETS/VALUES	Total 31/12/2023	Total 31/12/2022
1. ASSETS OWNED	**953**	**956**
a) land	150	146
b) buildings	651	667
c) furniture	55	55
d) electronic systems	33	30
e) other	64	58
2. RIGHTS OF USE ACQUIRED THROUGH LEASE	**139**	**123**
a) land	3	3
b) buildings	127	114
c) furniture	-	-
d) electronic systems	5	3
e) other	4	3
Total	**1,092**	**1,079**
of which: obtained through the enforcement of guarantees received	6	6

For details of the rights of use acquired through lease, please refer to the information provided at the end of table "9.6 Tangible assets for business use: annual changes".

9.2 Tangible assets held for investment purposes: breakdown of the assets measured at cost

ASSETS/VALUES	Total 31/12/2023				Total 31/12/2022			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
1. ASSETS OWNED	**92**	**-**	**-**	**105**	**99**	**-**	**-**	**108**
a) land	27	-	-	31	30	-	-	33
b) buildings	65	-	-	74	69	-	-	75
2. RIGHTS OF USE ACQUIRED THROUGH LEASE	**1**	**-**	**-**	**1**	**1**	**-**	**-**	**1**
a) land	-	-	-	-	-	-	-	-
b) buildings	1	-	-	1	1	-	-	1
Total	**93**	**-**	**-**	**106**	**100**	**-**	**-**	**109**
of which: obtained through the enforcement of guarantees received	29	-	-	34	35	-	-	36

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

9.3 Tangible assets for business use: breakdown of the revalued assets

ASSETS/VALUES	Total 31/12/2023			Total 31/12/2022		
	L1	L2	L3	L1	L2	L3
1. ASSETS OWNED	**-**	**-**	**-**	**-**	**-**	**2**
a) land	-	-	-	-	-	1
b) buildings	-	-	-	-	-	1
c) furniture	-	-	-	-	-	-
d) electronic systems	-	-	-	-	-	-
e) other	-	-	-	-	-	-
2. RIGHTS OF USE ACQUIRED THROUGH LEASE	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
c) furniture	-	-	-	-	-	-
d) electronic systems	-	-	-	-	-	-
e) other	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**2**
of which: obtained through the enforcement of guarantees received	-	-	-	-	-	-

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

9.4 Tangible assets held for investment purposes: breakdown of the assets designated at fair value

ASSETS/VALUES	Total 31/12/2023			Total 31/12/2022		
	L1	L2	L3	L1	L2	L3
1. ASSETS OWNED	**-**	**-**	**9**	**-**	**-**	**12**
a) land	-	-	1	-	-	2
b) buildings	-	-	8	-	-	10
2. RIGHTS OF USE ACQUIRED THROUGH LEASE	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
Total	**-**	**-**	**9**	**-**	**-**	**12**
of which: obtained through the enforcement of guarantees received	-	-	-	-	-	1

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

9.5 Inventories of tangible assets disciplined by IAS 2: breakdown

ASSETS/VALUES	Total 31/12/2023	Total 31/12/2022
1. INVENTORIES OF ASSETS OBTAINED THROUGH THE ENFORCEMENT OF GUARANTEES RECEIVED	**28**	**39**
a) land	22	32
b) buildings	6	7
c) furniture	-	-
d) electronic systems	-	-
e) other	-	-
2. OTHER INVENTORIES OF TANGIBLE ASSETS	**-**	**2**
Total	**28**	**41**
of which: measured at fair value net of costs to sell	-	-

Other inventories of tangible assets relating to 2022 mainly include real estate that is not functional to banking activities.

9.6 Tangible assets for business use: annual changes

	Land	Buildings	Furniture	Electronic systems	Other	Total 31/12/2023
A. GROSS OPENING BALANCES	**151**	**1,002**	**88**	**107**	**137**	**1,485**
A.1 Total net impairment	1	220	33	74	76	404
A.2 NET OPENING BALANCES	**150**	**782**	**55**	**33**	**61**	**1,081**
B. INCREASES:	**3**	**66**	**11**	**36**	**33**	**149**
B.1 Purchases	1	31	9	33	28	102
B.2 Expenditures for capitalised improvements	1	4	-	-	-	5
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive fair value changes charged to	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Transfers from properties held for investment purposes	-	1	X	X	X	1
B.7 Other changes	1	30	2	3	5	41
C. DECREASES:	**-**	**70**	**11**	**31**	**26**	**138**
C.1 Sales	-	3	1	10	3	17
C.2 Depreciation	-	55	9	20	20	104
C.3 Impairment losses charged to	-	3	-	-	-	3
a) equity	-	-	-	-	-	-
b) income statement	-	3	-	-	-	3
C.4 Negative fair value changes charged to	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Transfers to:	-	2	-	-	-	2
a) tangible assets held for investment purposes	-	2	X	X	X	2
b) non-current assets and groups of assets held for disposal	-	-	-	-	-	-
C.7 Other changes	-	7	1	1	3	12
D. NET CLOSING BALANCES	**153**	**778**	**55**	**38**	**68**	**1,092**
D.1 Total net impairment	1	278	42	94	96	511
D.2 GROSS CLOSING BALANCES	**154**	**1,056**	**97**	**132**	**164**	**1,603**
E. Valuation at cost	-	-	-	-	-	-

The sub-item "E. Valuation at cost" is not measured since its compilation is only set for tangible assets for business use measured at fair value in the financial statements, and at 31 December 2023, this case represents negligible amounts.

Tangible fixed assets are depreciated, i.e. the depreciable value of the asset is charged to the income statement in portions reflecting its long-term use based on its estimated useful life.

With regard to the rights of use acquired through lease, the annual changes in this category are shown below:

	Branches	Cars	Land	Real estate for employees	Offices	Warehouses and other areas	Equipment	Others	Buildings	Total 31/12/2023
NET OPENING BALANCES	**91**	**2**	**3**	**-**	**22**	**1**	**3**	**1**	**-**	**123**
Increases	35	3	-	-	6	-	4	1	-	**49**
Decreases in historical cost	(17)	(3)	-	-	(4)	-	(2)	(1)	-	**(27)**
Decreases in the provision for depreciation	16	2	-	-	2	-	2	1	-	**23**
Depreciation/amortisation	(20)	(1)	-	-	(4)	(1)	(2)	(1)	-	**(29)**
Impairment	-	-	-	-	-	-	-	-	-	-
NET CLOSING BALANCES	**105**	**3**	**3**	**-**	**22**	**-**	**5**	**1**	**-**	**139**

The item “Equipment”, amounting to EUR 5 million, mainly refers to ATMs and cash-in-cash-out machines.

The item “Other” mainly includes the rights of use deriving from the lease of locations for the installation of ATMs.

The item “Increases” includes rights of use relating to contracts signed during the year. Any changes in assets per right of use due to contractual changes are recorded under “Increases” and “Decreases”.

At the end of the reporting period, there were no leaseback transactions.

9.7 Tangible assets held for investment purposes: annual changes

	Total 31/12/2023	
	Land	Buildings
A. OPENING BALANCES	**32**	**80**
B. INCREASES	**1**	**5**
B.1 Purchases	-	-
B.2 Expenditures for capitalised improvements	-	-
B.3 Positive fair value changes	-	-
B.4 Write-backs	-	-
B.5 Positive exchange rate differences	-	-
B.6 Transfers from properties for business use	-	2
B.7 Other changes	1	3
C. DECREASES	**5**	**11**
C.1 Sales	1	6
C.2 Depreciation	-	2
C.3 Negative fair value changes	-	-
C.4 Impairment losses	3	1
C.5 Negative exchange rate differences	-	-
C.6 Transfers to:	-	2
a) properties for business use	-	1
b) non-current assets and groups of assets held for disposal	-	1
C.7 Other changes	1	-
D. CLOSING BALANCES	**28**	**74**
E. Valuation at fair value	31	75

Tangible assets for investment purposes are recorded in the financial statements at purchase or construction cost.

The item “E. Valuation at fair value” shows for information purposes the fair value of properties held for investment purposes measures at cost.

9.8 Inventories of tangible assets disciplined by IAS 2: annual changes

	Inventories of tangible assets obtained through the enforcement of guarantees received					Other inventories of tangible assets	Total 31/12/2023
	Land	Buildings	Furniture	Electronic systems	Other		
A. OPENING BALANCES	**32**	**7**	**-**	**-**	**-**	**2**	**41**
B. INCREASES	**2**	**-**	**-**	**-**	**-**	**-**	**2**
B.1 Purchases	-	-	-	-	-	-	-
B.2 Write-backs	-	-	-	-	-	-	-
B.3 Positive exchange rate differences	-	-	-	-	-	-	-
B.4 Other changes	2	-	-	-	-	-	2
C. DECREASES	**12**	**1**	**-**	**-**	**-**	**2**	**15**
C.1 Sales	10	-	-	-	-	-	10
C.2 Impairment losses	-	-	-	-	-	-	-
C.3 Negative exchange rate differences	-	-	-	-	-	-	-
C.4 Other changes	2	1	-	-	-	2	5
D. CLOSING BALANCES	**22**	**6**	**-**	**-**	**-**	**-**	**28**

9.9 Commitments for tangible asset purchases

As required by paragraph 74, letter c) of IAS 16, at the reporting date of these financial statements the contractual commitments for the purchase of tangible assets amounted to approximately EUR 29 million and related mainly to the Parent Company, which on 28 December 2023 had signed an office lease agreement on an important building located in Milan, named “Feltrinelli Porta Volta”, with COIMA SGR S.p.A. as management company. The lease will take effect in July 2024 and is subject to inspection restrictions which will be carried out in the first half of 2024. The lease agreement will have an initial duration of 8 years and contains an automatic renewal clause for an additional period of 6 years.

In accordance with the accounting methods provided for by accounting standard IFRS16, it should be noted that the lease agreement will involve the signing of a Right of Use and related Lease Liability for an overall countervalue estimated to be around EUR 23 million.

Section 10 - Intangible assets - Item 100

10.1 Intangible assets: breakdown by type of asset

ASSETS/VALUES	Total 31/12/2023		Total 31/12/2022	
	Definite useful life	Indefinite useful life	Definite useful life	Indefinite useful life
A.1 GOODWILL	**X**	**27**	**X**	**27**
A.1.1 pertaining to the Group	X	27	X	27
A.1.2. pertaining to minority interests	X	-	X	-
A.2 OTHER INTANGIBLE ASSETS	**57**	**-**	**53**	**-**
of which: software	50	-	29	-
A.2.1 Assets measured at cost:	57	-	53	-
a) Intangible assets generated internally	1	-	1	-
b) Other assets	56	-	52	-
A.2.2 Assets designated at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**57**	**27**	**53**	**27**

In compliance with the relevant accounting regulations:

- all the intangible assets are measured at cost;
- no amortisation has been calculated for intangible assets with an indefinite useful life.

Disclosure on impairment test on goodwill

As provided for by IAS 36 Impairment of Assets, goodwill is subject to impairment testing at least once a year.

Consolidated goodwill, whose value before impairment testing was EUR 27 million, mainly relates to acquisitions of the company Nord Est Asset Management S.A. (hereinafter also "NEAM") and the Assicura Group in previous years.

The procedures relating to the impairment test of goodwill include the following steps:

- identification of the cash generating units (hereinafter also 'CGUs');
- determination of the book value of the CGUs;

- determination of the recoverable amount of the CGUs, after identifying the most appropriate valuation models and parameters for determining the fair value (hereinafter also "FV") and value in use of the CGUs;
- comparison between the book value and recoverable amount of the individual CGUs.

Sensitivity analyses were also carried out on the recoverable amount of the CGUs to changes in certain parameters relevant to the valuation.

Detailed information on the impairment test of consolidated goodwill as at 31 December 2023 is provided below.

Identification of Cash Generating Units (CGUs)

According to IAS 36, if, as in the case of goodwill, it is not possible to determine directly the recoverable amount of the specific asset recorded in the financial statements (because the asset itself does not produce autonomous cash flows), the recoverable amount of the cash generating unit (CGU) to which the asset belongs must be determined.

The CGU is defined by IAS 36 as "the smallest identifiable group of assets that generates cash inflows largely independent of cash inflows from other assets, or groups of assets".

In order to identify the cash generating units to which to assign the assets to be tested for impairment, it is necessary that the identified CGUs generate cash inflows that are largely independent of those deriving from other identified units. In this sense, with a view to identifying the CGUs, the internal organisation and the management and control methods of the business are extremely important.

In relation to the above, the following CGUs have been identified for the purpose of impairment testing of the Cassa Centrale Group's consolidated goodwill:

- **Asset management**, which includes the asset management services currently provided by the Luxembourg-based company NEAM;
- **Insurance**, which includes the offer of insurance services to customers and corresponds to the sum of the subsidiaries Assicura Agenzia S.r.l. and Assicura Broker S.r.l. (hereinafter also "Assicura").

The table below shows the values of goodwill as at 31 December 2023, subject to impairment test, allocated to the two CGUs in question.

(Figures in millions of euro)

CASH GENERATING UNIT (CGU)	Goodwill
- Asset management	21
- Insurance	5
Total	**26**

It should be noted that the goodwill item in the consolidated financial statements, amounting to EUR 27 million prior to the impairment test, includes residual goodwill of approximately EUR 1 million recorded in the separate financial statements of certain Affiliated Banks and mainly attributable to the merger by incorporation of other Affiliated Banks which took place before the launch of the Group and for which the impairment test in accordance with IAS 36, which did not give rise to value adjustments, was carried out independently by each of these banks.

Determination of the book value of the CGUs

The book value of the two CGUs identified was determined by calculating their book value in the Consolidated Financial Statements as at 31 December 2023. The above book value, in substance, was determined considering the contribution to the consolidation of the CGUs in terms of equity, goodwill and intangible assets with an indefinite and definite useful life net of the related deferred tax liabilities.

The book values as at 31 December 2023 are shown below.

(Figures in millions of euro)

CGU	Book value in the consolidated financial statements
- Asset management	50
- Insurance	25

In relation to the table above, please note that:

- the consolidated book value of the Asset Management CGU includes goodwill for EUR 21 million (already related to 100%);
- the consolidated book value of the Insurance CGU includes, in addition to goodwill of EUR 5 million (already 100%), intangible assets with a definite useful life of EUR 1 million net of tax effect.

In relation to the above, it emerges that in addition to the consolidated goodwill, intangible assets with a finite useful life, as described above, have also been tested for recoverability. For further details, please refer to "Impairment testing of intangible assets with a definite useful life".

Determination of the recoverable amount of the CGUs

The book value of the identified CGUs was tested for impairment by comparing it with their recoverable amount. In accordance with IAS 36, para. 6, the recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and its value in use.

The Cassa Centrale Group has estimated the recoverable amount of the two CGUs using the value in use method. In this regard, the value in use of the Asset Management and Insurance CGUs was higher than their book value and therefore, in accordance with IAS 36 para. 19, no other amount would need to be estimated as fair value.

For further information, the methods used to determine the value in use of the various CGUs identified are described below, together with the relative balances that emerged.

Asset Management CGU: Analytical income method

According to the income method in the so-called levered version, the value of a company is derived from the income it is expected to be able to produce. In other words, the value attributable to the economic capital of the company (Equity Value) is assumed to be the series of current values of the company's future net income.

In the analytical approach, the income method takes as reference, in addition to the expected net income over the explicit forecast period, the expected normal net income for the definition of the Terminal Value.

In addition to the analytical income method, the "regression analysis" method, which estimates a fair value for the CGU (although this was not strictly necessary, according to paragraph 19 of IAS 36, as the value in use is already greater than the book value), was used as additional evidence and control. This method estimates the economic capital of the company being valued on the basis of the correlation between the prospective return on capital and the related premium or discount expressed by stock market prices compared to equity for a sample of comparable listed companies.

The main determinants (cash flows, discount rate, long-term growth rate and Terminal Value) for the estimate of value in use are commented on below:

- Cash flows
  The analytical income method was constructed from figures taken from the 2024 Budget and the Prospective Data approved by the Board of Directors of Cassa Centrale Banca in February 2024.
- Discount rate (Ke)
  The rate used to discount cash flows is the estimated "Ke" (Cost of Equity) of 10.6%.

  The above rate was estimated using the Capital Asset Pricing Model (CAPM), according to which the return on a risky asset must be equal to the sum of the risk-free rate and a risk premium, depending on the specific riskiness of the asset according to the following formula: $Ke = Rf + \beta * ERP$.

  In detail, the Cost of Equity (as mentioned, equal to 10.6%) was determined on the basis of the following parameters:

  - risk-free (Rf) rate, equal to 3.6%, corresponding to the gross rate of return on 10-year Italian BTPs at 29 December 2023;
  - beta coefficient (β), equal to 1.3, measures the risk of the specific undertaking in relation to the variability of its return against the market return and is estimated on the basis of a sample of comparable companies;
  - equity risk premium (ERP), i.e. the additional return required by a risk-averse investor over the return on risk-free assets of 5.5%.
- Long-term growth rate (g) and Terminal Value (TV).
  The income method was developed on the basis of the adjusted net profit in order to exclude the profitability deriving from the asset management invested in NEAM by Cassa Centrale Banca and prudently excludes the profitability deriving from the assets managed on behalf of banks belonging to the ICCREA Banking Group. The normal net income expected for the definition of the Terminal Value also takes into account the considerations outlined above.
  A growth rate ("g") of 2.0% was applied to the normalised income thus determined, in line with the International Monetary Fund's long-term inflation estimate for Italy.

The Regression Analysis was set up by relating the P/AUM multiple to the RoAUM from a panel of comparable listed asset management companies and led to a higher value than the book value of the CGU.

Based on the analytical income method described above, this results in a recoverable amount for the Asset Management CGU of EUR 134.4 million, which fully supports the book value of the CGU in the consolidated financial statements of EUR 50.1 million. For further details, please refer to the paragraph "Comparison between the book value and recoverable amount of the CGU: results of the impairment test".

Insurance CGU: Analytical income method

According to the income method in the so-called levered version, the value of a company is derived from the income it is expected to be able to produce. In other words, the value attributable to the economic capital of the company (Equity Value) is assumed to be the series of current values of the company's future net income. In the analytical approach, the income method takes as reference, in addition to the expected net income over the explicit forecast period, the expected normal net income for the definition of the Terminal Value.

The main determinants (cash flows, discount rate, long-term growth rate and Terminal Value) for the estimate of value in use are commented on below:

- Cash flows
  The calculation of cash flows is based on the present value of the company's future net income and was constructed from figures taken from the 2024 Budget and the Prospective Data approved by the Board of Directors of Cassa Centrale Banca in February 2024.
- Discount rate (Ke)
  The rate used to discount cash flows is the estimated "Ke" (Cost of Equity) of 8.2%.
  The above rate was estimated using the Capital Asset Pricing Model (CAPM), according to which the return on a risky asset must be equal to the sum of the risk-free rate and a risk premium, depending on the specific riskiness of the asset according to the following formula: $Ke = Rf + \beta * ERP$.

  In detail, the Cost of Equity (as mentioned, equal to 8.2%) was determined on the basis of the following parameters:

  - risk-free (Rf) rate, equal to 3.6%, corresponding to the gross rate of return on 10-year Italian BTPs at 29 December 2023;
  - beta coefficient (β), equal to 0.8, measures the sensitivity of the company's share performance to changes in the market portfolio performance and is estimated on the basis of a sample of comparable companies;
  - equity risk premium (ERP), i.e. the additional return required by a risk-averse investor over the return on risk-free assets of 5.5%, in line with valuation practice for the relevant market.
- Long-term growth rate (g) and Terminal Value (TV)
  The normal net income expected for the definition of the Terminal Value has been identified on the basis of the net income realised by Assicura in the last year of the analytical forecast.

  A long-term growth rate "g" of 2.0% was applied to the normalised income thus determined, in line with the International Monetary Fund's long-term inflation estimate for Italy.

Based on the method described above, this results in a recoverable amount for the Insurance CGU of EUR 162.2 million, which fully supports the book value of the CGU in the consolidated financial statements of EUR 25.4 million. For further details, please refer to the paragraph "Comparison between the book value and recoverable amount of the CGU: results of the impairment test".

Impairment testing of intangible assets with a definite useful life

Taking account of the provisions of IAS 36 and national and international practice, in 2023 a series of impairment indicators (called trigger events) applicable to the assets of the financial statements were identified and deemed significant. The indicators are related to:

- external sources, such as:
  - increase in interest rates with an impact on the discount rate and simultaneous reduction in the fair value and/or value in use of an asset;
  - significant increase in market volatility compared to the date of the last impairment test with simultaneous impact on the cost of equity capital and/or the feasibility of the business plan;
- the internal sources have been broken down as follows:
  - Customer relationship (Allitude S.p.A.):
    - qualitative analysis considering the company Allitude, the only subsidiary to which such intangible is allocated, a company with a prevalently "captive" business;
  - Distribution agreements (Assicura):
    - the income of the acquired distribution agreement is lower than what was envisaged during PPA;
    - the EBIT margin of the company to which the intangible is attributed is lower than what was assumed at the time of the PPA.

In order to best intercept and analyse the significance of changes in the impairment indicators, two different thresholds were introduced, the most significant being a strong trigger.

The need to perform the impairment test for a given asset arises during a strong trigger or when, for at least two indicators, the threshold considered less significant is exceeded.

At the reporting date of 31 December 2023, the analysis of the aforementioned impairment indicators does not show the direct need to subject to impairment testing the intangibles with a finite useful life posted to the consolidated financial statements at 31 December 2023. However, as regards the intangible asset attributable to the Allitude customer relationship, posted during acquisition of control of the subsidiary, even if no significant triggers envisaged within the analysis model were activated and taking into account the fact that the company is substantially "captive", it was considered appropriate, in the separate financial statements of the Group companies with interests in Allitude, to align the book value of the equity investment to the pro-rata equity held and to zero out the residual value associated with the customer relationship posted to the consolidated financial statements for an amount of EUR 14.6 million.

At the same time, the deferred tax liabilities associated with the same intangible were closed, equal to approximately EUR 4.7 million, generating a net impact on the consolidated income statement of approximately EUR 9.9 million.

Comparison between the book value and recoverable amount of the CGU: results of the impairment test

Following the comparison between the book value and the recoverable amount (value in use) of the individual CGUs, the impairment test as at 31 December 2023 showed the following results:

CGU (Figures in millions of euro)	**Book value (a)**	**Recoverable amount (value in use) (b)**	**Difference (c)=(b)-(a)**	**Impairment pertaining to the Group (d)**
Asset management	50.1	134.4	84.3	-
Insurance	25.4	162.2	136.8	-
Total				**-**

As shown in the table above, no impairment loss on goodwill was recognised in respect of the Asset Management and Insurance CGUs as their recoverable amount is higher than their book value at the consolidated financial statements reporting date.

Following the aforementioned checks, the goodwill recognised in the consolidated financial statements at 31 December 2023 amounts to a residual EUR 27 million, of which EUR 1 million present in the separate financial statements of certain affiliated banks. Note that the latter component, as explained previously, did not record any impairment during 2023.

Sensitivity analysis

Finally, sensitivity analyses were carried out on the value in use of the CGUs identified with respect to the market parameters used ("Ke" and "g"). The analyses carried out show a variation:

- in the recoverable amount of the Asset Management CGU as a result of changes in the parameters considered:
    - equal to EUR -3.9 million in correspondence with an increase in "Ke" of +25 bps;
    - equal to EUR +4.2 million in correspondence with a decrease in "Ke" of -25 bps;
    - equal to EUR +3.6 million in correspondence with an increase in "g" of +25 bps;
    - equal to EUR -3.4 million in correspondence with a decrease in "g" of -25 bps.

- in the recoverable amount of the Insurance CGU as a result of changes in the parameters considered:
  - equal to EUR -6.4 million in correspondence with an increase in “Ke” of +25 bps;
  - equal to EUR +6.9 million in correspondence with a decrease in “Ke” of -25 bps;
  - equal to EUR +6.2 million in correspondence with an increase in “g” of +25 bps;
  - equal to EUR -5.7 million in correspondence with a decrease in “g” of -25 bps.

Even in the worst-case scenarios estimated through the sensitivity analyses detailed above, it can therefore be deduced that the values in use would be higher than the book values of the CGUs in the consolidated financial statements, confirming the recoverable amount of the latter.

10.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total 31/12/2023
		DEF	INDEF	DEF	INDEF	
A. OPENING BALANCES	**28**	**1**	**-**	**116**	**-**	**145**
A.1 Total net impairment	1	-	-	64	-	65
A.2 NET OPENING BALANCES	**27**	**1**	**-**	**52**	**-**	**80**
B. INCREASES	**-**	**-**	**-**	**34**	**-**	**34**
B.1 Purchases	-	-	-	25	-	25
B.2 Increase in internal intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive fair value changes		-	-	-	-	-
- to equity	X	-	-	-	-	-
- to income statement	X	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	9	-	9
C. DECREASES	**-**	**-**	**-**	**30**	**-**	**30**
C.1 Sales	-	-	-	-	-	-
C.2 Value adjustments	-	-	-	30	-	30
- Depreciation/amortisation	X	-	-	15	-	15
- Write-downs	-	-	-	15	-	15
+ equity	X	-	-	-	-	-
+ income statement	-	-	-	15	-	15
C.3 Negative fair value changes:		-	-	-	-	-
- to equity	X	-	-	-	-	-
- to income statement	X	-	-	-	-	-
C.4 Transfers to non-current assets held for disposal	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. NET CLOSING BALANCES	**27**	**1**	**-**	**56**	**-**	**84**
D.1 Total net value adjustments	1	-	-	94	-	95
E. GROSS CLOSING BALANCES	**28**	**1**	**-**	**150**	**-**	**179**
F. Valuation at cost	-	-	-	-	-	-

KEY:

DEF = with definite useful life

INDEF = with indefinite useful life

The intangible assets described were entirely acquired externally and measured at cost.

Item “Value adjustments” includes the impairment on the Allitude S.p.A. customer relationship. For more details, see Part B - Section 10 Intangible assets.

The sub-item “F. Valuation at cost” is not measured since its compilation is only set for intangible assets measured at fair value in the financial statements.

10.3 Intangible assets: other information

Based on the requirements of IAS 38 sections 122 and 124, it should be noted that the amount of the contractual commitments for the purchase of intangible assets amounts to approximately EUR 2 million relating to the acquisition of software licences.

It should also be noted that the Group has not:

- provided intangible assets as guarantee for its debts;
- acquired significant intangible assets via operating or financial lease agreements;
- acquired intangible assets via government concession;
- recorded intangible assets revalued at fair value.

Section 11 - Tax assets and tax liabilities - Item 110 of assets and item 60 of liabilities

11.1 Deferred tax assets: breakdown

THROUGH THE INCOME STATEMENT	31/12/2023		
	IRES	IRAP	Total
Loans	253	36	289
Tangible fixed assets	13	1	14
Provisions for risks and charges	81	11	92
Tax losses	7	-	7
Administrative expenses	-	-	-
Other items	15	3	18
Total	**369**	**51**	**420**

THROUGH EQUITY	31/12/2023		
	IRES	IRAP	Total
Negative reserves for HTCS financial assets	41	9	50
Provision for severance indemnity	-	-	-
Other items	-	-	-
Total	**41**	**9**	**50**

The item “Loans” in the table above shows “Deferred Tax Assets” (or “DTA”) mainly relating to:

- write-downs and losses on loans to customers not yet deducted from taxable income pursuant to paragraph 3 of Article 106 of the Consolidated Income Tax Act (TUIR) and Article 6, paragraph 1, letter c-bis) of IRAP Decree no. 446/1997 that may be converted into a tax credit, regardless of the future profitability of the company, both in the event of statutory loss and IRES tax loss or negative IRAP value of production pursuant to Law no. 214 of 22 December 2011 (known as “Qualified DTAs”) of EUR 271 million. Art. 1, paragraphs 49-51 of Law no. 213 of 30 December 2023 restructures the multi-year plan for the recovery of value adjustments on loans already not deducted as at 31 December 2015, with reference to financial years after 2023. This plan is also associated with the review of the time frame for cancellation of the related deferred taxes. This new development will generate an effect from 2024 and, therefore, the annual financial statements are not affected by the change to the recovery plan;
- adjustments from the expected credit loss (ECL) model in IFRS 9 FTA on loans to customers that cannot be converted into a tax credit and can therefore only be recognised in the presence of probable and sufficient future taxable income of EUR 18 million (Article 1, paragraphs 1067-1069, Law no. 145 of 30 December 2018). Advance taxes, where recognised, correspond to the future benefit relating to the deductibility in subsequent years of the reserve for first-time application of IFRS 9 relating to expected losses recognised on loans to customers.

The “other items” in the table above include deferred tax assets arising from misalignments between statutory and tax items arising from IFRS 3 business combinations for EUR 5 million.

It should be noted that, with specific reference to the aforementioned qualified DTAs on write-downs and losses on loans to customers and goodwill, the maintenance of their convertibility into tax credits is subject to the payment of the fee, where due, pursuant to Law Decree no. 59 of 3 May 2016, amended and converted into law by Law no. 15 of 17 February 2017.

In addition, it should be noted that the tax regulations relating to the convertibility of advance taxes relating to adjustments to loans, goodwill and intangible assets into tax credits, in giving “certainty” to the recovery of qualified DTAs, affect the “probability test” provided for by IAS 12, making it automatically satisfied for this particular type.

Deferred tax assets as a contra-entry to equity refer to negative valuations of financial assets measured at fair value through other comprehensive income. These changes have a contra-entry in the valuation reserve for financial assets measured at fair value through other comprehensive income.

11.2 Deferred tax liabilities: breakdown

THROUGH THE INCOME STATEMENT	31/12/2023		
	IRES	IRAP	Total
Tangible fixed assets	1	-	1
Capital gains by instalments	-	-	-
Other items	4	-	4
Total	**5**	**-**	**5**

THROUGH EQUITY	31/12/2023		
	IRES	IRAP	Total
Positive reserves for HTCS financial assets	16	4	20
Other items	-	-	-
Total	**16**	**4**	**20**

Deferred tax liabilities as a contra-entry to the income statement mainly relate to:

- misalignments between statutory and tax items arising from the application of business combinations pursuant to IFRS 3 carried out in previous years;
- revaluations of tangible fixed assets made during the transition to international accounting standards.

Deferred taxes as a contra-entry to equity refer to revaluations of financial assets measured at fair value through other comprehensive income. These changes have a contra-entry in the valuation reserve for financial assets measured at fair value through other comprehensive income.

11.3 Changes in advance taxes (through the income statement)

	Total 31/12/2023	Total 31/12/2022
1. OPENING AMOUNT	**517**	**599**
2. INCREASES	**51**	**26**
2.1 Advance taxes recorded in the year	49	26
a) relating to previous years	-	-
b) due to changed accounting criteria	-	-
c) write-backs	-	-
d) other	49	26
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	2	-
3. DECREASES	**148**	**108**
3.1 Advance taxes cancelled in the year	141	64
a) reversals	141	63
b) write-downs for uncollectable amounts	-	1
c) changed accounting criteria	-	-
d) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases:	7	44
a) conversion into tax credits under Law no. 214/2011	7	44
b) other	-	-
4. CLOSING AMOUNT	**420**	**517**

The deferred tax assets recognised in the income statement during the year, amounting to EUR 49 million, derive mainly from the recognition of the following deferred tax assets referring to:

- loans Law no. 214/2011;
- non-deductible provisions for risks and expenses;
- provision for severance indemnity.

The portion of deferred tax assets arising from tax losses carried forward to subsequent years amounts to EUR 7 million.

11.4 Changes in advance taxes according to Law no. 214/2011

	Total 31/12/2023	Total 31/12/2022
1. OPENING AMOUNT	**376**	**460**
2. INCREASES	**27**	**7**
3. DECREASES	**132**	**91**
3.1 Reversals	125	46
3.2 Transformation into tax credits	7	44
a) deriving from losses for the year	-	-
b) deriving from tax losses	7	44
3.3 Other decreases	-	1
4. CLOSING AMOUNT	**271**	**376**

Table 11.4 shows changes in deferred taxes recognised on value adjustments of receivables from customers and goodwill pursuant to Law no. 214/2011, including those relating to the conversion of tax losses/negative value of production due to the reversal pursuant to Law no. 214/2011 of write-downs of loan not deducted up to 2015.

The conversions referred to in points 3.2 a) and 3.2 b) were carried out in light of the provisions of Law Decree no. 225/2010, converted with amendments to Law no. 10/2011.

In particular, article 2, paragraphs 55 to 56 provides that, in the event of a loss for the year, the deferred tax assets recorded in the financial statements relating to value adjustments to loans and those relating to the value of goodwill and other intangible assets are converted into tax credits.

The transformation starts from the date of approval of the financial statements and takes place for an amount equal to the loss for the year multiplied by the ratio between the DTAs and equity before the loss for the year. As from the tax period of the conversion, the negative components corresponding to the DTAs converted into a tax credit are not deductible.

Article 2, section 56bis to 56bis1 of the Decree provides that, in the event of an IRES tax loss and/or a negative value of production for IRAP generated from value adjustments of receivables from customers and goodwill pursuant to Law no. 214/201, the deferred tax assets recognised in the financial statements are converted into a tax credit. The transformation starts from the date of filing of the tax return in which the tax loss is recognised or from the date of filing of the IRAP return in which the negative net production value is realised, respectively.

11.5 Changes in deferred taxes (through the income statement)

	Total 31/12/2023	Total 31/12/2022
1. OPENING AMOUNT	**9**	**10**
2. INCREASES	**2**	**-**
2.1 Deferred taxes recorded in the year	2	-
a) relating to previous years	-	-
b) due to changed accounting criteria	-	-
c) other	2	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. DECREASES	**6**	**1**
3.1 Deferred taxes cancelled in the year	6	1
a) reversals	6	1
b) due to changed accounting criteria	-	-
c) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. CLOSING AMOUNT	**5**	**9**

Item "Deferred taxes cancelled in the year" includes EUR 4.7 million referring to the effects of zeroing out the residual tax posted previously, at the level of the consolidated financial statements, in relation to the Allitude customer relationship. For further information, see Section 10 "Intangible assets - item 100", paragraph "Information on the impairment testing of intangible assets with a finite useful life" in Part B to the Explanatory Notes to the financial statements.

11.6 Changes in advance taxes (through Equity)

	Total 31/12/2023	Total 31/12/2022
1. OPENING AMOUNT	**135**	**13**
2. INCREASES	**-**	**125**
2.1 Advance taxes recorded in the year	-	124
a) relating to previous years	-	7
b) due to changed accounting criteria	-	-
c) other	-	117
2.2 New taxes or increases in tax rates	-	1
2.3 Other increases	-	-
3. DECREASES	**85**	**3**
3.1 Advance taxes cancelled in the year	85	3
a) reversals	85	3
b) write-downs for uncollectable amounts	-	-
c) due to changed accounting criteria	-	-
d) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. CLOSING AMOUNT	**50**	**135**

Reversals of advance taxes for EUR 85 million refer mainly to adjustment of the valuation reserve of financial assets measured at fair value through other comprehensive income.

11.7 Changes in deferred taxes (through Equity)

	Total 31/12/2023	Total 31/12/2022
1. OPENING AMOUNT	**7**	**39**
2. INCREASES	**14**	**-**
2.1 Deferred taxes recorded in the year	13	-
a) relating to previous years	-	-
b) due to changed accounting criteria	-	-
c) other	13	-
2.2 New taxes or increases in tax rates	1	-
2.3 Other increases	-	-
3. DECREASES	**1**	**32**
3.1 Deferred taxes cancelled in the year	1	32
a) reversals	1	32
b) due to changed accounting criteria	-	-
c) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. CLOSING AMOUNT	**20**	**7**

Deferred taxes recorded in the year for EUR 14 million refer mainly to revaluations of financial assets measured at fair value through other comprehensive income.

Reversals related to deferred taxes recorded in the year for EUR 1 million refer mainly to adjustments of previous positive valuations of financial assets at fair value through other comprehensive income. These changes have a contra-entry in the valuation reserve for financial assets measured at fair value through other comprehensive income.

11.8 Other information

BREAKDOWN OF CURRENT TAXES	IRES	IRAP	OTHER	Total 31/12/2023
Current tax liabilities	(25)	(53)	(4)	(82)
Advances paid/tax credits	74	40	3	117
Withholding taxes incurred	6	-	-	6
Other tax credits	-	4	-	4
Tax credits under Law no. 214/2011	27	1	4	32
Debt balance of item 60 a) of liabilities	**(7)**	**(13)**	**(4)**	**(24)**
Credit balance of item 110 a) of assets	**89**	**5**	**7**	**101**
Tax credits that cannot be offset: capital portion	11	1	-	12
Tax credits that cannot be offset: interest portion	2	-	-	2
Credit balance of item 110 a) of assets	**102**	**6**	**7**	**115**

Information on the deferred tax assets probability test

According to paragraph 5 of IAS 12, deferred tax assets are defined as the amount of income taxes for the year that may be recovered in future years with regard to the following scenarios:

- deductible temporary differences;
- carry-over of unused tax losses and *ACE* (aid for economic growth).

With particular reference to "temporary differences", these are defined as differences that are formed transiently between the book value of assets (liabilities) and their tax value. These are defined as "deductible" when they generate amounts that can be deducted in determining future taxable income in connection with the realisation of assets (settlement of liabilities).

In the presence of a deductible temporary difference, paragraph 24 of IAS 12 provides for the recognition in the financial statements of a deferred tax asset – equal to the product of the deductible temporary difference and the expected tax rate in the year in which it will be paid – only if and to the extent that it is probable that there will be future taxable income against which the deductible temporary differences can be used (so-called probability test). In fact, the economic benefit of reducing future tax payments is only achievable if the taxable income is a large amount (IAS 12, para. 27).

Having said this, the Group has deferred tax assets (DTA) of EUR 470 million in its balance sheet, of which 420 million recognised as a contra-entry to the income statement. Of these, EUR 271 million fall within the scope of Law no. 214/2011 and, therefore, for that already described, are considered "qualified" DTA (and therefore of certain recoverability).

With regard to the remaining portion of DTAs that cannot be converted into tax credits recognised as a contra-entry to the income statement, amounting to EUR 149 million, there are no critical elements based on the evidence resulting from the probability test.

Section 12 - Non-current assets and groups of assets held for disposal and associated liabilities - Item 120 of assets and item 70 of liabilities

12.1 Non-current assets and groups of assets held for disposal: breakdown by type of asset

	Total 31/12/2023	Total 31/12/2022
B. ASSETS HELD FOR SALE		
A.1 Financial assets	-	-
A.2 Equity investments	-	-
A.3 Tangible assets	1	1
of which: obtained through the enforcement of guarantees received	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total (A)	**1**	**1**
of which measured at cost	1	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	1
B. DISCONTINUED OPERATIONS		
B.1 Financial assets measured at fair value through profit or loss	-	-
- financial assets held for trading	-	-
- financial assets designated at fair value	-	-
- other financial assets mandatorily measured at fair value	-	-
B.2 Financial assets measured at fair value through other comprehensive income	-	-
B.3 Financial assets measured at amortised cost	-	-
B.4 Equity investments	-	-
B.5 Tangible assets	-	-
of which: obtained through the enforcement of guarantees received	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
Total (B)	**-**	**-**

	Total 31/12/2023	Total 31/12/2022
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
C. LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE		
C.1 Payables	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total (C)	**-**	**-**
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
D. LIABILITIES ASSOCIATED WITH DISCONTINUED OPERATIONS		
D.1 Financial liabilities measured at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities measured at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	-	-
Total (D)	**-**	**-**
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-

12.2 Other information

At the end of the reporting period there is no significant additional information.

Section 13 - Other assets - Item 130

13.1 Other assets: breakdown

ITEMS	Total 31/12/2023	Total 31/12/2022
Tax receivables from tax authorities and other tax bodies	2,023	1,437
Cheques to be settled at the Clearing House or with Associates	6	4
Transit accounts - other	25	17
Accounts to be processed	209	327
Adjustments for illiquid items in the portfolio	38	29
Other debtors for security transactions	3	1
Customers and revenues to be collected	69	74
Prepayments and accrued income not capitalised	54	46
Improvement and enhancement expenses on non-separable third-party assets	31	25
Advances to suppliers	12	19
Intrinsic value of securities transactions and exchanges to be settled	-	-
Other lenders	200	216
Total	**2,670**	**2,195**

At the end of the reporting period, the Group did not present any significant amounts in relation to activities deriving from contracts with customers in accordance with IFRS 15 section 116, letter a).

The item "Tax receivables from tax authorities and other tax bodies" as at 31 December 2023 includes tax credits, recorded pursuant to Law no. 77 of 17 July 2020 "Tax Bonus", for a value of approximately EUR 1,812 million. A nominal amount of tax receivables equal to approximately EUR 462 million is attributed to the Hold to Collect and Sell business model, which better represents tax credits held for sale or, alternatively, for offsetting.

For more detailed information, see Part A - Accounting policies in paragraph "15.10 Transfer of the "Tax bonus" tax credit - Law no.77 of 17 July 2020" in these Explanatory Notes.

Liabilities

Section 1 - Financial liabilities measured at amortised cost - Item 10

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

TYPE OF TRANSACTIONS/VALUES	Total 31/12/2023				Total 31/12/2022			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
1. DUE TO CENTRAL BANKS	**9,708**	**X**	**X**	**X**	**15,350**	**X**	**X**	**X**
2. DUE TO BANKS	**508**	**X**	**X**	**X**	**1,041**	**X**	**X**	**X**
2.1 Current accounts and deposits on demand	342	X	X	X	412	X	X	X
2.2 Fixed-term deposits	32	X	X	X	49	X	X	X
2.3 Loans	123	X	X	X	555	X	X	X
2.3.1 Repos payables	120	X	X	X	476	X	X	X
2.3.2 Others	3	X	X	X	79	X	X	X
2.4 Liabilities for commitments to repurchase own equity instruments	-	X	X	X	13	X	X	X
2.5 Payables for leases	10	X	X	X	11	X	X	X
2.6 Other payables	1	X	X	X	1	X	X	X
Total	**10,216**	**-**	**-**	**10,216**	**16,391**	**-**	**-**	**16,391**

KEY:

BV = Book value

L1 = Level 1

L2 = Level 2

L3 = Level 3

The fair value valuation of the financial liabilities measured at amortised cost, included only for the purpose of fulfilling reporting requirements, is broken down into levels pursuant to the requirements set forth in IFRS 13 and depending on the characteristics and significance of the inputs used in the valuation process. For more details, please refer to “Part A - Accounting policies, A.4 - Information on fair value” in the Explanatory Notes.

The item "1. DUE TO CENTRAL BANKS" mainly consists of funding transactions with the ECB, characterised by different maturities and with rates applied to the individual credit lines equal to those established by the ECB. A reduction in the item was outlined following the maturity of part of the TLTRO operations. For detailed information on TLTRO-III loan transactions, please refer to Part A, Section 5 - Other Aspects of these Explanatory Notes.

The repos payables implemented against financial assets transferred but not derecognised are reported in Part E - Information on risks and related hedging policies, Section D - Disposal Transactions in the Explanatory Notes.

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

TYPE OF TRANSACTIONS/VALUES	Total 31/12/2023				Total 31/12/2022			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and deposits on demand	57,588	X	X	X	60,310	X	X	X
2. Fixed-term deposits	3,049	X	X	X	1,575	X	X	X
3. Loans	1,861	X	X	X	1,480	X	X	X
3.1 Repos payables	1,619	X	X	X	1,292	X	X	X
3.2 Other	242	X	X	X	188	X	X	X
4. Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Payables for leases	125	X	X	X	109	X	X	X
6. Other payables	676	X	X	X	640	X	X	X
Total	**63,299**	**-**	**-**	**63,299**	**64,114**	**-**	**-**	**64,114**

KEY:

BV = Book value

L1 = Level 1

L2 = Level 2

L3 = Level 3

The progressive increase in interest rates and their stabilisation only in the latter part of the year has led to a decrease in the item "1. Current accounts and deposits on demand" partly offset by a simultaneous increase in medium/long-term forms of funding, represented by the item "2. Fixed-term deposits".

The sub-item "3.1 Repo payables" refers mainly to transactions carried out by the Parent Company with Cassa Compensazione e Garanzia for approximately EUR 1,595 million, in partial replacement of the ECB maturing/redeeming refinancing operations.

The sub-item "6. Other payables" mainly includes credit card and cheque debts.

1.3 Financial liabilities measured at amortised cost: breakdown by category of debt securities in issue

TYPE OF SECURITIES/VALUES	Total 31/12/2023				Total 31/12/2022			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
A. SECURITIES								
1. bonds	956	544	429	-	764	-	761	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	956	544	429	-	764	-	761	-
2. other securities	4,747	-	-	4,747	2,319	-	-	2,319
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	4,747	-	-	4,747	2,319	-	-	2,319
Total	**5,703**	**544**	**429**	**4,747**	**3,083**	**-**	**761**	**2,319**

KEY:

BV = Book value

L1 = Level 1

L2 = Level 2

L3 = Level 3

This item includes issued securities measured at amortised cost. Securities that at the end of the reporting period are expired but still not repaid are included. The portion of own issue debt securities not yet placed with third parties is excluded.

The fair value valuation of the debt securities in issue in the table above, presented solely for the purpose of fulfilling reporting requirements, is broken down into levels pursuant to the requirements set forth in IFRS 13 and depending on the characteristics and significance of the inputs used in the valuation process. For more details, please refer to "Part A - Accounting policies, A.4 - Information on fair value" in the Explanatory Notes.

The sub-item "A.1.2 Bonds - other" contains securities issued to comply with the minimum requirement of eligible liabilities (MREL), for a value at the end of the reporting period equal to around EUR 727 million. With reference to securities attributable to the aforementioned case, during the year a senior preferred bond was issued for EUR 500 million, listed on the Irish Stock Exchange and therefore classified as fair value Level 1, for an amount of EUR 544 million. As described, the increase in the amount of MREL securities was partially offset by the reduction mainly attributable to fixed-rate bonds repaid at maturity.

Sub-item "A.2.2 Securities - other" mainly includes certificates of deposit, a type of funding that increased during the year as a result of the increase in market rates.

1.4 Details of subordinated debts/securities

	31/12/2023	31/12/2022
a) Due to banks	-	-
b) Due to customers	-	-
c) Debt securities in issue	8	13
Total	**8**	**13**

A subordinated nature characterises the payables/securities whose right to reimbursement, in the event of liquidation of the issuing entity or if it is subject to other bankruptcy proceedings, can be exercised by the creditor only after other creditors who are not equally subordinated. Equity instruments which, according to international accounting standards, have equity characteristics, are excluded.

At the end of the reporting period, there are subordinated relationships with customers of approximately EUR 8 million, which are included in regulatory capital as Tier 2 instruments (Tier 2 Capital - T2).

1.5 Details of structured debts

At the end of the reporting period there are no structured debts.

1.6 Payables for leases

	Branches	Cars	Land	Real estate for employees	Offices	Warehouses and other areas	Equipment	Others	Buildings	Total 31/12/2023
OPENING BALANCES	**93**	**2**	**3**	**-**	**18**	**-**	**1**	**3**	**-**	**120**
New contracts	32	3	-	-	3	-	4	-	-	42
Repayments	(17)	(2)	-	-	(4)	-	(2)	-	-	(25)
Other non-monetary movements*	2	-	-	-	-	-	-	-	-	2
Terminated contracts for modification/revaluation	(4)	-	-	-	-	-	-	-	-	(4)
CLOSING BALANCES	**106**	**3**	**3**	**-**	**17**	**-**	**3**	**3**	**-**	**135**

*Includes increments for indexing

Distribution by residual duration of financial payables for leases

	Branches	Cars	Land	Real estate for employees	Offices	Warehouses and other areas	Equipment	Others	Buildings	Total 31/12/2023
Within 12 months	23	1	-	-	4	-	1	-	-	**29**
Between 1-5 years	58	2	-	-	10	-	2	2	-	**74**
Beyond 5 years	25	-	3	-	3	-	-	1	-	**32**
TOTAL LEASE LIABILITIES	**106**	**3**	**3**	**-**	**17**	**-**	**3**	**3**	**-**	**135**

Section 2 - Financial liabilities held for trading - Item 20

2.1 Financial liabilities held for trading: breakdown by category

TYPE OF TRANSACTIONS/ VALUES	Total 31/12/2023					Total 31/12/2022				
	NV	Fair value			Fair value*	NV	Fair value			Fair value*
		L1	L2	L3			L1	L2	L3	
A. CASH LIABILITIES										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	X	-	-	-	-	X
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	X	-	-	-	-	X
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Others	-	-	-	-	X	-	-	-	-	X
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. DERIVATIVE INSTRUMENTS										
1. Financial derivatives	X	-	4	-	X	X	-	7	-	X
1.1 Trading	X	-	4	-	X	X	-	7	-	X
1.2 Connected to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Trading	X	-	-	-	X	X	-	-	-	X
2.2 Connected to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total (B)	**X**	**-**	**4**	**-**	**X**	**X**	**-**	**7**	**-**	**X**
Total (A+B)	**X**	**-**	**4**	**-**	**X**	**X**	**-**	**7**	**-**	**X**

KEY:

NV = Nominal or notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

* Fair value = Fair value calculated excluding the changes in value due to change in creditworthiness of the issuer with respect to the date of issue.

2.2 Details of "Financial liabilities held for trading": subordinated liabilities

As at the reporting date, there are no subordinated financial liabilities held for trading.

2.3 Details of "Financial liabilities held for trading": structured debts

At the end of the reporting period, there are no financial liabilities held for trading related to structured debts.

Section 3 - Financial liabilities designated at fair value - Item 30

3.1 Financial liabilities designated at fair value: breakdown by category

TYPE OF TRANSACTIONS/ VALUES	Total 31/12/2023					Total 31/12/2022				
	NV	Fair value			Fair value*	NV	Fair value			Fair value*
		L1	L2	L3			L1	L2	L3	
1. DUE TO BANKS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	-	-	-	-	X	-	-	-	-	X
of which:					-					
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
2. DUE TO CUSTOMERS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	-	-	-	-	X	-	-	-	-	X
of which:										
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
3. DEBT SECURITIES	**1**	**-**	**1**	**-**	**1**	**1**	**-**	**1**	**-**	**1**
3.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2 Other	1	-	1	-	X	1	-	1	-	X
Total	**1**	**-**	**1**	**-**	**1**	**1**	**-**	**1**	**-**	**1**

KEY:

NV = Nominal value

L1 = Level 1

L2 = Level 2

L3 = Level 3

* Fair value = Fair value calculated excluding the changes in value due to change in creditworthiness of the issuer with respect to the date of issue.

This item includes the financial liabilities for which the so-called fair value option has been exercised. In this regard, it should be noted that the aforementioned fair value option was exercised mainly in relation to debt instruments containing an implicit derivative for which it was considered that the fair value measurement of the entire instrument was less costly than the separate measurement and presentation in the financial statements of the main instrument and derivative.

The illustration of the criteria to determine the fair value is reported in Part A – Accounting policies.

3.2 Details of 'Financial liabilities measured at fair value': subordinated liabilities

At the end of the reporting period, there are no subordinated liabilities measured at fair value.

Section 4 - Hedging derivatives - Item 40

This item features the derivative contracts designated as effective hedging instruments, which at the end of the reporting period have a negative fair value.

With regard to hedging transactions, the Group made use of the right to continue to apply the existing requirements of IAS 39 for accounting purposes as required by IFRS 9 until the IASB has completed its project to define the accounting rules for hedging financial instruments.

With regard to the objectives and strategies underlying hedging transactions, please refer to the information provided in Part E – Information on risks and related hedging policies, Section 3 – Derivatives and hedging policies.

4.1 Hedging derivatives: breakdown by type of coverage and hierarchy levels

	Fair Value 31/12/2023			NV 31/12/2023	Fair Value 31/12/2022			NV 31/12/2022
	L1	L2	L3		L1	L2	L3	
A. FINANCIAL DERIVATIVES	**-**	**4**	**-**	**80**	**-**	**1**	**-**	**54**
1) Fair value	-	4	-	80	-	1	-	54
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. CREDIT DERIVATIVES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**4**	**-**	**80**	**-**	**1**	**-**	**54**

KEY:

NV = Notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

4.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

TRANSACTIONS / TYPE OF HEDGE	Fair value							Cash flows		Foreign Investments
	Micro-hedge						Macro-hedge	Micro-hedge	Macro-hedge	
	Debt securities and interest rates	Equities and stock market indices	Currencies and gold	Credit	Commodities	Others				
1. Financial assets measured at fair value through other comprehensive income	1	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	3	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**4**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

Exposure to derivatives mainly refers to interest rate risk hedges.

Section 5 - Adjustment of the financial liabilities subject to macro-hedging - Item 50

5.1 Value adjustment of hedged financial liabilities

At the end of the reporting period, there are no financial liabilities subject to macro-hedging.

Section 6 - Tax liabilities - Item 60

For information on tax liabilities reference is made to Section 11 of the Assets.

Section 7 - Liabilities associated with assets held for disposal - Item 70

For information on liabilities associated with assets held for disposal, reference is made to Section 12 of the Assets.

Section 8 - Other liabilities - Item 80

8.1 Other liabilities: breakdown

ITEMS	Total 31/12/2023	Total 31/12/2022
Tax payables to tax authorities and other tax bodies for indirect taxes	362	257
Temporary items Centralised Treasury management	2	2
Wire transfers to be settled	5	5
Housing contributions - General Governments	3	2
Due to suppliers and expenses to be settled	189	180
Collection on behalf of third parties and amounts available to customers or third parties	122	96
Payables for guarantees given and commitments	-	-
Due to employees	99	84
Due to social security institutions and external pension funds	57	54
Other accounts to be processed	517	499
Accrued expenses and deferred income not attributable to own items	26	19
Intrinsic value of securities transactions and exchanges to be settled	-	-
Payables to Depositors' Guarantee Fund	-	-
Balance of illiquid items in the portfolio	67	221
Debit transit accounts	1	1
Advances received from third parties for property disposals to be completed	1	1
Payables for educational, cultural, charitable and social purposes	-	-
Sundry creditors - other	110	108
Total	**1,561**	**1,529**

At the end of the reporting period, the Group did not present any significant amounts in relation to liabilities arising from contracts with customers in accordance with IFRS 15, paragraphs 116, letter a), 118, 120 and 128.

Section 9 - Provision for severance indemnity - Item 90

9.1 Provision for severance indemnity: annual changes

	Total 31/12/2023	Total 31/12/2022
A. OPENING BALANCES	**95**	**118**
B. INCREASES	**5**	**5**
B.1 Allocation for the year	4	4
B.2 Other changes	1	1
C. DECREASES	**10**	**28**
C.1 Payments made	8	11
C.2 Other changes	2	17
D. CLOSING BALANCES	**90**	**95**
Total	**90**	**95**

At the end of the reporting period, the Group recognised the provision for severance indemnity in accordance with IAS 19 Employee benefits. Therefore, the item "D. Closing balances" of the provision recorded coincides with its actuarial value (Defined Benefit Obligation – DBO).

The amount of the "Interest Cost" is included in the income statement in table "10.1 Personnel costs".

The actuarial loss was recognised in the "Valuation reserves" in accordance with IAS 19.

Finally, it should be noted that under Law no. 296 of 27 December 2006 (the 2007 Finance Act), companies with at least 50 employees pay on a mandatory monthly basis, in accordance with the choice made by the employee, the severance pay accrued after 1 January 2007, to the supplementary post-employment benefits referred to in Law Decree no. 252/2005 or to a special fund for the payment to private sector employees of severance pay pursuant to Article 2120 of the Italian Civil Code (hereinafter the Treasury Fund) set up at INPS.

9.2 Provision for severance indemnity: other information

ITEMS	Total 31/12/2023	Total 31/12/2022
CHANGES IN THE YEAR	**(6)**	**(13)**
- Service cost related to current employment benefits	1	1
- Interest expense on the defined benefit obligation	3	1
- Profits and losses from reductions or settlements	-	-
- Service cost related to past employment benefits	-	-
- Transfers	(2)	(4)
- Decreases	(8)	(11)
ACTUARIAL (PROFITS) LOSSES RECOGNISED IN VALUATION RESERVES (OCI)	**1**	**(10)**
Description of the main assumptions		
- Discount rate	3.17%	3.77%
- Expected inflation rate	2.00%	2.50%

Description of the main actuarial assumptions for the valuation of severance indemnity

The amounts relating to the provision for severance indemnity liability are based on a special actuarial appraisal commissioned from an external actuary.

The actuarial model used as a reference for the valuation of the severance indemnity ("Projected Unit Credit Method") is based on various demographic and economic assumptions. For some of the assumptions used, where possible, explicit reference has been made to direct experience, for the others, best practice has been taken into account.

In particular, it should be noted how:

- the annual discount rate used to determine the current value of the bond was deducted, in accordance with the provisions of sections 83 of IAS 19, with reference to the IBoxx EUR Corporate AA index with duration 10+ recognised at the measurement date. To this end, the performance with a duration comparable to the duration of the workers' collective agreement subject to valuation was chosen;
- the annual rate of increase of the severance indemnity as provided for by Article 2120 of the Italian Civil Code is 75% of inflation plus 1.5 percentage points;
- the annual rate of salary increase has been determined on the basis of the amounts recorded by Group companies.

As a consequence of the above, the economic technical bases used are shown below:

- annual discount rate: 3.17%;
- annual rate of increase in provision for severance indemnity: 3.00%;
- annual inflation rate: 2.00%.

With reference to the demographic technical bases used, the relevant references are provided below:

- death: RG48 mortality tables published by the State General Accounting Office;
- disability: INPS tables separated by age and gender;
- retirement: 100% upon meeting the AGO requirements as per Law Decree no. 4/2019.

Section 10 - Provisions for risks and charges - Item 100

10.1 Provisions for risks and charges: breakdown

ITEMS/COMPONENTS	Total 31/12/2023	Total 31/12/2022
1. Provision for credit risk relative to commitments and financial guarantees given	**147**	141
2. Provision for other commitments and guarantees given	**-**	-
3. Post-employment benefits	**-**	-
4. Other provisions for risks and charges	**285**	231
4.1 Legal and tax disputes	39	38
4.2 Personnel expenses	147	97
4.3 other	99	96
Total	**432**	**372**

The item "1. Provision for credit risk relative to commitments and financial guarantees given" includes the value of the total allocations for credit risk in respect of the commitments to disburse funds and financial guarantees given which are subject to the impairment rules of IFRS 9 (paragraph 2.1, letter e); paragraph 5.5; appendix A), including therein the financial guarantees given and the commitments to disburse funds which are measured at the first-time recognition value, net of the total revenues booked in compliance with IFRS 15 (see IFRS 9, paragraph 4.2.1, letters c) and d)).

For details concerning the item "4. Other provisions for risks and charges", please refer to table "10.6 Provisions for risks and charges - other provisions".

10.2 Provisions for risks and expenses: annual changes

	Provision for other commitments and guarantees given	Post-employment benefits	Other provisions for risks and charges	Total
A. OPENING BALANCES	**-**	**-**	**231**	**231**
B. INCREASES	**-**	**-**	**185**	**185**
B.1 Allocation for the year	-	-	168	168
B.2 Changes due to the passing of time	-	-	-	-
B.3 Changes due to modifications in the discount rate	-	-	-	-
B.4 Other changes	-	-	17	17
C. DECREASES	**-**	**-**	**131**	**131**
C.1 Use for the year	-	-	109	109
C.2 Changes due to modifications in the discount rate	-	-	2	2
C.3 Other changes	-	-	20	20
D. CLOSING BALANCES	**-**	**-**	**285**	**285**

The table above shows the annual changes in the provisions for risks and expenses with the exception of those in the item "provision for credit risk relative to commitments and financial guarantees given", which are shown in Table A.1.4 of Part E.

10.3 Provision for credit risk relative to commitments and financial guarantees given

	Provision for credit risk relative to commitments and financial guarantees given				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Total
Commitments to disburse funds	47	41	21	-	109
Financial guarantees given	2	2	34	-	38
Total	**49**	**43**	**55**	**-**	**147**

As shown above, this table includes the value of the total allocations for credit risk in respect of the commitments to disburse funds and financial guarantees given which are subject to the impairment rules of IFRS 9, including therein the financial guarantees given and the commitments to disburse funds which are measured at the first-time recognition value, net of the total revenues booked in compliance with IFRS 15.

The breakdown of these provisions by risk stage is applied in accordance with the provisions of the IFRS 9 impairment model. For more detailed information, see Part A – Accounting policies, paragraph 15.5 "Methods of recognition of impairment losses" and Part E – Information on risks and related hedging policies.

10.4 Provision for other commitments and guarantees given

The Cassa Centrale Group has no provision for other commitments and guarantees given.

10.5 Defined benefit post-employment funds

The Cassa Centrale Group does not have defined benefit pension funds.

10.6 Provisions for risks and expenses - other provisions

ITEMS	Total 31/12/2023	Total 31/12/2022
OTHER PROVISIONS FOR RISKS AND CHARGES		
1. Provision for risks on revocatory actions	1	1
2. Provision for charity	51	40
3. Personnel risks and charges	147	97
4. Legal and tax disputes	38	38
5. Other provisions for risks and charges	48	55
Total	**285**	**231**

Other provisions are divided into:

- legal and tax disputes: the provision is essentially set up to deal with expected outlays on lawsuits, bankruptcy revocations and tax disputes, in accordance with IAS 37;
- personnel expenses: the provision includes charges for employee seniority bonuses, determined on the basis of actuarial valuations, provisions for bonuses and others.

Development of significant legal disputes

On 16 January 2020, the financial holding company Malacalza Investimenti S.r.l. (hereinafter also “Malacalza Investimenti”) brought a civil action against Carige, FITD, SVI and Cassa Centrale Banca, contesting the validity of the resolution to increase the share capital by EUR 700 million approved by the Shareholders of Banca Carige in the Shareholders’ Meeting of 20 September 2019 and submitting a claim for damages of over EUR 480 million (subsequently increased to approximately EUR 539 million), on account of the alleged hyperdilutive nature of the resolution (reducing Malacalza Investimenti’s shareholding from 27.555% to 2.016%).

The contested invalidity of the shareholders’ meeting resolution (which can no longer be annulled as it has already been executed, with the subscription by Cassa Centrale Banca of the capital increase and the acquisition of an 8.34% shareholding) was based on the allegedly unlawful exclusion of the option right, failure to comply with the principle of accounting parity and the determination of the issue price of the new shares in breach of the criteria laid down by company law.

The same defendants, including Cassa Centrale Banca, were then sued in two further disputes by the shareholder Vittorio Malacalza and 42 other shareholders of Carige, with a claim for a further approximate total of EUR 11.4 million, plus revaluation and interest (subsequently reduced to approximately EUR 11.1 million), based on assumptions and arguments coinciding with those put forward by Malacalza Investimenti.

The three lawsuits, which were joined in a single proceeding, were settled with a judgement published on 26 November 2021.

The Court of Genoa rejected the claims for damages brought by Malacalza Investimenti S.r.l., Vittorio Malacalza and the other 42 shareholders and determined the validity of the resolution because (i) there was no violation of the principle of accounting parity, (ii) the exclusion of the shareholders' option right took place in the presence of a significant corporate interest, and (iii) the issue price of the new shares was determined in accordance with the criteria set out in the company's regulations.

The losing parties were ordered to pay the legal costs in favour of the defendants.

Malacalza Investimenti S.r.l., Malacalza Vittorio and only 5 small shareholders out of the initial 42 appealed against the judgement (with a reduction of the claims for damages, as regards the latter, from approximately EUR 8.4 million to EUR 84 thousand).

Cassa Centrale Banca appeared in the three lawsuits pending before the Court of Appeal, which were subsequently combined. The proceeding is under discussion.

As a result of the assessments carried out with the support of solicitors and considering the risk of losing the case, Cassa Centrale Banca decided not to make provisions for risks and expenses in line with the provisions of the IAS 37 international accounting standard.

Section 11 - Insurance liabilities - Item 110

The section does not contain information and therefore was not filled in.

Section 12 - Repayable shares - Item 130

12.1 Repayable shares: breakdown

The Group does not present any such cases.

Section 13 - Group equity - Items 120, 130, 140, 150, 160, 170 and 180

13.1 "Capital" and "Own shares": breakdown

As described in Part A – Accounting Policies, Section 3 – Scope and methods of consolidation, in application of Law no. 145 of 30 December 2018 (so-called Budget Law 2019) the Parent Company Cassa Centrale Banca and the Affiliated Banks under the Cohesion Contract constitute a single consolidating entity.

In the composition of the Group's equity, the share capital is consequently made up of the Parent Company's share capital and the share capital of the Affiliated Banks.

The share capital of the Parent Company, equal to EUR 952,031,808, comprises 18,158,304 ordinary shares and 150,000 preference shares, both with a nominal value of EUR 52.

At the end of the reporting period, the capital of the Affiliated Banks belonging to the Cassa Centrale Group amounted to approximately EUR 319 million. The share capital of the Affiliated Banks is, according to their Articles of Association, variable, and consists of shares that can be issued, in principle, without limit.

As at 31 December 2023, the own shares in circulation amounted to approximately EUR 868 million and are mainly attributable to the shares of Cassa Centrale Banca held by the Affiliated Banks belonging to the Group.

13.2 Capital – Number of Parent Company shares: annual changes

ITEMS/TYPES	Ordinary	Preference
A. SHARES AT START OF YEAR	**18,158,304**	**150,000**
- fully paid-up	18,158,304	150,000
- not fully paid-up	-	-
A.1 Own shares (-)	-	-
A.2 Outstanding shares: opening balances	18,158,304	150,000
B. INCREASES	**-**	**-**
B.1 New issues	-	-
- paid:	-	-
- business combinations	-	-
- bond conversions	-	-
- exercise of warrants	-	-
- other	-	-
- free of charge:	-	-
- in favour of employees	-	-
- in favour of directors	-	-
- other	-	-
B.2 Sale of own shares	-	-
B.3 Other changes	-	-
C. DECREASES	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of own shares	-	-
C.3 Company transfers	-	-
C.4 Other changes	-	-
D. SHARES OUTSTANDING: CLOSING BALANCES	**18,158,304**	**150,000**
D.1 Own shares (+)	-	-
D.2 Shares at year-end	18,158,304	150,000
- fully paid-up	18,158,304	150,000
- not fully paid-up	-	-

13.3 Capital: other information

For information on capital, please refer to 13.1 “Capital” and “Own shares”: breakdown.

13.4 Profit reserves: other information

Group reserves amount to EUR 6,889 million and include the legal reserve (inclusive of any portions relating to the tax realignment pursuant to Art. 110 of Law Decree no. 104/2020), the statutory reserve, the FTA reserves and other reserves. The valuation reserves, negative for EUR 20 million, refer mainly to:

- valuation reserves of assets measured at fair value through other comprehensive income;
- the reserves from IAS 19 actuarial gains (losses) relate to the valuation of severance indemnity.

13.5 Equity instruments: breakdown and annual changes

At the end of the reporting period, equity instruments amounted to EUR 1 million. During the year there were no increases or decreases in equity instruments.

13.6 Other information

There is no other information on equity instruments other than the capital and reserves.

Section 14 - Minority interests - Item 190

14.1 Details on item 210 'Minority interests'

At 31 December 2023, minority interests contained no significant balances.

14.2 Equity instruments: breakdown and annual changes

The section does not contain information and therefore was not filled in.

Other information

1. Commitments and financial guarantees given

	Nominal value of commitments and financial guarantees given				Total 31/12/2023	Total 31/12/2022
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
1. COMMITMENTS TO DISBURSE FUNDS	**12,513**	**803**	**82**	**-**	**13,398**	**12,838**
a) Central Banks	-	-	-	-	-	-
b) General Governments	240	4	-	-	244	257
c) Banks	523	119	-	-	642	721
d) Other financial corporations	527	26	-	-	553	168
e) Non-financial corporations	9,548	572	71	-	10,191	9,681
f) Households	1,675	82	11	-	1,768	2,011
2. FINANCIAL GUARANTEES GIVEN	**1,345**	**75**	**41**	**-**	**1,461**	**1,473**
a) Central Banks	-	-	-	-	-	-
b) General Governments	4	-	-	-	4	5
c) Banks	5	-	-	-	5	30
d) Other financial corporations	30	-	1	-	31	33
e) Non-financial corporations	942	66	35	-	1,043	1,058
f) Households	364	9	5	-	378	347

This table shows the commitments to disburse funds and the financial guarantees given which are subject to the impairment rules of IFRS 9. Commitments to disburse funds and financial guarantees given that are considered derivatives are excluded, as are commitments to disburse funds and financial guarantees given that are measured at fair value.

"Commitments to disburse funds" are commitments that may give rise to credit risks that are subject to the write-down rules of IFRS 9 (e.g. margins available on credit lines granted to customers or banks).

2. Other commitments and guarantees given

	Nominal value	Nominal value
	Total 31/12/2023	Total 31/12/2022
1. Other guarantees given	**261**	**237**
of which: impaired credit exposures	-	-
a) Central Banks	-	-
b) General Governments	1	-
c) Banks	260	237
d) Other financial corporations	-	-
e) Non-financial corporations	-	-
f) Households	-	-
2. Other commitments	**-**	**-**
of which: impaired credit exposures	-	-
a) Central Banks	-	-
b) General Governments	-	-
c) Banks	-	-
d) Other financial corporations	-	-
e) Non-financial corporations	-	-
f) Households	-	-

This table shows the nominal value of other commitments and other guarantees given which fall within the scope of IAS 37 and IFRS 4 respectively and are therefore not subject to the impairment rules of IFRS 9.

3. Asset-backed own liabilities and commitments

PORTFOLIOS	Amount 31/12/2023	Amount 31/12/2022
1. Financial assets measured at fair value through profit or loss	-	-
2. Financial assets measured at fair value through other comprehensive income	1,651	2,042
3. Financial assets measured at amortised cost	14,533	19,721
4. Tangible assets	-	-
of which: tangible assets that constitute inventories	-	-

4. Breakdown of investments relating to unit-linked and index-linked policies

The Group did not make any investments relating to unit-linked and index-linked policies.

5. Management and intermediation on behalf of third parties

TYPE OF SERVICES	Amount
1. EXECUTION OF ORDERS ON BEHALF OF CUSTOMERS	
a) purchases	113
1. settled	113
2. not settled	-
b) sales	932
1. settled	931
2. not settled	1
2. PORTFOLIO MANAGEMENT	
a) individual	10,534
b) collective	7,804
3. CUSTODY AND ADMINISTRATION OF SECURITIES	
a) third-party securities under custody: connected to the role as depositary bank (excluding portfolio management)	-
1. securities issued by consolidated companies	-
2. other securities	-
b) third-party securities under custody (excluding portfolio management): other	36,505
1. securities issued by consolidated companies	957
2. other securities	35,548
c) third-party securities deposited with third parties	35,711
d) own securities deposited with third parties	35,232
4. OTHER TRANSACTIONS	**24,943**

6. Financial assets subject to offsetting in the financial statements or subject to master netting arrangements or similar agreements

TECHNICAL FORMS	Gross amount of financial assets (a)	Amount of financial liabilities offset in the financial statements (b)	Net amount of financial assets reported in the financial statements (c=a-b)	Correlated amount not offset in the financial statements		Net amount (f=c-d-e) 31/12/2023	Net amount 31/12/2022
				Financial instruments (d)	Cash deposits issued as guarantee (e)		
1. Derivatives	90	-	90	15	69	6	-
2. Repos	-	-	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31/12/2023	**90**	**-**	**90**	**15**	**69**	**6**	**X**
Total 31/12/2022	**132**	**-**	**132**	**25**	**107**	**X**	**-**

7. Financial liabilities subject to offsetting in the financial statements or subject to master netting arrangements or similar agreements

TECHNICAL FORMS	Gross amount of financial liabilities (a)	Amount of financial assets offset in the financial statements (b)	Net amount of financial liabilities reported in the financial statements (c=a-b)	Correlated amount not offset in the financial statements		Net amount (f=c-d-e) 31/12/2023	Net amount 31/12/2022
				Financial instruments (d)	Cash deposits issued as guarantee (e)		
1. Derivatives	8	-	8	2	1	5	5
2. Repos	121	-	121	119	2	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other transactions	-	-	-	-	-	-	-
Total 31/12/2023	**129**	**-**	**129**	**121**	**3**	**5**	**X**
Total 31/12/2022	**485**	**-**	**485**	**473**	**7**	**X**	**5**

Pursuant to IFRS 7, amended in 2013, specific information must be provided about financial instruments that have been offset or that could potentially be offset (if the conditions indicated in section 42 of IAS 32 are met) but are presented in the balance sheet without offsetting because they are governed by "framework netting agreements or similar" that do not meet all the criteria set out in IAS 32, section 42.

In this regard, the Group adopts bilateral netting agreements for contracts relating to OTC derivatives and long-term settlement transactions concluded with primary counterparties through the Parent Company. These agreements are qualified by Regulation (EU) no. 575/2013 as part of other bilateral netting agreements.

Column F of Tables 6 and 7 indicates the credit/debt exposure to the counterparty, which at 31/12/2023 is of a limited amount.

8. Securities lending transactions

The Group has not carried out securities lending transactions.

9. Information on joint operations

For the Group this scenario was not relevant.

PART C - Information on the consolidated income statement

Section 1 - Interest - Items 10 and 20

1.1 Interest income and similar revenues: breakdown

ITEMS/TECHNICAL FORMS	Debt securities	Loans	Other transactions	Total 31/12/2023	Total 31/12/2022
1. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	**-**	**3**	**-**	**3**	**5**
1.1 Financial assets held for trading	-	-	-	-	-
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	-	3	-	3	5
2. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**262**	**-**	**X**	**262**	**170**
3. FINANCIAL ASSETS MEASURED AT AMORTISED COST	**716**	**2,200**	**-**	**2,916**	**1,920**
3.1 Loans to banks	19	38	X	57	23
3.2 Loans to customers	697	2,162	X	2,859	1,897
4. HEDGING DERIVATIVES	**X**	**X**	**15**	**15**	**(3)**
5. OTHER ASSETS	**X**	**X**	**76**	**76**	**35**
6. FINANCIAL LIABILITIES	**X**	**X**	**X**	**15**	**30**
Total	**978**	**2,203**	**91**	**3,287**	**2,157**
of which: interest income on impaired financial assets	-	80	-	80	49
of which: interest income on financial leases	X	41	X	41	20

The increase in item 3.2 “Financial assets measured at amortised cost - Loans to customers” is mainly linked to the growing contribution of lending and the upswing in market rates. These factors made it possible, on the whole, to record interest for EUR 2,859 million, leading to an increase compared to the previous year for approximately EUR 962 million.

Items “2. Financial assets measured at fair value through other comprehensive income” and “3. Financial assets measured at amortised cost” include interest income on debt securities for an amount of approximately EUR 978 million, mainly attributable to investments in securities by Central Governments for a countervalue of approximately EUR 34 billion, including EUR 3.4 billion of “BIP ITALIA” government securities.

Item “5. Other assets” includes revenues from the purchase of tax credits.

Item “6. Financial liabilities” comprises interest income accrued on funding transactions which at 31 December 2023, to a residual extent, were still characterised by negative returns. Unlike previous years, as at 31 December 2023, interest is predominantly recorded in item 20 Interest expenses and similar charges by virtue of the increases relating to the refinancing rates established by the European Central Bank, as subsequently reported. For detailed information on TLTRO-III loan transactions, please refer to Part A - Accounting Policies, Section 5 – Other Aspects of these Explanatory Notes.

The line “of which: interest income from impaired financial assets” shows interest determined on the basis of the effective interest rate, including interest due to the passage of time. This interest relates exclusively to loans to customers. Interest income also includes interest from securities used in repo transactions.

1.2 Interest income and similar revenues: other information

1.2.1 Interest income on foreign currency financial assets

ITEMS	Total 31/12/2023	Total 31/12/2022
Interest income from financial assets in foreign currency	6	2

1.3 Interest expenses and similar charges paid: breakdown

ITEMS/TECHNICAL FORMS	Payables	Securities	Other transactions	Total 31/12/2023	Total 31/12/2022
1. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	**(769)**	**(119)**	**X**	**(888)**	**(300)**
1.1 Due to central banks	(308)	X	X	(308)	(164)
1.2 Due to banks	(23)	X	X	(23)	(8)
1.3 Due to customers	(438)	X	X	(438)	(95)
1.4 Debt securities in issue	X	(119)	X	(119)	(33)
2. FINANCIAL LIABILITIES HELD FOR TRADING	-	-	-	-	-
3. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE	-	-	-	-	-
4. OTHER LIABILITIES AND PROVISIONS	**X**	**X**	-	-	-
5. HEDGING DERIVATIVES	**X**	**X**	-	-	-
6. FINANCIAL ASSETS	**X**	**X**	**X**	**(3)**	**(12)**
Total	**(769)**	**(119)**	-	**(891)**	**(312)**
of which: interest expense on payables for leases	(3)	X	X	(3)	(2)

Items “1.2 Due to banks” and “1.3 Due to customers” also include interest on repos, even if carried out against securities recorded as assets.

The increase in item “1.4 Debt securities in issue” is attributable to the new issues of bonds as part of the “Minimum Requirement of Eligible Liabilities – MREL” programme and the increase in certificates of deposit.

The increase in the item “Due to central banks” reflects the increase in yields applied to several TLTRO-III loan transactions, communicated by the European Central Bank in 2023. For detailed information on these loan transactions, please refer to Part A - Accounting Policies, Section 5 – Other Aspects of these Explanatory Notes.

1.4 Interest expenses and similar expenses paid: other information

1.4.1 Interest expense on foreign currency financial liabilities

In 2023, approximately EUR 5 million in interest expenses from liabilities in foreign currency was recorded.

1.5 Differentials relative to hedging transactions

ITEMS	Total 31/12/2023	Total 31/12/2022
A. Positive differentials relating to hedging transactions	15	1
B. Negative differentials relating to hedging transactions	-	(4)
C. Balance (A-B)	**15**	**(3)**

Section 2 - Fees and Commissions - Items 40 and 50

2.1 Fees and commissions income: breakdown

TYPE OF SERVICES/VALUES	Total 31/12/2023	Total 31/12/2022
a) Financial instruments	149	128
1. Placement of securities	-	-
1.1 With direct underwriting and/or on a firm commitment basis	-	-
1.2 Without a firm commitment basis	-	-
2. Order receipt and transmission and execution of orders on behalf of customers	24	19
2.1 Order receipt and transmission of one or more financial instruments	24	19
2.2. Execution of orders on behalf of customers	-	-
3. Other fees and commissions connected with activities related to financial instruments	125	109
of which: dealing for own account	-	-
of which: individual portfolio management	86	73
b) Corporate Finance	1	1
1. Advice on mergers and acquisitions	-	-
2. Treasury services	-	-
3. Other fees and commissions related to corporate finance services	1	1
c) Investment advisory activities	1	1
d) Offsetting and settlement	-	-
e) Collective portfolio management	73	65
f) Custody and administration	5	4
1. Custodian bank	-	-
2. Other fees and commissions related to custody and administration activities	5	4

TYPE OF SERVICES/VALUES	Total 31/12/2023	Total 31/12/2022
g) Central administrative services for collective portfolio management	-	-
h) Trust business	-	-
i) Payment services	412	387
1. Current accounts	149	140
2. Credit cards	27	24
3. Debit and other payment cards	66	67
4. Bank transfers and other payment orders	51	47
5. Other fees and commissions related to payment services	119	109
j) Breakdown of third party services	110	111
1. Collective portfolio management	-	-
2. Insurance products	103	101
3. Other products	7	10
of which: individual portfolio management	-	-
k) Structured finance	-	-
l) Servicing activities for securitisation operations	-	-
m) Commitments to disburse funds	-	-
n) Financial guarantees given	16	16
of which: credit derivatives	-	-
o) Financing transactions	121	117
of which: for factoring operations	-	-
p) Foreign currency trading	1	1
q) Commodities	-	-
r) Other fees and commissions income	44	40
of which: activities for the management of multilateral trading systems	-	-
of which: for the management of organised trading systems	-	-
Total	**933**	**871**

At the end of the reporting period, the Group does not have significant amounts of fees and commissions income (other than the amounts included in the calculation of the effective interest rate) from financial assets not measured at fair value through profit or loss in accordance with IFRS 7, paragraph 20, letter c(i).

It should also be noted that the Group does not have significant amounts relating to revenues recognised during the year included in the opening balance of liabilities arising from contracts (IFRS 15, paragraph 116 b)).

2.1bis Fees and commissions income: type and timing of recognition

TYPE OF SERVICES	31/12/2023			31/12/2022		
	At a given moment in time	Over a period of time	Total	At a given moment in time	Over a period of time	Total
a) Financial instruments	141	8	**149**	121	7	**128**
b) Corporate Finance	1	-	**1**	1	-	**1**
c) Investment advisory activities	1	-	**1**	1	-	**1**
d) Offsetting and settlement	-	-	**-**	-	-	**-**
e) Collective portfolio management	73	-	**73**	65	-	**65**
f) Custody and administration	4	1	**5**	3	1	**4**
g) Central administrative services for collective portfolio management	-	-	**-**	-	-	**-**
h) Trust business	-	-	**-**	-	-	**-**
i) Payment services	332	80	**412**	304	83	**387**
l) Breakdown of third-party services	88	22	**110**	85	26	**111**
m) Structured finance	-	-	**-**	-	-	**-**
Servicing activities for securitisation operations	-	-	**-**	-	-	**-**
o) Commitments to disburse funds	-	-	**-**	-	-	**-**
p) Financial guarantees given	9	7	**16**	9	7	**16**
q) Financing transactions	68	53	**121**	65	52	**117**
r) Foreign currency trading	1	-	**1**	1	-	**1**
s) Commodities	-	-	**-**	-	-	**-**
t) Other fees and commissions income	31	13	**44**	27	13	**40**
Total	**749**	**184**	**933**	**682**	**189**	**871**

2.2 Fees and commissions expenses: breakdown

TYPE OF SERVICES/VALUES	Total 31/12/2023	Total 31/12/2022
a) Financial instruments	(13)	(12)
of which: trading of financial instruments	(2)	(1)
of which: placement of financial instruments	-	-
of which: individual portfolio management	(11)	(10)
- Own	(11)	(10)
- Delegated to third parties	-	-
b) Offsetting and settlement	-	-
c) Collective portfolio management	-	-
1. Own	-	-
2. Delegated to third parties	-	-
d) Custody and administration	(17)	(16)
e) Collection and payment services	(88)	(66)
of which: credit cards, debit cards and other payment cards	(81)	(60)
f) Servicing activities for securitisation operations	-	(2)
g) Commitments to receive funds	-	-
h) Financial guarantees received	(2)	(1)
of which: credit derivatives	-	-
i) Out-of-branch offer of financial instruments, products and services	(8)	(8)
j) Foreign currency trading	-	-
k) Other fees and commissions expenses	(10)	(11)
Total	**(138)**	**(116)**

At the end of the reporting period, the Group does not have significant amounts of fees and commissions expense s (other than the amounts included in the calculation of the effective interest rate) arising from financial liabilities not measured at fair value through profit or loss (IFRS 7, paragraph 20, letter c (i)).

Section 3 - Dividends and similar income - Item 70

3.1 Dividend and similar income: breakdown

ITEMS/INCOME	Total 31/12/2023		Total 31/12/2022	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	-	-	-	-
B. Other financial assets mandatorily measured at fair value	-	1	-	1
C. Financial assets measured at fair value through other comprehensive income	3	-	3	-
D. Equity investments	-	-	-	-
Total	**3**	**1**	**3**	**1**

Section 4 - Net result from trading - Item 80

4.1 Net result from trading: breakdown

TRANSACTIONS/INCOME COMPONENTS	Capital gains	Profit on sale	Capital losses	Loss on sale	Net result
1. FINANCIAL ASSETS HELD FOR TRADING	**-**	**1**	**-**	**-**	**1**
1.1 Debt securities	-	1	-	-	1
1.2 Equities	-	-	-	-	-
1.3 UCITS units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. FINANCIAL LIABILITIES HELD FOR TRADING	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. FINANCIAL ASSETS AND LIABILITIES: EXCHANGE RATE DIFFERENCES	**X**	**X**	**X**	**X**	**4**
4. DERIVATIVE INSTRUMENTS	**2**	**2**	**(1)**	**(2)**	**1**
4.1 Financial derivatives:	2	2	(1)	(2)	1
- On debt securities and interest rates	2	2	(1)	(2)	1
- On equities and stock market indices	-	-	-	-	-
- On currencies and gold	X	X	X	X	-
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges connected to the fair value option	X	X	X	X	-
Total	**2**	**3**	**(1)**	**(2)**	**6**

Section 5 - Net profit (loss) on hedge accounting - Item 90

5.1 Net profit (loss) on hedge accounting: breakdown

INCOME COMPONENTS/VALUES	Total 31/12/2023	Total 31/12/2022
A. INCOME RELATED TO:		
A.1 Fair value hedging derivatives	-	130
A.2 Hedged financial assets (fair value)	42	4
A.3 Hedged financial liabilities (fair value)	-	1
A.4 Cash flow hedge derivatives	1	-
A.5 Foreign currency assets and liabilities	-	-
Total income from hedging (A)	**43**	**135**
B. EXPENSES RELATED TO:		
B.1 Fair value hedging derivatives	(41)	(1)
B.2 Hedged financial assets (fair value)	(2)	(133)
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash flow hedge derivatives	-	-
B.5 Foreign currency assets and liabilities	-	-
Total expenses from hedging (B)	**(43)**	**(134)**
C. NET RESULT FROM HEDGING (A - B)	**-**	**1**
of which: result of net positions hedging	-	-

The Group avails itself of the possibility, provided for in the introduction of IFRS 9, to continue to apply in full the provisions of IAS 39 on hedge accounting (in the carved out version approved by the European Commission) for each type of hedge. As a consequence, in the table above, the row “of which: result of net positions hedging” provided for those who apply IFRS 9 also for hedging, is not valued.

Section 6 - Profit (Loss) from disposal/repurchase - Item 100

6.1 Profit (loss) from disposal/repurchase: breakdown

ITEMS/INCOME COMPONENTS	Total 31/12/2023			Total 31/12/2022		
	Profit	Loss	Net result	Profit	Loss	Net result
A. FINANCIAL ASSETS						
1. Financial assets measured at amortised cost	42	(296)	(254)	88	(89)	(1)
1.1 Loans to banks	-	-	-	-	-	-
1.2 Loans to customers	42	(296)	(254)	88	(89)	(1)
2. Financial assets measured at fair value through other comprehensive income	7	(127)	(120)	50	(112)	(62)
2.1 Debt securities	7	(127)	(120)	50	(112)	(62)
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**49**	**(423)**	**(374)**	**138**	**(201)**	**(63)**
B. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
Total liabilities (B)	**-**	**-**	**-**	**-**	**-**	**-**

Item "1.2 Loans to customers", in the net result, includes, to a significant extent, losses from disposal on debt securities attributable to the repositioning of bond investments in line with the Group proprietary portfolio strategy, revised in light of the profound change in market conditions.

Section 7 - Net result on other financial assets and liabilities measured at fair value through profit or loss - Item 110

7.1 Net change in value on other financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets and liabilities measured at fair value

TRANSACTIONS/INCOME COMPONENTS	Capital gains	Profit on sale	Capital losses	Loss on sale	Net result
1. FINANCIAL ASSETS	**-**	**(1)**	**-**	**-**	**(1)**
1.1 Debt securities	-	(1)	-	-	(1)
1.2 Loans	-	-	-	-	-
2. FINANCIAL LIABILITIES	**-**	**1**	**-**	**-**	**1**
2.1 Debt securities in issue	-	1	-	-	1
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. FOREIGN CURRENCY ASSETS AND LIABILITIES: EXCHANGE RATE DIFFERENCES	**X**	**X**	**X**	**X**	**-**
Total	**-**	**-**	**-**	**-**	**-**

7.2 Net change in value on other financial assets and liabilities measured at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

TRANSACTIONS/INCOME COMPONENTS	Capital gains	Profit on sale	Capital losses	Loss on sale	Net result
1. FINANCIAL ASSETS	**16**	**7**	**(16)**	**-**	**7**
1.1 Debt securities	-	-	(1)	-	(1)
1.2 Equities	2	2	-	-	4
1.3 UCITS units	3	5	(7)	-	1
1.4 Loans	11	-	(8)	-	3
2. FINANCIAL ASSETS: EXCHANGE RATE DIFFERENCES	**X**	**X**	**X**	**X**	**-**
Total	**16**	**7**	**(16)**	**-**	**7**

Trading profit (loss) and capital gains (losses) from valuations are reported with balances opened by type of financial instrument.

This item includes capital gains and losses that are derived from the fair value measurement of financial assets/liabilities that are classified in the portfolio under item 20.c of Assets.

Section 8 - Net value adjustments/write-backs due to credit risk - Item 130

8.1 Net value adjustments due to credit risk relative to financial assets measured at amortised cost: breakdown

TRANSACTIONS/ INCOME COMPONENTS	Value adjustments (1)						Write-backs (2)				Total 31/12/2023	Total 31/12/2022
	Stage 1	Stage 2	Stage 3		Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
			Write-offs	Other	Write-offs	Other						
A. LOANS TO BANKS	**(5)**	**(1)**	**-**	**-**	**-**	**-**	**7**	**-**	**-**	**-**	**1**	**7**
- Loans	(2)	-	-	-	-	-	1	-	-	-	(1)	(1)
- Debt securities	(3)	(1)	-	-	-	-	6	-	-	-	2	8
B. LOANS TO CUSTOMERS	**(75)**	**(324)**	**(6)**	**(750)**	**-**	**(7)**	**256**	**164**	**658**	**4**	**(80)**	**(277)**
- Loans	(72)	(323)	(6)	(750)	-	(7)	253	163	658	4	(80)	(274)
- Debt securities	(3)	(1)	-	-	-	-	3	1	-	-	-	(3)
Total	**(80)**	**(325)**	**(6)**	**(750)**	**-**	**(7)**	**263**	**164**	**658**	**4**	**(79)**	**(270)**

Value adjustments, reported under the column “Stage 3 – Other”, relate to analytical write-downs of loans, while those reported under the column “Stage 3 – Write offs” arise from redemption events. The write-backs, in the column ‘stages 1 and 2’, correspond to the adjustments to performing positions.

As requested by the Bank of Italy and given the continuing situation of uncertainty in the current macroeconomic context, the Group carried out total write-downs on the financial assets that are consistent with the current and forecast developments of risk in loan portfolios. In addition, the presence of guarantees collected by the Affiliated Banks - as a guarantee of exposure - allows for additional guarantees for the recoverability of receivables.

Net value adjustments relating to loans to customers, as at 31 December 2023, amounted to approximately EUR 80 million, down compared to EUR 274 million recorded in the previous year as at 31 December 2022.

Please refer to Part A of these Explanatory Notes, in paragraph "Classification and measurement of loans to customers based on the general impairment model IFRS 9" of Section 5 - Other aspects, for further information on the measurement of loans model.

For more detailed information pertaining to movements in net adjustments to loans, refer to Part E of these Explanatory Notes.

8.2 Net value adjustments due to credit risk relative to financial assets measured at fair value through other comprehensive income: breakdown

TRANSACTIONS/ INCOME COMPONENTS	Value adjustments (1)						Write-backs (2)				Total 31/12/2023	Total 31/12/2022
	Stage 1	Stage 2	Stage 3		Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
			Write-offs	Other	Write-offs	Other						
A. DEBT SECURITIES	(2)	-	-	-	-	-	1	-	-	-	(1)	(2)
B. LOANS	-	-	-	-	-	-	-	-	-	-	-	-
- To customers	-	-	-	-	-	-	-	-	-	-	-	-
- To banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	(2)	-	-	-	-	-	1	-	-	-	(1)	(2)

Section 9 - Profit (Loss) from contractual changes without derecognitions - Item 140

9.1 Profit (Loss) from contractual changes: breakdown

As at 31 December 2023, losses from contractual amendments without derecognitions of approximately EUR 1 million were recognised under this item.

The same amount was present at 31 December 2022.

Section 10 - Net premiums - Item 160

This section has not been filled in given that there are no insurance companies in the Group at the end of the reporting period.

Section 11 - Balance of other income and expenses of insurance management - Item 170

This section has not been filled in given that there are no insurance companies in the Group at the end of the reporting period.

Section 12 - Administrative expenses - Item 190

12.1 Staff expenses: breakdown

TYPE OF EXPENSES/VALUES	Total 31/12/2023	Total 31/12/2022
1) EMPLOYEES	**(986)**	**(905)**
a) salaries and wages	(667)	(606)
b) social security contributions	(162)	(151)
c) severance indemnity	(37)	(33)
d) pension contributions	-	(1)
e) provision for severance indemnity	(5)	(4)
f) allocation to post-employment benefits:	-	-
- with defined contribution	-	-
- with defined benefit	-	-
g) payments to external supplementary post-employment benefits:	(31)	(30)
- with defined contribution	(31)	(30)
- with defined benefit	-	-
h) costs deriving from payment agreements based on own equity instruments	-	-
i) other employee benefits	(84)	(80)
2) OTHER OPERATING PERSONNEL	**(8)**	**(8)**
3) DIRECTORS AND AUDITORS	**(34)**	**(32)**
4) RETIRED PERSONNEL	**-**	**-**
Total	**(1,028)**	**(945)**

12.2 Average number of employees by category

	Total 31/12/2023	Total 31/12/2022
EMPLOYEES (A+B+C)	**11,603**	**11,245**
a) executives	192	196
b) middle managers	3,082	3,030
c) remaining employees	8,329	8,019
OTHER PERSONNEL	**168**	**187**

The average number of employees includes employees of other companies seconded to the company and excludes employees of the company seconded to other companies. In the case of part-time employees, 50% is conventionally taken into account. The average number is calculated as the weighted average of employees where the weight is given by the number of months worked per year.

12.3 Defined benefit post-employment benefits: costs and revenue

For information on this point, please refer to that described in the Liabilities in the Balance sheet, Section 9, paragraph "9.2 Provision for severance indemnity: other information".

12.4 Other employee benefits

ITEMS	Total 31/12/2023	Total 31/12/2022
SUNDRY STAFF EXPENSES		
1. allocation of loyalty bonus	(1)	-
2. insurance	(12)	(10)
3. staff leaving incentives	(42)	(40)
4. meal vouchers	(15)	(15)
5. training courses	(5)	(3)
6. other benefits	(9)	(12)
Other employee benefits	**(84)**	**(80)**

12.5 Other administrative expenses: breakdown

ITEMS	Total 31/12/2023	Total 31/12/2022
ICT expenses	**(113)**	**(98)**
Outsourced ICT expenses	(31)	(29)
ICT expenses other than outsourced ICT expenses	(82)	(69)
Taxes and levies (other)	**(157)**	**(148)**
Expenses for professional and consulting services	**(136)**	**(111)**
Advertising and entertainment expenses	**(25)**	**(21)**
Expenses related to debt collection	**(17)**	**(18)**
Litigation expenses not covered by allocations	**-**	**-**
Expenses for real estate	**(25)**	**(29)**
Lease fees	**-**	**-**
Other administrative expenses - Other	**(261)**	**(257)**
of which: cash contributions to resolution funds and deposit guarantee systems	(74)	(73)
Total administrative expenses	**(734)**	**(682)**

At December 2023, the item "Other administrative expenses" totalled EUR 734 million, an increase of around EUR 52 million compared to December 2022, mainly attributable to the increase in IT and professional expenses to support the Group's needs.

Contributions to Deposit Guarantee Schemes (DGSs) and Single Resolution Funds (SRFs) were stable for EUR 74 million.

The sub-item "Lease fees" includes short-term rentals (contracts with a residual useful life of less than 12 months) and rentals relating to leases of modest value (less than EUR 5 thousand) for an insignificant amount.

Section 13 - Net allocations to provisions for risks and charges - Item 200

13.1 Net allocations for credit risk relative to commitments to disburse funds and financial guarantees given: breakdown

ITEMS	31/12/2023			31/12/2022		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
	Allocations			Allocations		
COMMITMENTS TO DISBURSE FUNDS						
Commitments to disburse funds	(8)	(19)	(39)	(15)	(8)	(32)
FINANCIAL GUARANTEES GIVEN						
Financial guarantee contracts	(1)	(2)	(11)	(3)	(2)	(17)
Total allocations (-)	**(9)**	**(21)**	**(50)**	**(18)**	**(10)**	**(49)**
	Reallocations			Reallocations		
COMMITMENTS TO DISBURSE FUNDS						
Commitments to disburse funds	17	4	38	10	7	35
FINANCIAL GUARANTEES GIVEN						
Financial guarantee contracts	-	1	12	3	2	15
Total reallocations (+)	**17**	**5**	**50**	**13**	**9**	**50**
	Net allocation			Net allocation		
Total	**8**	**(16)**	**-**	**(5)**	**(1)**	**1**

13.2 Net allocations relative to other commitments and guarantees given: breakdown

At 31 December 2023, as in the previous year, the item recorded no significant results.

13.3 Net allocations to other provisions for risks and charges: breakdown

ITEMS	31/12/2023			31/12/2022		
	Allocations	Reallocations	Net total	Allocations	Reallocations	Net total
ALLOCATIONS AND REALLOCATIONS TO OTHER PROVISIONS FOR RISKS AND CHARGES						
1. for risks on revocatory actions	(2)	-	(2)	(1)	-	(1)
2. for charity	-	-	-	-	-	-
3. for personnel risks and charges	-	3	3	(2)	2	-
4. for legal and tax disputes	(14)	8	(6)	(12)	8	(4)
5. for other risks and charges	(5)	5	-	(6)	4	(2)
Total	**(21)**	**16**	**(5)**	**(21)**	**14**	**(7)**

Section 14 - Net value adjustments/write-backs to tangible assets - Item 210

14.1. Net value adjustments to tangible assets: breakdown

ASSET/INCOME COMPONENTS	Amortisation	Impairment losses	Write-backs	Net result
A. TANGIBLE ASSETS				
1. For business use	**(104)**	**(3)**	**-**	**(107)**
- Owned	(75)	(3)	-	(78)
- Rights of use acquired through lease	(29)	-	-	(29)
2. Held for investment purposes	**(2)**	**(4)**	**-**	**(6)**
- Owned	(2)	(4)	-	(6)
- Rights of use acquired through lease	-	-	-	-
3. Inventories	**X**	**-**	**-**	**-**
Total	**(106)**	**(7)**	**-**	**(113)**

During the year, tangible assets classified as "assets held for sale" in accordance with IFRS 5 were measured. The result of this measurement is not significant.

Section 15 - Net value adjustments/write-backs to intangible assets - Item 220

15.1 Net value adjustments to intangible assets: breakdown

ASSET/INCOME COMPONENTS	Amortisation	Impairment losses	Write-backs	Net result
A. INTANGIBLE ASSETS				
of which: software	(12)	-	-	(12)
A.1 Owned	**(15)**	**(15)**	**-**	**(30)**
- Generated internally by the company	-	-	-	-
- Other	(15)	(15)	-	(30)
A.2 Rights of use acquired through lease	**-**	**-**	**-**	**-**
Total	**(15)**	**(15)**	**-**	**(30)**

Item "Impairment losses" includes the impairment on the Allitude S.p.A. customer relationship. For more details, see Part B – Section 10 Intangible assets.

Section 16 - Other operating income/expenses - Item 230

16.1 Other operating expenses: breakdown

ITEMS	Total 31/12/2023	Total 31/12/2022
Amortisation of improvements to non-separable third-party assets	(6)	(5)
Expenses for treasury contracts with General Governments	-	-
Expenses for transactions and indemnities	(3)	(2)
Non-existent items and contingencies not ascribable to own items	(6)	(6)
Bonuses and rounding down	-	-
Other operating expenses - other	(10)	(9)
Total other operating expenses	**(25)**	**(22)**

16.2 Other operating income: breakdown

ITEMS	Total 31/12/2023	Total 31/12/2022
Recovery of taxes	141	131
Charges to third parties for costs on deposits and current accounts	3	3
Recovery of insurance premiums	2	2
Receivable rents and payments	2	3
Recovery of other expenses	13	14
Non-existent items and contingencies not ascribable to own items	9	12
Badwill from Purchase Price Allocation	-	-
Bonuses and rounding up	-	-
Other operating income - other	50	56
Total other operating income	**220**	**221**

At the end of the reporting period, the Group does not have significant amounts relating to revenues recognised during the year included in the opening balance of liabilities arising from contracts (IFRS 15 para. 116 b)) and revenues recognised during the year arising from obligations fulfilled in previous years (IFRS 15 para. 116 c)).

It should be noted that the following are not of significance for the Group:

- income from sublease of assets consisting of the right of use (IFRS 16, para. 53, letter f));
- income related to variable finance lease payments not included in the measurement of the net investment in the lease (IFRS 16, para. 90 letter a), iii));
- operating lease income arising from variable payments that are not dependent on an index or rate (IFRS 16, para. 90 letter b)).

Section 17 - Profit (Loss) on equity investments - Item 250

17.1 Profit (Loss) on equity investments: breakdown

INCOME COMPONENT/SECTORS	Total 31/12/2023	Total 31/12/2022
1) JOINTLY-CONTROLLED COMPANIES		
A. INCOME	**-**	**1**
1. Revaluations	-	1
2. Gains from disposal	-	-
3. Write-backs	-	-
4. Other Income	-	-
B. EXPENSES	**(3)**	**(10)**
1. Write-downs	-	-
2. Impairment losses	(3)	(10)
3. Losses from disposal	-	-
4. Other expenses	-	-
Net result	**(3)**	**(9)**
2) COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE		
A. INCOME	**3**	**1**
1. Revaluations	3	1
2. Gains from disposal	-	-
3. Write-backs	-	-
4. Other Income	-	-
B. EXPENSES	**(5)**	**(3)**
1. Write-downs	(5)	(3)
2. Impairment losses	-	-
3. Losses from disposal	-	-
4. Other expenses	-	-
Net result	**(2)**	**(2)**
Total	**(5)**	**(11)**

For the aggregate amount "1) Jointly controlled companies", item "B.2 Impairment losses contains the effects arising from the review of the value of the jointly controlled investment in Casse Rurali Raiffeisen Finanziaria S.p.A. in liquidazione.

Section 18 - Net result of fair value measurement of tangible and intangible assets - Item 260

At 31 December 2023, as in the previous year, the item recorded no significant results.

Section 19 - Value adjustments to goodwill - Item 270

19.1 Value adjustments to goodwill: breakdown

This table does not contain information deemed significant and therefore was not filled in.

With reference to the previous year, value adjustments on goodwill were accounted for amounting to approximately EUR 1 million, exclusively attributable to goodwill posted to the individual financial statements.

For a description of the methods used to perform impairment tests on goodwill, see Part B – Assets, Section 10 – Intangible assets.

Section 20 - Profit (Loss) from disposal of investments - Item 280

20.1 Profit (Loss) from disposal of investments: breakdown

INCOME COMPONENTS/VALUES	Total 31/12/2023	Total 31/12/2022
A. REAL ESTATE	**1**	**(1)**
- Gains from disposal	3	1
- Losses from disposal	(2)	(2)
B. OTHER ASSETS	**1**	**-**
- Gains from disposal	1	-
- Losses from disposal	-	-
Net result	**2**	**(1)**

Section 21 - Income taxes for the year on current operating activities - Item 300

21.1 Income taxes for the year on current operating activities: breakdown

INCOME COMPONENT/SECTORS		Total 31/12/2023	Total 31/12/2022
1.	Current taxes (-)	(77)	(64)
2.	Changes in current taxes of previous years (+/-)	3	2
3.	Decrease in current taxes of the year (+)	3	4
3. bis	Decrease in current taxes of the year for tax credits pursuant to Law no. 214/2011 (+)	8	45
4.	Change in advance taxes (+/-)	(97)	(82)
5.	Change in deferred taxes (+/-)	4	1
6.	**Income taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)**	**(156)**	**(94)**

21.2 Reconciliation between the theoretical tax charge and the effective tax charge in the financial statements

INCOME COMPONENTS	Tax
Profit from current operating activities, gross of tax (item 290 of the income statement)	1,027
IRES income taxes - theoretical fiscal charge:	(288)
Effects of decreases in taxable income on IRES	317
Effects of increases in taxable income on IRES	(53)
A. EFFECTIVE FISCAL CHARGE – CURRENT IRES TAX	**(24)**
Increases in deferred tax assets	5
Decreases in deferred tax assets	(87)
Increases in deferred tax liabilities	(2)
Decreases in deferred tax liabilities	6
B. TOTAL EFFECTS OF DEFERRED IRES TAXATION	**(78)**
C. CHANGES IN CURRENT TAXES OF PREVIOUS YEARS	**12**
D. TOTAL ACCRUED IRES (A+B+C)	**(90)**
Theoretical fiscal charge for IRAP with application of nominal rate (difference between net interest and other banking income and allowable deductible costs):	(95)
Effect of decreases in value of production	53
Effect of increases in value of production	(11)
Changes in current taxes of previous years	2
E. EFFECTIVE FISCAL CHARGE – CURRENT IRAP TAX	**(51)**
Increases in deferred tax assets	-
Decreases in deferred tax assets	(15)
Increases in deferred tax liabilities -	**-**
Decreases in deferred tax liabilities -	-
F. TOTAL EFFECTS OF DEFERRED IRAP TAXATION	**(15)**
G. TOTAL ACCRUED IRAP (E+F)	**(66)**
H. IRES/IRAP SUBSTITUTE TAX FOR EXEMPTION OF MISMATCHES -	**-**
TOTAL IRES - IRAP CURRENT TAXES (A+C+E+H)	**(63)**
TOTAL IRES - IRAP ACCRUED TAXES (D+G+H)	**(156)**

Section 22 - Profit (Loss) after tax from discontinued operations - Item 320

This section does not contain information and therefore was not filled in.

Section 23 - Profit (Loss) for the year of minority interests - Item 340

23.1 Details of item 340 “Profit/(loss) for the year of minority interests”

Item “Profit pertaining to minority interests” as at 31 December 2023 showed no significant value.

The same item, as at 31 December 2022, showed a positive result of approximately EUR 2 million.

Section 24 - Other information

There is no further information other than that already provided.

Section 25 - Earnings per share

25.1 Average number of ordinary shares with diluted capital

The information relating to this section is not reported in view of the particular characteristics of the Cassa Centrale Group.

25.2 Other information

There is no further information to be presented in relation to the above.

PART D - Comprehensive income

Analytic statement of consolidated comprehensive income

	ITEMS	31/12/2023	31/12/2022
10.	**Profit (loss) for the year**	**871**	**562**
	Other components of income without reversal to the income statement	**12**	**42**
20.	Equities measured at fair value through other comprehensive income:	14	33
	a) change in fair value	14	25
	b) transfers to other components of equity	-	8
30.	Financial liabilities measured at fair value through profit or loss (changes in credit rating):	-	-
	a) change in fair value	-	-
	b) transfers to other components of equity	-	-
40.	Hedging of equities measured at fair value through other comprehensive income:	-	-
	a) change in fair value (hedged instrument)	-	-
	b) change in fair value (hedging instrument)	-	-
50.	Tangible assets	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	(1)	12
80	Non-current assets and groups of assets held for disposal	-	-
90.	Quota of reserves from the valuation of shareholdings measured with the equity method	-	-
100.	Financial revenues or costs relating to insurance contracts issued	-	-
110.	Income taxes on other income components without reversal to the income statement	(1)	(3)
	Other components of income with reversal to the income statement	**199**	**(316)**
120.	Hedging of foreign investments:	-	-
	a) changes in fair value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
130.	Exchange rate differences:	-	-
	a) value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
140.	Cash flow hedging:	(1)	1

	ITEMS	31/12/2023	31/12/2022
	a) changes in fair value	-	-
	b) reversal to income statement	-	-
	c) other changes	(1)	1
	of which: result of net positions	-	-
150.	Hedging instruments (non-designated elements):	-	-
	a) value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
160.	Financial assets (other than equities) measured at fair value through other comprehensive income:	295	(468)
	a) changes in fair value	157	(377)
	b) reversal to income statement	130	(69)
	- credit risk adjustments	-	1
	- profit (loss) on sale	130	(70)
	c) other changes	8	(22)
170.	Non-current assets and groups of assets held for disposal:	-	-
	a) changes in fair value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
180.	Quota of reserves from the valuation of shareholdings measured with the equity method:	-	1
	a) changes in fair value	-	1
	b) reversal to income statement	-	-
	- adjustments for impairment	-	-
	- profit (loss) on sale	-	-
	c) other changes	-	-
190.	Financial revenues or costs from insurance contracts issued:	-	-
	a) changes in fair value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
200.	Financial revenues or costs relating to reinsurance transfers:	-	-
	a) changes in fair value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
210.	Income taxes on other income components with reversal to the Income Statement	*(95)*	*150*
220.	**Total other income components**	**211**	**(274)**
230.	**Comprehensive income (Item 10+220)**	**1,082**	**288**
240.	Consolidated comprehensive income pertaining to minority interests	-	2
250.	**Consolidated comprehensive income pertaining to the Parent Company**	**1,082**	**286**

PART E - Information on risks and related hedging policies

INTRODUCTION

The Group pays particular attention to risk management and governance and operates by ensuring the constant evolution of its organisational/procedural controls and methodological solutions used for measuring and monitoring. These activities are carried out with tools aimed at supporting effectively and efficiently the governance of risks process, also in response to changes in the reference operational and regulatory environment. As required by the regulations on the reform of cooperative credit, the outsourcing of control functions at the Parent Company by the Affiliated Banks of the Cooperative Banking Group is operational. It is therefore the task of the Parent Company to define the guidelines for risk measurement and management.

The risk management strategy is based on a holistic view of business risks and considers both the macroeconomic scenario and the individual risk profile, stimulating the growth of the risk control culture and reinforcing a transparent and accurate representation of risks.

The risk assumption strategies are summarised in the Risk Appetite Framework (hereinafter also referred to as "RAF") adopted by the Board of Directors of the Parent Company, i.e. the reference framework that defines – consistently with the maximum risk that can be assumed, the business model and the strategic plan – the risk appetite, the tolerance thresholds, the risk limits, the risk management policies, the reference processes necessary to define and implement them. The RAF, introduced to ensure that risk-taking activities are in line with shareholders' expectations and comply with the overall regulatory and prudential framework of reference, is defined in light of the company's overall risk position and the economic/financial situation.

The framework is developed by the Parent Company and is divided into the following main areas:

- organisational, through (i) the definition of the tasks of the corporate bodies and functions involved in the RAF; (ii) the updating of organisational and governance documents with regard to the main risk profiles (credit and counterparty, concentration, interest rate, market, liquidity, operational) and references for the management of the related interrelationships (risk management policies, risk management process, internal processes for determining and assessing capital adequacy so-called ICAAP-ILAAP, strategic and operational planning, internal control system, incentive system, major operations, etc.) within a framework of overall consistency; (iii) the definition of the relevant information flows;
- methodological, through (i) the definition of indicators, of operational references for their evaluation and the setting of inherent thresholds; (ii) the declination of the objectives and indicators identified in the system of operational limits;
- application, through the reconnaissance of the areas of intervention on the application supports for risk management and supervisory processes (risk measurement, supervisory reporting, ICAAP-ILAAP, simulation/forecasting, alerting activities, reporting, etc.) and the definition of the functional requirements for the related development.

The framework defines both the general principles in terms of the company's risk appetite and the controls adopted with regard to the overall risk profile and the main specific risks.

The general principles that guide the Group's risk-taking strategy are set out below:

- the company's business model is focused on the traditional business of a commercial credit group, with a particular focus on financing small and medium-sized enterprises and households;
- the objective of the company's strategy is not to eliminate risks but to fully understand them in order to ensure their conscious assumption and management in order to guarantee the long-term solidity and continuity of the company;
- limited risk appetite; capital adequacy, income stability, solid liquidity position, attention to maintaining a positive corporate reputation, strong control over the main specific risks to which the company is exposed represent key elements on which the entire company's operations are based;
- formal and substantial compliance with the rules with the aim of not incurring sanctions and maintaining a solid relationship of trust with all company's stakeholders.

The RAF represents, therefore, the overall framework within which the overall management of the risks assumed is placed and the general principles of risk propensity are defined and the consequent articulation of the controls against the overall corporate risk and the main specific risks.

The overall risk profile is monitored by a structure of limits based on the need to ensure compliance with the required minimum levels of solvency, liquidity and profitability, even under stressful conditions.

In particular, overall risk management aims to maintain adequate levels of:

- capitalisation, with reference to Pillar I and Pillar II risks, through the monitoring of the Common Equity Tier 1 ratio, the Tier 1 ratio, the Total Capital ratio and the financial leverage indicator;
- liquidity, such as to cope with periods of tension, even prolonged ones, on the various funding supply markets with reference to both the short-term situation and the structural situation, by monitoring the limits inherent in the Liquidity Coverage ratio, stable funding, loan-collection gap;
- profitability, through the monitoring of indicators such as cost-income and ROA.

The definition of the RAF and the resulting operational limits on the main specific risks mentioned above, the use of risk assessment tools within the credit management processes and the reference control and monitoring of operational and compliance risks, capital adequacy assessment measures and risk capital measures for the assessment of company performance, are the cornerstones of the operational declination of the risk strategy defined by the Board of Directors.

In the same context, reporting to corporate bodies is defined, which aims to provide on a periodic basis summary information on the evolution of the banking Group's risk profile, taking into account the defined risk appetite. The relative system is designed to support the preparation of a holistic representation of the risk profiles to which the Group is exposed.

The definition of the RAF is based on an articulated and complex process, coordinated by the Parent Company. This process is developed in coherence with the ICAAP-ILAAP process and represents the framework within which the annual budget and the business plan are developed, ensuring coherence between risk taking strategies and policies on the one hand, and planning and budgeting processes on the other.

Specific policies and regulations common to the Group issued by the Parent Company have been adopted to strengthen the overall risk management and governance system.

The risk governance model, i.e. the set of corporate governance and management and control mechanisms aimed at tackling the risks to which the Group is exposed, is part of the broader framework of the company's internal control system, which is addressed by the Parent Company as part of the outsourcing contract, defined in accordance with the prudential supervisory provisions for banks set out in Bank of Italy Circular no. 285/2013 (Part One, Title IV, Chapter 3).

Consistently with these references, all company risks are monitored within the framework of an organisational model based on the full separation of control functions from production functions, which integrates control methodologies and processes at different levels, all of which converge with the objectives of continuously detecting, measuring and verifying the risks typical of company activities, safeguarding the integrity of company assets, protecting against losses, guaranteeing the reliability and integrity of information, and verifying the correct performance of activities in compliance with internal and external regulations.

The internal control system consists of all the rules, functions, structures, resources, processes and procedures that aim to ensure, in compliance with sound and prudent management, the achievement of the following objectives:

- verification of the implementation of company strategies and policies;
- containment of the risk within the limits defined in the adopted RAF;
- safeguarding the value of assets and protection against losses;
- effectiveness and efficiency of operating processes;
- reliability and security of company information and IT procedures;
- prevention of the risk that the Group may be involved, even involuntarily, in illegal activities (with particular reference to those connected with money laundering, usury and terrorist financing);
- compliance of operations with the law and supervisory regulations, as well as with internal policies, regulations and procedures.

The internal control system therefore involves the entire corporate organisation (administrative bodies, structures, hierarchical levels, personnel).

***

In line with the provisions issued by the Bank of Italy, the model adopted by the Group outlines the main responsibilities of the governance and control bodies in order to ensure the overall effectiveness and efficiency of the internal control system.

A joint examination of the supervisory regulations and the Articles of Association shows that the strategic supervision function and the management function are founded within the organic and integrated action of the Board of Directors. In the Parent Company there is the figure of the Chief Executive Officer who also incorporates the functions of the General Manager. The Chief Executive Officer is appointed by the Board of Directors by conferring certain powers and responsibilities pursuant to Article 2381, second paragraph of the Italian Civil Code. For the functions assigned to the Chief Executive Officer, reference should be made to Article 34.2 of Cassa Centrale Banca's Articles of Association.

The strategic supervision function is expressed in the guidance of the corporate management through the preparation of the strategic plan, within which the Risk Appetite Framework (RAF) is inserted through the approval of the ICAAP-ILAAP and the budget. This function is carried out by ensuring consistency between the internal control system and the Group's organisation within the cooperative credit "business model". It should be noted that only a consolidated ICAAP-ILAAP report is formally required by the Supervisory Authority and no longer individual documents; the contributions of the individual Group companies are taken into account in the preparation of the report. However, when updating the annual RAS, the Parent Company defines a forward-looking positioning at individual level in terms of capital and liquidity and other relevant risks, and compliance with it is verified on a quarterly basis. Furthermore, analyses relating to the Guarantee Agreement, which allow banks to be assessed in terms of capital and liquidity and thus define the Fund's allocation, and the quarterly monitoring of the Risk-Based model, which classifies banks according to different risk profiles, also provide support.

The management function, to be understood as the set of decisions that a corporate body takes for the implementation of the guidelines resolved in the exercise of the strategic supervision function, is the responsibility of the Board of Directors with the technical contribution of the Chief Executive Officer for the Parent Company, who takes part in the meetings of the Board of Directors, or of the General Management within the Cooperative Credit Banks. This function is mainly carried out in the following ways:

- resolutions passed by the Board of Directors, also on the proposal of the Chief Executive Officer/General Management, in compliance with the provisions of the Articles of Association;
- resolutions of the Executive Committee, normally on the proposal of the Chief Executive Officer/General Management, in the delegated areas;
- decisions of the Chief Executive Officer/General Management and the corporate structure in the delegated areas.

In accordance with the Articles of Association, the Chief Executive Officer/General Management is then responsible for implementing the resolutions of the Board of Directors and the Executive Committee and has the task of supervising the organisational functioning, the performance of operations and the functioning of services, ensuring that the Group is managed as a single entity.

The Chief Executive Officer, as head of personnel, ensures constant attention to the training of employees, also acting as a lever to spread the culture and techniques of risk management and control. He/she also involves the governing body for the approval of training plans and supports it in identifying training methods and content from time to time useful for the development of the directors themselves.

The Board of Statutory Auditors represents the body with control functions and, as it is responsible for corporate control, supervises the correct application of the law and the Articles of Association and, specifically, the adequacy of the internal control system and the effectiveness of the work of the corporate control functions, also making use of the information flows that they carry out.

***

The provisions in relation to the internal control system, information system and business continuity accentuate the need for a prior definition of the reference framework for carrying out banking activities in terms of risk appetite, setting a frame of reference that banking groups must apply consistently to operational contexts, size and degree of complexity. This reference framework is defined in the RAF, i.e. the system of risk objectives, and it involves the ex ante setting of the risk/return objectives that the Group intends to achieve. The process is directed by the Parent Company, in order to ensure the necessary consistency of application at consolidated level.

The main purpose of the RAF is to ensure that the intermediary's activity develops within the risk appetite limits set by the corporate bodies.

The RAF is an obligatory reference point for the implementation, within the strategic plan, of a reasoning that leads to establishing the Group's propensity to risk and that translates into risk management policies, expressed through the definition of quantitative parameters and qualitative indications consistent with it.

This reference framework is delivered through the development of the strategic plan from an RAF perspective, with which the budget, ICAAP-ILAAP and operational planning are linked.

The Risk Appetite Framework (RAF) and the related risk governance policies, summarised in the strategic plan, are consistently implemented in risk management, which takes the form of an implementation method that integrates approach phases (summarised in the so-called risk management process) and operational phases for the execution of the set objectives.

It involves both the Board of Directors (for resolutions falling within its remit) and Corporate Management, who – also with the support of the heads of the operational functions involved from time to time and the second-level control function contacts for the powers for which they are responsible – prepare the proposals to be submitted to the Board of Directors, draw up their own provisions and organically oversee the operational risk management activities.

Consequently, risk management is configured as a set of limits, delegations, rules, procedures, resources and first- and second-level line controls as well as operational activities through which risk management policies are implemented.

***

The supervisory regulations require banking groups to have adequate systems of risk detection, measurement and control, or an adequate internal control system as defined above.

The controls involve the entire structure, starting from the corporate bodies and the Management and are then articulated in:

- line controls, the main objective of which is to verify the correctness of operations with respect to external/self-regulation rules;
- second-level controls (Risk Management, Compliance and Anti-Money Laundering), aimed at implementing controls on risk management, the correct application of legislation and the management of the risk of money laundering and terrorist financing;
- third level controls (Internal Audit), aimed at identifying anomalous trends in procedures and regulations and assessing the functionality of the overall internal control system.

The Internal Audit Department, which oversees the third level of control, checks the other control systems, activating periodic sessions aimed at monitoring risk variables.

During the year, Audits mainly focused on the following corporate processes:

- ICAAP-ILAAP report;
- remuneration policies;
- complaints and disputes management;
- Group proprietary portfolio;
- granting of loans;
- liquidity management;
- cash management;
- outsourcing management;
- ICT measures (data governance, PMO, incident management);
- other topics.

Section 1 - Risks of the consolidated accounts

In this section, information is provided with reference to the companies included in the consolidated accounts.

Information of a quantitative nature

A. Credit quality

A.1 Impaired and performing credit exposures: amounts, value adjustments, trend and economic distribution

A.1.1 Breakdown of financial assets by portfolio and credit quality (book values)

PORTFOLIOS/QUALITY	Non-performing	Unlikely to pay	Impaired past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	40	254	33	504	72,049	**72,880**
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	10,923	**10,923**
3. Financial assets designated at fair value	-	-	-	-	1	**1**
4. Other financial assets mandatorily measured at fair value	-	-	-	-	132	**132**
5. Financial assets held for disposal	-	-	-	-	-	**-**
Total 31/12/2023	**40**	**254**	**33**	**504**	**83,105**	**83,936**
Total 31/12/2022	**66**	**351**	**38**	**500**	**86,463**	**87,418**

With regard to forborne exposures, reference should be made to Section 2, Table A.1.5.

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net values)

PORTFOLIOS/QUALITY	Impaired				Performing			Total (net exposure)
	Gross exposure	Writedowns	Net exposure	Total partial write-offs	Gross exposure	Writedowns	Net exposure	
1. Financial assets measured at amortised cost	2,150	1,823	327	287	73,279	726	72,553	72,880
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	10,925	2	10,923	10,923
3. Financial assets designated at fair value	-	-	-	-	X	X	1	1
4. Other financial assets mandatorily measured at fair value	1	1	-	-	X	X	132	132
5. Financial assets held for disposal	-	-	-	-	-	-	-	-
Total 31/12/2023	**2,151**	**1,824**	**327**	**287**	**84,204**	**728**	**83,609**	**83,936**
Total 31/12/2022	**2,496**	**2,041**	**455**	**276**	**87,428**	**707**	**86,963**	**87,418**

PORTFOLIOS/QUALITY	Assets of evident low credit quality		Other assets
	Cumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	5
2. Hedging derivatives	-	-	84
Total 31/12/2023	**-**	**-**	**89**
Total 31/12/2022	**-**	**-**	**132**

B. Disclosure on structured entities (different from securitisation special purpose vehicles)

In accordance with IFRS 12 paragraph B21, there are defined entities structured so that voting or similar rights are not the predominant factor in determining who controls the entity.

Structured entities have all or some of the following characteristics:

- limited activities;
- a limited and well-defined social purpose;
- insufficient equity to allow the structured entity to finance its activities without subordinated financial support;
- loans by investors that create concentrations of credit risk or other risks (tranches).

B.1 Consolidated structured entities

Structured entities subject to consolidation are those over which the Cassa Centrale Group has the power over the entity's relevant activities and is exposed to the variability of their returns, by virtue of the financial instruments underwritten.

At the end of the reporting period, the Cassa Centrale Group consolidated the Fondo Leonida (closed-end alternative real estate investment fund) by virtue of the financial instruments subscribed (fund units), financial support to the fund and exposure to the variability of returns on the fund's relevant activities.

B.2 Structured entities not consolidated from an accounting viewpoint

B.2.1. Prudentially consolidated structured entities

Information of a qualitative nature

There are no prudentially consolidated structured entities different from those already consolidated for accounting purposes.

B.2.2. Other structured entities

Information of a qualitative nature

Exposures to non-consolidated structured entities are attributable mainly to collective investment undertakings (hereinafter also referred to as "UCITS"). For detailed information on exposures to UCITS, please refer to Part B – Information on the balance sheet, assets, section 2, table 2.5.

TYPE OF STRUCTURED ENTITY	Interest	Commissions	Dividends	Other income/ expenses	Total
UCITS	-	-	-	1	**1**
Special purpose vehicle	-	-	-	-	-

Section 2 - Risks of prudential consolidation

In this section, transactions with other companies, which are excluded from the prudential scope but included in the consolidation period, are not eliminated. These figures conventionally include, in proportion to the interest held, the assets and liabilities of the banking, financial and instrumental companies jointly controlled and consolidated proportionally for supervisory purposes.

1.1 CREDIT RISK

Information of a qualitative nature

1. GENERAL ASPECTS

The objectives and strategies of the Group's lending activities are geared towards the pursuit of an efficient relationship between the characteristics of the distribution model typical of cooperative credit, based on mutuality and localism, and effective monitoring of credit risk. The Group's lending activities are also integrated into the organisational model of the Cassa Centrale Group, which aims to ensure the application of uniform rules and criteria in the assumption and management of credit risk through progressive standardisation of instruments. To this end, the Group is subject to the guidance and coordination role of the Parent Company Cassa Centrale Banca, in particular for the specific areas highlighted in this section. These objectives and strategies are mainly targeted at:

- the achievement of a loan growth target that is sustainable and consistent with the defined risk appetite;
- an efficient selection of individual counterparties, through a complete and accurate analysis of their ability to meet their contractual commitments, aimed at containing credit risk;
- the diversification of credit risk, by identifying loans of limited amounts as the Group's natural operating area, as well as limiting the concentration of exposures to groups of connected customers or individual lines of business;
- the verification of the persistence of the creditworthiness of the financed clients as well as the performance monitoring of the individual reports carried out, with the help of the information system, both on regular positions as well as, and especially, on positions with anomalies and/or irregularities.

The commercial policy on credit facilities is oriented to the financial support of the local economy and is characterised by a high propensity to entertain trust and personal relationships with households, craft workers and small-medium enterprises in their territory of reference, as well as a particular operational vocation in favour of customer-shareholders. Moreover, no less important is the support function performed by the Group in favour of certain categories of economic and social operators who, due to their legal structure, their purely local scope of action or the reduced profitability they can bring to the Group, tend to be excluded from access to ordinary bank credit.

The significant share of lending represented by residential mortgages, offered according to different types of products, is evidence of the Group's particular focus on the household sector.

The micro and small businesses and the craft segment is another sector of particular importance for the Group. In this context, the Group's strategies are aimed at establishing medium-long term credit and service relationships through the offer of targeted products and services and personal and collaborative relationships with the same customers. The conventions or partnership agreements reached with the provincial Credit Guarantee Consortia or with other subjects working in support of the development of the local economic fabric are also included in this perspective.

The granting of credit is mainly directed towards the lines of business most consistent with the Group's credit policies and the positive economic dynamics that historically and currently characterise the territory in which the Group operates.

Please refer to the public disclosure ("Third Pillar"), provided at consolidated level, in accordance with the provisions of the "Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis" published by the EBA (EBA/GL/2020/07).

2. POLICIES FOR MANAGING CREDIT RISK

2.1 Organisational factors

In carrying out its activities, the Group is exposed to the risk that receivables, for whatever reason, are not honoured by third party debtors at maturity and, therefore, losses must be recorded in the financial statements.

This risk is mainly found in the traditional activity of granting secured or unsecured loans recorded in the financial statements, as well as in similar transactions not recorded in the financial statements (mainly available margins on overdrafts, or endorsement credits) and the potential causes of default lie largely in the financial difficulties of the counterparty and to a lesser extent in reasons independent of the financial condition of the counterparty, such as country risk or operating risks. Activities other than traditional lending also further expose the Group to credit risk (e.g. subscription of non-speculative OTC derivative contracts).

The Group Regulation on the granting of loans uniformly defines the process for granting and managing performing loans, allowing the individual Affiliated Banks to autonomously determine the operational units required to perform the different stages of the process. This decision, deemed necessary in view of the decentralisation that characterises the Cassa Centrale Group, aims to enhance the unique characteristics of the different banks, both in terms of their commercial approach to the region and in terms of effective risk management.

In any case, and in compliance with regulatory provisions on Internal Audits, a clear division of roles and responsibilities is established between the commercial component, the functions responsible for identifying and managing positions classifiable as NPEs, and the Control Functions, including the Risk Management Department.

The geographical distribution of the Group as at 31 December 2023 is characterised by the presence of 14 territorial branches of the Parent Company and 67 Affiliated Banks with approximately 1,480 branches located throughout Italy.

The Credit Department is the body of the Parent Company responsible for designing the entire performing loan granting and management process, as well as the coordination and development of loans.

The allocation of tasks and responsibilities within this Department aims - to the extent that is feasible - to separate activities that are in conflict of interest, particularly through an opportune ranking of authorisation profiles in the IT field.

The NPL Department of the Parent Company is the central body with the following functions:

- coordination of the management of the group's non-performing loan portfolio by defining, implementing and monitoring the group's NPE strategy;
- definition of management processes of impaired loans;
- governance of the monitoring process of the entire loan portfolio, in order to promptly intercept the deterioration of credit quality and ensure the correct classification of customers between performing and non-performing loans.

In light of the provisions on the internal control system (contained in Circular no. 285/2013, Part One, Title IV, Chapter 3), the Group has adopted an organisational structure that is functional to achieving an efficient and effective credit risk management and control process consistent with the framework addressed by the Parent Company.

In addition to line controls, as first level activities, the functions outsourced to the Parent Company in charge of second-level and third-level controls with the collaboration of their respective contact persons are responsible for measuring and monitoring risk trends and for the correctness/adequacy of management and operational processes.

Control activity over credit risk management (as well as financial and operational risks) is carried out by the risk control function (Risk Management Department) – outsourced to the Parent Company – which makes operational use of its internal contacts at Group Banks.

Specifically, the function provides a preventive contribution in the definition of the RAF and related risk management policies, in setting operational limits to the assumption of the various types of risk.

Specifically, the function:

- releases its prior assessment of the Group Governance Rules, including the first-level internal regulations on the credit sector, in order to assess their consistency with the overall risk management and control framework it oversees. Exceptions are documents for which the Function, having considered the nature of the contents and/or the changes, does not see any impact on the framework it oversees. The evaluation is issued as described in the Group policy for managing internal regulations;
- carries out second-level checks on credit exposures;
- ensures systematic monitoring of the degree of exposure to risks, the adequacy of the RAF and the consistency between operations and the actual risks assumed by the Group with respect to the risk/return objectives and the related pre-established limits or thresholds;
- contributes to the preparation of the ICAAP-ILAAP report, in particular by verifying the appropriateness of the variables used and consistency with the risk objectives approved under the RAF;

- monitors compliance with regulatory requirements and prudential supervisory ratios, analysing and commenting on their characterisations and dynamics;
- formalises prior opinions on the consistency with the RAF of the most significant transactions, possibly acquiring the opinion of other functions involved;
- contributes to the organisational set up/maintenance and regulates the operational processes (credit, funding, finance, collection/payments, ICT) adopted for the management of the various types of risk, verifying the adequacy and effectiveness of the measures taken to remedy the deficiencies found;
- contributes to the definition/revision of quantitative risk measurement methodologies and, by interacting with the accounting function and referring to the system contributions for the preparation of the financial statements, contributes to a correct classification and evaluation of the company's activities.

2.2 Management, measurement and control systems

With regard to lending activities, the Credit Department and the NPL Department of the Parent Company ensure the supervision and coordination of the operational phases of the lending process, make decisions within the scope of their powers and carry out the controls for which they are responsible.

The entire credit management, control and classification process is governed by the Group Regulations on the granting of loans, Group Regulations for the classification and valuation of loans, Group Regulations for monitoring and first-level controls on credit risk and Group Regulations for the management of impaired loans, which regulate the criteria and methods for:

- assessment of creditworthiness;
- review of credit lines;
- classification of loans;
- definition of credit risk monitoring and control activities;
- management and recovery of loans classified as non-performing;
- determination of provisions on exposures classified as non-performing.

With reference to transactions with associated parties, the Group has adopted specific deliberative procedures aimed at controlling the risk that the proximity of certain parties to the decision-making centres of the same may compromise the impartiality and objectivity of decisions relating to the granting of loans. From this perspective, the Group is also equipped with recognition tools and an IT procedure aimed at supporting the correct and complete registration of associated parties. These references have been supplemented by updating, where deemed necessary, the resolutions, regulations and proxies already in use. The Group Regulation for the management of transactions with associated parties was also adopted.

In compliance with the provisions of the Group Regulations for the granting of loans, the Group Regulations for the classification and valuation of loans, the Group Regulations for monitoring and first-level controls on credit risk and the Group Regulations for the management of impaired loans, specific procedures were put in place for the investigation/deliberation, credit line revision and credit risk monitoring and control phases, classification of loans and definition of recovery strategies for impaired loans. All of the above phases apply qualitative and quantitative criteria to assess the creditworthiness of the counterparty.

Opportunities for enquiry/deliberation and the review of credit lines are regulated by a deliberative process involving the various competent bodies of the Subsidiary Banks or of the Parent Company, in accordance with the levels of delegation provided for in the respective individual Regulations, adopted in line with the Group Regulation on the granting of loans. The Parent Company can intervene on the loan granting practices of individual affiliated Banks in the event that they exceed the maximum credit limits permitted for individual counterparties, set by the Parent Company on a personalised basis for each individual bank, taking into account the own funds and creditworthiness of the same. These phases are supported by IT procedures that allow, at any time, the verification (by all credit management functions) of the status of each position already assigned or being assigned, as well as to reconstruct the process that led to the definition of the creditworthiness of the borrower (through the recording and archiving of the decision-making process and the types of analysis carried out).

During the investigation, for requests for significant amounts of credit facilities, the evaluation, including prospective, is structured on several levels and is based mainly on economic-financial data, as well as on personal knowledge of the counterparty and its guarantors. Different types of investigation/revision have been provided for; some, simplified with the investigation reduced to the essential, reserved for the investigation/revision of exposures of limited amount referring to parties who have a regular performance, others, of ordinary type, for the remaining type of practices.

The IT monitoring procedure adopted by the Group, using internal management information and data acquired from external providers, makes it possible to identify the various signs of anomalies among the customers with credit lines. The constant monitoring of the reports provided by the procedure therefore allows timely intervention in the event of anomalies and to take the appropriate measures to resolve them and/or correctly classify the individual position.

All fiduciary positions are also subject to periodic review, carried out for each individual counterparty/economic group to which they belong by the relevant structures per credit limit.

The credit chain is also monitored at every stage (granting, performance monitoring, classification, NPL management, collateral management, provisioning) by the Risk Management Department through a specific dedicated control framework based on preliminary quarterly risk assessments carried out on a massive scale through specific sets of dedicated key risk indicators, aimed at providing an initial measurement of the potential risk occurred from the individual scope, also taking into account the historical evolution (cross time comparison) of the same and its positioning with respect to the Banking Group (cross section comparison). This can also be used to detect possible risk drivers of the functional compartment to assess any single name analytical insights on the individual scopes in question to support the evidence of potential risk detected by the aforementioned massive models.

In recent years, the revision of international prudential regulations as well as the evolution in the banking world have further pushed cooperative credit to develop methods and systems to control credit risk. With this in mind, a strong commitment has been maintained in the progressive development of IT tools for monitoring credit risk, which has led to the creation of an advanced system for assessing the creditworthiness of companies and the risk/return profile.

Consistently with the operational and governance specificities of the credit process, the management system has been designed with a view to achieving an adequate integration between quantitative information (Financial Statements, Central Credit Register, Relationship Performance, Socio-Demographic Profile) and qualitative information accumulated by virtue of the peculiar customer relationship and its roots in the territory.

For the purposes of determining the minimum capital requirement for credit risk, the Group adopts the standardised methodology and, in this context, has decided to:

- make use of Rating models, developed on a statistical basis and using credit scoring methodology, for the measurement and evaluation of creditworthiness and related provisions for ordinary and interbank customers[16];
- adopt the standardised methodology for the calculation of the capital requirement for credit risk (Pillar I).

Moreover, with reference to the internal capital and liquidity adequacy assessment process (ICAAP-ILAAP) provided for in Pillar II of the new prudential regulations and in order to determine internal capital, the Group has opted for the adoption of simplified methodologies.

In addition, stress tests were carried out in accordance with the management methods established by the Parent Company.

With reference to credit risk, stress tests are carried out as follows: in particular, the stress exercise is intended to measure the change in the exposures of the Regulatory portfolios due to the application of an adverse scenario compared to a baseline scenario.

The aggregates subjected to stress analysis are:

- gross volumes of performing loans to customers;
- rate of deterioration of performing loans to customers and related write-offs;
- coverage ratio of performing and impaired loans to customers;
- fair value of the HTCS securities portfolio.

For the identification of the two market scenarios, reference is made to the information provided by an external provider also based on the main assumptions established by the European Banking Authority for the purpose of the 2018 Stress Test.

With reference to operations on the securities markets, the Finance Departments of the Group's banks carry out valuation and control activities both during the purchase of financial instruments and at subsequent times when the composition of the segment by asset class or IAS/IFRS portfolio is periodically analysed, the level of specific risk or counterparty risk is determined and compliance with the limits and powers assigned is verified.

2.3 Methods of measuring expected losses

IFRS 9 introduced, for instruments measured at amortised cost and fair value through other comprehensive income (other than equity instruments), a model based on the expected loss concept, replacing the incurred loss approach provided by IAS 39.

The changes introduced by IFRS 9 are characterised by a prospective view which, in given circumstances, may require the immediate recognition of all expected losses over the life of a loan. In particular, unlike IAS 39, it is necessary to recognise, immediately and regardless of the presence or not of a so-called trigger event, the initial amounts of expected future losses on own financial assets, and this estimate should be continuously adjusted also in consideration of the counterparty credit risk. In order to prepare this estimate, the impairment model should not only consider past and present data, but also information relating to future events.

[16] The rating models developed are subject to annual review by the Parent Company. During the year, under the supervision of the Risk Management Department of the Parent Company, credit risk models were refined and updated. For more details see paragraph 2.3.

This forward looking approach makes it possible to reduce the impact of the losses and enable loan adjustments to be posted in proportion to the increase in risks, allowing entities to avoid overloading the income statement on the occurrence of loss events and reducing the pro-cyclical effect.

The scope of application of the new model for measuring expected losses on loans and securities subject to impairment adopted refers to financial assets (loans and debt securities), commitments to disburse funds, guarantees and financial assets not subject to measurement through FVTPL. For credit exposures falling within the scope of application[17] of the new model, the accounting standard provides for the allocation of individual relationships to one of three stages based on changes in credit quality, defined on an expected credit loss model at 12 months or full life if a significant increase in risk (lifetime) has occurred. In particular, there are three different categories reflecting the credit quality deterioration model from initial recognition, which make up the stage allocation:

- in stage 1, positions that do not present, at the valuation date, a significant increase in credit risk (SICR, specific or collective in nature) or which can be identified as 'low credit risk';
- in stage 2, positions that, at the reference date, present a significant increase or that do not present the characteristics to be identified as 'low credit risk';
- in stage 3, non-performing positions[18].

The estimate of expected loss using the Expected Credit Loss (ECL) criteria, for the classifications defined above, takes place on the basis of the allocation of each position into the three reference stages, as detailed below:

- stage 1, expected loss must be calculated on a time horizon of 12 months[19];
- stage 2, expected loss must be calculated by considering all the losses that are expected to be incurred over the entire life of the financial asset (lifetime expected loss): therefore, with respect to the calculation performed in accordance with IAS 39, there is a shift from the estimate of incurred loss over a time horizon of 12 months to an estimate that takes into consideration the entire residual life of the loan; in addition, given that IFRS 9 requires entities to also adopt forward-looking estimates for the calculation of the lifetime expected loss, it is necessary to consider the scenarios connected with macro-economic variables (e.g. GDP, unemployment rate, inflation, etc.) which, through a macro-economic statistical model, are able to estimate the forecasts over the residual duration of the loan;
- stage 3, the expected loss must be calculated with a lifetime perspective, but unlike stage 2 positions, the calculation of the expected lifetime loss is carried out using an analytical valuation methodology; for certain exposures classified as non-performing or unlikely to pay of less than EUR 100,000, for impaired past due and/or overrun exposures and for off-balance sheet exposures, the calculation of the expected lifetime loss is normally carried out using a flat-rate analytical methodology.

Specific risk parameters (PD, LGD and EAD) were defined from an IFRS 9 perspective to be used for impairment calculations (stage allocation and ECL); to improve the coverage of the ratios not originally rated after 2006, the default rates made available by the Bank of Italy were used[20]. It should be underlined that the Group calculates the ECL based on the allocation stage, per individual position, with reference to on-balance and off-balance sheet credit exposures.

[17] The application segments are ordinary customers, interbank segment and securities portfolio.

[18] Non-performing loans relate to: impaired past due and/or overrun, 'unlikely to pay' and non-performing exposures.

[19] The calculation of the Expected Loss for the purposes of calculating collective bad debt provisions for these exposures takes place on a 12-month point in time basis.

[20] During 2018, the Bank of Italy made available a historical series of default rates starting in 2006, broken down by a number of drivers (region, amount range, economic sector, etc.) and built on a broader definition of non-performing positions only.

For more details, please refer to these Explanatory Notes, Part A Accounting policies, section 5 “Other aspects” part d) “Risks, uncertainties, impacts and methods of application of the international accounting standards in the current macroeconomic scenario”.

Loans to ordinary customers

The steps common to all the approaches identified for the construction of the PD to be used, concern:

- 12-month PD estimate developed on a statistical basis through the construction of a Group model, appropriately segmented according to the type of counterparty and the creditworthiness (in terms of the customer’s rating);
- the inclusion of forward-looking scenarios occurs through the application of outputs defined by appropriate “Satellite Models” to the PD Point in Time (so-called PiT) and definition of a set of possible scenarios incorporating current and future macroeconomic conditions;
- the transformation of 12-month PD into lifetime PD, in order to estimate a PD term structure along the entire residual life class of loans.

The steps common to all the approaches identified for the construction of the LGD to be used, concern:

- a Group model, appropriately segmented according to the type of counterparty, the geographical area in which the Group operates, and the type of guarantee, which consists of two parameters: the Danger Rate (DR) and the non-performing LGD (LGS);
- the IFRS 9 Danger Rate parameter (an expression of the probability of “curing” a position to default as well as possible increases in exposure in the migration to worse credit states) is estimated by observing the resolution process of all default cycles recently concluded (point in time) and those concluded ‘through the cycle’. The parameter is determined using segmentation in line with the one used for the development of the PD models. The Danger Rate parameter, like PD, is conditioned to the economic cycle, based on possible future scenarios, so as to incorporate assumptions about future macroeconomic conditions;
- the nominal LGS parameter (complement to one of the recoveries obtained in respect of the exposure of a position classified as non-performing) is calculated as the arithmetic mean of the nominal LGS, segmented by type customer, geographic area and type of guarantee, and then discounted based on the average recovery time observed for clusters of ratios consistent with the nominal non-performing LGD.

The EAD IFRS 9 model adopted differs according to the type of technical macro-form and the type of counterparty. For the estimation of the EAD parameter over the lifetime period of the instalment positions, it is necessary to consider the contractual repayment flows, for each year of the remaining life of the position. The model also considers the credit conversion factor (CCF) used to determine the EAD for off-balance entries (see commitments, margins and credit commitments).

With reference to stage allocation, the Group made provision for the allocation of the individual on-balance and off-balance sheet positions, in one of the three stages listed below, based on the following criteria:

- in stage 1, positions with generation date of less than three months from the measurement date or that do not present any of the characteristics described in the following point;
- in stage 2, positions which, at the reference date, present at least one of the characteristics described below:
    - positions that at the valuation date show an increase in lifetime PD, compared to that at origination, greater than a certain threshold differentiated according to specific drivers such as risk segment, ageing and residual maturity of the position and geographic area. A backstop of 300% is applied to this threshold in line with the guidelines issued by the ECB in the “Dear CEO” letter;

  - positions belonging to certain particularly risky geo-sectoral clusters, identified by an IFRS 9 PD higher than 20% on average, or identified "collectively" as at risk;
  - positions relating to counterparties that at the valuation date are classified to 'watch list', i.e. 'performing under observation';
  - presence of a 'forborne performing' attribute;
  - presence of past due amounts and/or overrun by more than 30 days;
  - counterparty positions classified as performing and identified as POCI (Purchased or Originated Credit Impaired);
  - positions (without lifetime PD at the origination date) that do not have the characteristics to be identified as low credit risk at the valuation date (i.e. that have the following characteristics at the valuation date: rating class as at the reporting date less than or equal to 4 for the Company and Small Business segments, 3 for the Small Economic Operators segment and 5 for the Private segment)[21].

- in stage 3, non-performing loans. These concern individual positions relating to counterparties classified in one of the impaired loan categories set forth by Bank of Italy Circular no. 272/2008 and subsequent updates. Falling into this category are impaired past due and/or overrun, 'unlikely to pay' and impaired exposures.

Loans between banks or to financial intermediaries

For transactions in the interbank segment, the PD parameter is provided by an external provider that is differentiated on the basis of a rating that defines the creditworthiness of the counterparty; these default probabilities are extrapolated from listed credit spreads or listed bonds. For institutions without quoted credit spreads, the PD parameter is always provided by an external provider, but calculated on the basis of comparable logics based on external information (financial statements, external ratings, economic sector).

The LGD parameter is set prudentially by basing the regulatory level for IRB at 45%.

For EAD, similar logic is applied as for the ordinary customer model.

The Group has provided for the allocation of individual positions to the 3 stages, in the same way as to that provided for loans to customers. The application of the concept of low credit risk is defined on performing positions which at the valuation date have the following characteristics: no lifetime PD at the origination date and PD Point in Time less than 0.3%. Stage 2 is defined on the basis of PD changes between origination and reporting of 200% (as the backstop identified on the basis of the AQR-stress test manuals in the presence of a low default portfolio).

Securities portfolio

The PD parameter is provided by an external provider based on two approaches:

- timeliness: the default probability term structure for each issuer is obtained from quoted credit spreads or quoted bonds;
- comparable: where market data does not allow for the use of specific credit spreads, because they are absent, illiquid or insignificant, the default probability term structure associated with the issuer is obtained using proxy methodology. This methodology provides for the reclassification of the

[21] The rating model envisages 13 classes and is differentiated on the basis of the counterparty segment.

rated issuer to a comparable issuer for which specific credit spreads are available or to a reference cluster for which a representative credit spread can be estimated.

The LGD parameter is assumed to be constant over the entire time period of the financial activity under analysis and is obtained on the basis of four factors: issuer and instrument type, instrument ranking, instrument rating and country of origin of the issuing entity. The minimum level starts from a value of 45%, with subsequent increases to take into account the different degrees of seniority of the securities.

The Group has allocated the individual tranches for the purchase of securities in 3 stages.

In the first creditworthiness stage the following are placed: tranches that can be classified as low credit risk (i.e. that have PD as at the reporting date below 0.26%) and those that at the valuation date have not experienced a significant increase in credit risk with respect to the time of purchase.

In the stage 2, tranches are placed, which on the valuation date present an increase in credit risk compared to the date of purchase.

In the third and final stage, tranches are placed, for which the ECL is calculated following the application of a 100% probability (i.e. in default).

Organisational and process impacts

In terms of organisational and process impacts, the approach to impairment introduced by IFRS 9 required a major effort to collect and analyse data; this in particular, in order to identify the exposures that have suffered a significant increase in credit risk with respect to the date of their assumption and, consequently, must be traced back to a measurement of the expected lifetime loss, as well as the support of significant investments for the evolution of the valuation models in use and related operating processes for the incorporation of the risk parameters produced in credit operations.

The introduction of forward-looking logic in accounting valuations also determines the need to revise credit policies, for example, with reference to customer selection parameters (in light of the different sectorial or geographical risk profiles) and collateral (orienting the preference of types exposed to lower volatility and sensitivity to the economic cycle). Similarly, it appeared necessary to adjust the company's rules on the granting of credit (and related delegated powers) taking into account, among other things, the different costs of medium/long-term technical forms in a scenario in which, as mentioned above, any migration to stage 2 entails the transition to an expected lifetime loss.

With regard to credit monitoring processes and controls, some consolidation interventions are also planned, based, inter alia, on the implementation of automated and proactive processes as well as the refinement of early warning and trigger tools that have been introduced by the Group in order to identify the early symptoms of a potential step-up and to activate the resulting initiatives in good time.

Finally, significant interventions concern second-level controls by the Risk Management Department, which is responsible, among other things, under current regulations, for the validation of internal risk measurement systems not used for regulatory purposes and for monitoring the substantial correctness of the indications deriving from the use of these models.

With reference to the main management control processes, in the knowledge that the cost of risk is one of the most important variables in determining current and prospective economic results, particular attention is paid to the necessary consistency of the assumptions underlying the estimates of the multi-annual plan and the annual budget (developed on the basis of expected scenarios relating to macroeconomic and market factors), the ICAAP-ILAAP and RAF and those taken as reference for the determination of accounting provisions.

The project activities coordinated by the relevant technical structures of Cassa Centrale Banca have allowed the improvement of the declination of the methodological solutions for the correct estimation of the risk parameters for the calculation of the ECL and the management of the staging process according to IFRS 9 standards, as well as the development of the underlying technical/instrumental support by the relevant structures. It should be noted that, in relation to the introduction of the new definition of default as well as to some primary contextual elements (i.e. the growing sophistication of the Banking Group, elements deriving from the current macroeconomic environment connected to the evolution of the Russia-Ukraine war, etc.), the Group has launched a project to estimate again all the credit models of the accounting framework (i.e. IFRS 9 and macroeconomic models) as well as management such as monitoring and acceptance (i.e. rating systems) with expected release by June 2024.

The Group has defined the guidelines relating to the adoption of organisational and process solutions aimed at enabling the correct and integrated gradual use of the rating system in the main business processes (during investigation, pricing, monitoring and evaluation), as well as for the implementation of the related monitoring and control system.

In general, with regard to the impacts of the variables and the specific cases that led to a significant increase in credit risk (SICR) and on the measurement of expected losses, please refer to what has already been explained in Part A.

2.4 Techniques for mitigating credit risk

Risk mitigation techniques include those instruments that contribute to reducing the loss that the Group would incur if the counterparty were to default; they include, in particular, guarantees and certain contracts that lead to a reduction in credit risk.

In accordance with the credit objectives and policies defined by the Board of Directors, the credit risk mitigation technique most commonly used by the Group is the acquisition of different types of collateral, personal and financial guarantees.

These forms of guarantee are required depending on the results of the assessment of the creditworthiness of customers and the type of loan requested by the same. As part of the credit granting and management process, the presence of mitigating factors is encouraged against counterparties with a less favourable credit rating or certain types of medium/long-term operations.

With reference to activities within securities markets, given that the composition of the portfolio is oriented towards primary issuers with high creditworthiness, no particular forms of credit risk mitigation are currently required.

The main concentration of collateral (mainly mortgages) is related to loans to customers in the retail and small business sectors (medium and long term).

In recent years, a decisive impetus has been given to the implementation of structural and process configurations suitable to ensure full compliance with the organisational, economic, legal and information requirements of prudential regulations on credit risk mitigation (hereinafter also “CRM”) techniques.

The Group has decided to use the following CRM tools:

- financial collateral (pledges) involving cash and a restricted list of financial instruments traded on regulated markets, provided through agreements for the pledging and transfer of ownership and repurchase agreements;
- mortgage collateral, represented by residential and non-residential mortgages;
- personal guarantees represented by sureties, given by authorities authorised to issue state commitments (e.g., SME Guarantee Fund, SACE, ISMEA) by supervised financial intermediaries.

In 2023, the Group completed an important project to standardise the technical forms of guarantee at all affiliated banks, which led to the definition of a single taxonomy of guarantees, valid and binding for the entire Group, laying the foundations for a standardised definition of their acquisition and management processes.

Financial (pledges) and mortgage collateral

With reference to the acquisition, evaluation and management of the main forms of collateral, the company's policies and procedures ensure that such collateral is always acquired and managed in such a way as to ensure that it is enforceable in all relevant jurisdictions and can be enforced within a reasonable time.

In this context, the Group complies with the following inherent regulatory principles:

- the non-dependence of the value of the property to a significant extent on the creditworthiness of the debtor;
- the independence of the entity appointed to estimate the property at a value not exceeding its market value;
- the presence of an insurance against the risk of damage to the property covered by the guarantee;
- the implementation of adequate monitoring of the value of the property, in order to verify the existence over time of the requirements that allow for less capital absorption on the guaranteed exposures;
- observance of the maximum ratio between the requested credit facility and the value of the real estate pledged as collateral (loan-to-value): 80% for residential properties and 50% for non-residential properties;
- the use of the property and the debtor's ability to repay.

The process of monitoring the value of the property under warranty is carried out using statistical methods. Performing or impaired credit exposures are subject to statistical revaluation every six months.

For significant performing exposures (i.e. amounts in excess of EUR 3 million or 5% of the Group Bank's own funds) the valuation is, in any case, reviewed by an independent expert at least every 3 years.

For impaired exposures, the Group provides for a new appraisal for both residential and non-residential properties at the time of transition to impaired loans and an annual update for positions exceeding specific exposure thresholds.

With regard to financial collateral, the Group, based on the policies and processes for the management of credit risk and operational limits and proxies defined, directs the acquisition of the same exclusively to those financial assets for which the company is able to calculate the fair value on a periodic basis (i.e. whenever there is evidence that there has been a significant decrease in fair value).

The Group has also put in place specific safeguards and procedures to ensure the following aspects relevant to the prudential eligibility of the guarantees in question:

- absence of a material positive correlation between the value of the financial collateral and the creditworthiness of the debtor;
- specific safeguards to guarantee the external separation (between the depositary's assets and the asset under guarantee) and the internal separation (between assets belonging to different parties and deposited with third parties) if the asset under guarantee is held with third parties;
- residual duration of the guarantee not less than that of the exposure.

The monitoring of financial collateral, in the case of pledging of securities, takes place through periodic monitoring of the issuer/issue rating and the fair value assessment of the financial instrument as collateral. The adjustment of guarantees for which the market value is lower than the resolution value net of discount is required.

Personal guarantees

For personal guarantees, the Group uses CRM techniques only for sureties protected by government guarantees as these are issued by authorised issuers (e.g., SME Guarantee Fund, SACE, ISMEA, or other authorities in the EU framework such as BEI, FEI). Moreover, they may provide access to benefits in terms of capital weighting on sureties provided by supervised financial intermediaries.

Netting agreements

The Group adopts bilateral netting agreements for contracts relating to OTC derivatives and long-term settlement transactions concluded with primary counterparties through the Parent Company which, while not giving rise to any novation, provide for the formation of a single obligation, corresponding to the net balance of all the transactions included in the agreement itself, so that, in the event of default by the counterparty due to insolvency, bankruptcy, liquidation or any other circumstance, the Group has the right to receive or the obligation to pay only the net amount of the positive and negative values at current market prices of the individual transactions offset. Regulation (EU) no. 575/2013, with reference to OTC derivatives and long-term settlement transactions, places such agreements within the framework of other bilateral netting agreements between an institution and its counterparty, i.e. written agreements between a bank and a counterparty under which the reciprocal credit and debit positions generated by such contracts are automatically offset so as to establish a single net balance, without any novative effects.

The effect of reducing counterparty risk (and, therefore, lower capital absorption) is recognised provided that the agreement has been communicated to the Supervisory Authority and the Group complies with the specific requirements set out in the regulations.

In this respect, the Group adopts a net-based counterparty risk management system in accordance with the bilateral offset provision, with no novation effect, present in contracts for OTC derivatives and long-term settlement transactions. It is planned to adopt these instruments also when absorbing capital, bearing in mind that the new contracts all pass through the Parent Company.

The legal right to offset is not legally enforceable at any time but only in the event of insolvency or bankruptcy of the counterparties. As a result, the conditions in paragraph 42 of IAS 32 for offsetting positions in the financial statements are not met as further detailed in IAS 32 in paragraph AG38.

The Group has entered into margining agreements that provide for the daily exchange of margins (guarantees) between the counterparties to the contract on the basis of the valuation of outstanding positions according to market values observed on the reference day (i.e. the working day immediately prior to the valuation day). The value of the collateral transferred from one party to the other takes into account the net value of the outstanding positions, the value of any collateral previously lodged by either party and the security value (minimum transfer level). The system is managed by the Parent Company for exposures to affiliates, while for exposures to institutional market counterparties it is the latter that performs the role of guarantee calculation agent.

3. IMPAIRED CREDIT EXPOSURES

3.1 Management strategies and policies

Impaired financial assets include loans which, following the occurrence of events happening after their disbursement, show objective evidence of possible impairment.

On the basis of the current regulatory framework, supplemented by internal implementing provisions, impaired financial assets are classified according to their critical status into three categories:

- non-performing loans: credit exposures to counterparties in a state of insolvency (even if not judicially established), or in substantially comparable situations, regardless of the existence of any guarantees given to protect the exposures and the loss forecasts made;
- unlikely to pay: credit exposures, other than bad loans, for which it is considered unlikely that, without recourse to protective actions, such as enforcement of guarantees, the debtor will fully meet its credit obligations in principal and/or interest, regardless of the presence of any overdue and unpaid amounts/rates;
- impaired past due and/or overrun: credit exposures, other than those classified as non-performing or unlikely to pay, which are past due and/or overrun. The overall exposure to a debtor shall be recognised as impaired past due and/or overrun, in accordance with Delegated Regulation (EU) no. 171/2018 of the European Commission of 19 October 2017, if the amount of principal, interest or fees unpaid at the date it was due exceeds both of the following thresholds: a) absolute limit of EUR 100 for retail exposures and of EUR 500 for non-retail exposures; b) relative limit of 1% given by the ratio of the total amount past due and/or overrun at group level to the total amount of all credit exposures to the same debtor.

The classification of positions among impaired assets is carried out automatically, upon the occurrence of the binding cases provided for by the reference regulations, or by means of evaluation and deliberation processes on individual counterparties, triggered automatically or manually, upon the identification of certain early warning signs and/or triggers, defined in the Group Regulation for the Classification and Valuation of Loans. Similarly, the return to performing status of impaired exposures occurs automatically when the binding cases provided for by the reference regulations are no longer met, or through valuation and resolution processes, triggered manually by the structures responsible for managing impaired loans, in compliance with the “monitoring period” and “cure period” time frames provided for by the reference regulations.

The Group model for the management of impaired loans involves management and coordination by the Parent Company and the direct management of the impaired loans portfolio by the individual affiliated banks. In the context of this model, the Parent Company:

- prepares and implements the Group's NPE Strategy and related operational plan;
- defines and updates internal regulations and processes related to the classification and valuation of loans;
- defines and updates the internal regulations and processes related to the management and recovery of impaired loans.

Each affiliated bank, through its own structures, conducts the following activities:

- the development and implementation its own individual NPE Strategy and related operational plan in compliance with the objectives defined by the Parent Company;
- the classification of individual exposures;
- the definition of the most appropriate management and/or recovery strategies for the individual positions;
- the activities of determining the provisions on the individual impaired credit lines.

The model used to determine provisions for impaired loans provides, depending on their characteristics, for the use of a specific analytical valuation or a flat-rate analytical valuation.

The amount of the adjustment to the value of each loan is determined as the difference between its carrying amount at the time of measurement (amortised cost) and the present value of expected future cash flows, calculated by applying the effective interest rate to the ratio at the time immediately prior to classification in one of the risk categories of impaired loans.

The specific analytical valuation is carried out at the time of classification among impaired credit exposures and is reviewed quarterly in accordance with the criteria and methods identified in the Group Regulations for the classification and valuation of loans.

The flat-rate analytical valuation is carried out and updated quarterly on the basis of the estimate of the expected loss calculated by the impairment model introduced by IFRS9.

3.2 Write-offs

The write-off is an event that results in an accounting derecognition and may occur before the legal action for recovery of the impaired debt is completed and does not necessarily imply a waiver of the legal right to recover the debt. The write-off may cover the entire amount of an impaired exposure or a portion of it and corresponds to:

- the reversal, in full or in part, of the writedowns, as a contra-entry to the gross value of the impaired exposure; and
- for any portion exceeding the amount of the writedowns, to the impairment loss of the impaired exposure recognised directly in the income statement.

Any recoveries from collections in excess of the gross value of the impaired exposure following the write-off are recognised in the income statement under write-backs.

In general, the write-off applies to impaired exposures for which:

- the occurrence of events has been found to lead to the irretrievability of all or part of the impaired exposure;
- all or part of the impaired exposure was deemed reasonably unrecoverable;
- it was considered appropriate, in the context of settlement agreements with the debtor, to waive all or part of the impaired debt.

The specific processes and criteria for the application of write-offs are governed at group level in accordance with specific internal regulation.

3.3 Purchased or originated credit- impaired financial assets

In accordance with IFRS 9, loans considered impaired from the time of initial recognition are referred to as Purchased or Originated Credit Impaired Assets (POCI). These loans, if they fall within the scope of application of impairment pursuant to IFRS 9, are measured by setting aside – from the date of initial recognition – provisions to cover losses covering the entire residual life of the loan (ECL lifetime). Since these are impaired loans, they will be initially booked as part of stage 3.

In this regard, it should be noted that the acquisition or origination of impaired financial assets is not part of the Group’s typical business model, so the above mentioned cases are to be considered residual.

4. FINANCIAL ASSETS SUBJECT TO COMMERCIAL RENEGOTIATIONS AND FORBORNE EXPOSURES

The category of ‘forborne non-performing exposures’ does not constitute a separate and additional category of impaired exposures to those previously mentioned (non-performing, unlikely to pay and impaired past due and/or overrun exposures), but only a sub-set of each of them, which includes on-balance exposures and commitments to disburse funds that are forborne (‘forborne exposures’), if both of the following conditions are met:

- the debtor is in a situation of economic-financial hardship that does not allow him/her to fully comply with the contractual commitments in his/her debt agreement and that puts him/her in a state of ‘credit deterioration’ (classification in one of the categories of impaired exposures: non-performing, unlikely to pay, impaired past due and/or overrun);
- the Group agrees to amend the terms and conditions of that agreement, or to refinance it in full or in part, to enable the debtor to comply with it (there would have been no such forbearance if the debtor had not been in a state of hardship).

Forborne exposures to debtors in a condition of economic-financial hardship that has not reached a state of credit impairment are instead classified in the category of forborne performing exposures and are included among the other performing exposures, or among the performing past due exposures if they meet the requirements for this classification.

As provided for in the Group Regulations, once it has been ascertained that a concession measure meets the requirements of forbearance, the forborne exposure attribute involves:

- forborne performing if both of the following conditions occur:
  - the debtor was classified as ordinary performing or under observation before the forbearance was granted;
  - the debtor was not reclassified as an impaired counterparty as a result of the forbearance granted;
- forborne non-performing if at least one of the following conditions occurs:
  - the debtor was classified as impaired prior to the granting of the forbearance;
  - the debtor has been reclassified among impaired exposures, due to the forbearance granted, including the assumption that (in addition to other regulatory cases), as a result of the valuation made, significant impairment losses will emerge.

In order for a credit exposure classified as forborne non-performing to change to forborne performing, the following conditions must be met simultaneously:

- at least 12 months have passed since the last of the following events (known as cure period):
  - granting of the forbearance measure on impaired credit exposures;
  - classification as impaired of the counterparty;
  - end of the grace period set forth by the forbearance measure on impaired credit exposures;
- absence of the conditions to classify the debtor as impaired;
- absence of overdue payments on all the debtor's existing relationships with the Group;
- the debtor's presumed ability, on the basis of documentary evidence, to fully meet its contractual obligations under the repayment terms determined by the forbearance; this prospective ability to repay is deemed to have occurred when both of the following conditions are met:
  - the debtor has reimbursed, through the regular payments made on the renegotiated terms, an amount equal to the amount that had expired (or was subject to derecognition) at the time of granting the forbearance;
  - the debtor has complied with the post-forbearance payment terms over the last 12 months.

A credit exposure classified as forborne performing becomes forborne non-performing when even one of the following conditions occurs:

- the conditions for the classification of the counterparty as impaired loans are met;
- occurrence of conditions of reduced financial obligation as defined by Article 178 of EU Regulation no. 575/2013 (DO>1%);
- the credit exposure was previously classified as impaired with a forborne non-performing attribute and subsequently, if the conditions were met, the funded counterparty has been upgraded to performing status under observation (with the simultaneous transfer of the line in question to forborne performing), but: i) one of the credit lines of the financed counterparty has matured, during its stay in forborne performing, more than 30 days past due; or ii) the counterparty holding the line in question, during its stay in forborne performing, is subject to further forbearance measures.

For a credit exposure classified as forborne performing to lose this attribute, resulting in a return to only an ordinary performing or performing under observation status, the following conditions must be met simultaneously:

- at least 24 months have passed since the assignment of the forborne performing attribute (so-called probation period);
- the debtor has made, after the application of the forbearance, regular payments of principal or interest on the credit line subject to the forbearance for a total amount equal to at least 5% of the residual principal debt recorded at the time of application of the forbearance; these payments must have been made at such times and in such a way as to ensure full compliance with the contractual obligations for a period, even if not continuous, equal to at least half of the probation period;
- the debtor does not have any past due loan exceeding 30 days in relation to any of the relationships existing with the respective Group bank at the end of the probation period.

Information of a quantitative nature

A. CREDIT QUALITY

A.1. Impaired and performing credit exposures: amounts, value adjustments, trend and economic distribution

A.1.1 Prudential consolidation – Distribution of financial assets by maturity bands (book values)

PORTFOLIOS/ RISK STAGES	Stage 1			Stage 2			Stage 3			Purchased or originated credit impaired		
	Between 1 day and 30 days	Between 30 and 90 days	Over 90 days	Between 1 day and 30 days	Between 30 and 90 days	Over 90 days	Between 1 day and 30 days	Between 30 and 90 days	Over 90 days	Between 1 day and 30 days	Between 30 and 90 days	Over 90 days
1. Financial assets measured at amortised cost	188	3	-	198	102	13	16	30	130	-	-	-
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for disposal	-	-	-	-	-	-	-	-	-	-	-	-
Total 31/12/2023	**188**	**3**	**-**	**198**	**102**	**13**	**16**	**30**	**130**	**-**	**-**	**-**
Total 31/12/2022	**198**	**-**	**-**	**192**	**96**	**14**	**20**	**33**	**155**	**-**	**-**	**-**

A.1.2 Prudential consolidation – Financial assets, commitments to disburse funds and financial guarantees given: changes in total adjustments and total allocations

REASONS/RISK STAGES	Writedowns											
	Financial assets classified in stage 1						Financial assets classified in stage 2					
	Loans to banks and Central Banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for disposal	of which: individual write-downs	of which: collective write-downs	Loans to banks and Central Banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for disposal	of which: individual write-downs	of which: collective write-downs
INITIAL TOTAL ADJUSTMENTS	**-**	**217**	**2**	**-**	**8**	**211**	**-**	**488**	**-**	**-**	**41**	**447**
Increases from financial assets acquired or originated	-	-	-	-	-	-	-	-	-	-	-	-
Derecognitions other than write-offs	-	(12)	(1)	-	-	(13)	-	(13)	-	-	(3)	(10)
Net value adjustments/write-backs due to credit risk	-	(27)	1	-	(1)	(25)	-	70	-	-	(1)	71
Contractual changes without derecognitions	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	4	-	-	-	4	-	(2)	-	-	-	(2)
FINAL TOTAL ADJUSTMENTS	**-**	**182**	**2**	**-**	**7**	**177**	**-**	**543**	**-**	**-**	**37**	**506**
Collection recoveries in relation to financial assets subject to write-offs	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-

REASONS/RISK STAGES	Writedowns									
	Financial assets classified in stage 3						Purchased or originated credit- impaired financial assets				
	Loans to banks and Central Banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for disposal	of which: individual write-downs	of which: collective write-downs	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for disposal	of which: individual write-downs	of which: collective write-downs
INITIAL TOTAL ADJUSTMENTS	**-**	**2,040**	**-**	**-**	**1,946**	**94**	**-**	**-**	**-**	**-**	**-**
Increases from financial assets acquired or originated	-	-	-	-	-	-	X	X	X	X	X
Derecognitions other than write-offs	-	(151)	-	-	(148)	(3)	-	-	-	-	-
Net value adjustments/ write-backs due to credit risk	-	147	-	-	141	6	-	-	-	-	-
Contractual changes without derecognitions	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	(214)	-	-	(211)	(3)	-	-	-	-	-
Other changes	-	(14)	-	-	(16)	2	16	-	-	16	-
FINAL TOTAL ADJUSTMENTS	**-**	**1,808**	**-**	**-**	**1,712**	**96**	**16**	**-**	**-**	**16**	**-**
Collection recoveries in relation to financial assets subject to write-offs	-	4	-	-	4	-	-	-	-	-	-
Write-offs recognised directly in the income statement	-	(4)	-	-	(4)	-	-	-	-	-	-

REASONS/RISK STAGES	Total allocation for commitments to disburse funds and financial guarantees given				Total
	Stage 1	Stage 2	Stage 3	Commitments to disburse funds and financial guarantees given Purchased or originated credit impaired	
INITIAL TOTAL ADJUSTMENTS	**58**	**28**	**55**	**-**	**2,888**
Increases from financial assets acquired or originated	-	-	-	-	-
Derecognitions other than write-offs	-	-	-	-	(177)
Net value adjustments/write-backs due to credit risk (+/-)	(9)	17	1	-	200
Contractual changes without derecognitions	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	-	-	-	(214)
Other changes	-	(2)	(1)	-	1
FINAL TOTAL ADJUSTMENTS	**49**	**43**	**55**	**-**	**2,698**
Collection recoveries in relation to financial assets subject to write-offs	-	-	-	-	4
Write-offs recognised directly in the income statement	**-**	**-**	**-**	**-**	**(4)**

With regard to trade receivables, assets arising from contracts and receivables implicit in leasing contracts, it should be noted that the Group does not use the simplified method, as required by IFRS 9, section 5.5.15, for the valuation to cover losses.

A.1.3 Prudential consolidation – Financial assets, commitments to disburse funds and financial guarantees given: transfers between the various stages of credit risk (gross and nominal values)

PORTFOLIOS/ RISK STAGES	Gross values / nominal value					
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
	From Stage 1 to Stage 2	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 2	From Stage 1 to Stage 3	From Stage 3 to Stage 1
1. Financial assets measured at amortised cost	2,754	3,216	313	189	226	5
2. Financial assets measured at fair value through other comprehensive income	-	1	-	-	-	-
3. Financial assets held for disposal	-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees given	587	279	14	23	30	-
Total 31/12/2023	**3,341**	**3,496**	**327**	**212**	**256**	**5**
Total 31/12/2022	**4,381**	**1,915**	**274**	**183**	**278**	**6**

For more information about the update to the IFRS 9 model, which may, among other things, influence the transfer of financial assets between different risk stages with particular relevance for the sector of performing loans, please refer to Part A, Section 5 – Other aspects under paragraph "Classification and measurement of loans to customers based on the general impairment model IFRS 9".

The Table contents show information about transfers between the different credit risk stages of the gross value of loans measured at amortised cost, in place at the reporting date of the financial statements, which constitute new liquidity granted through public guarantee mechanisms issued in the context of COVID-19.

PORTFOLIOS/ RISK STAGES	Gross values / nominal value					
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
	From Stage 1 to Stage 2	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 2	From Stage 1 to Stage 3	From Stage 3 to Stage 1
A. Loans measured at amortised cost	262	460	59	10	34	-
B. Loans measured at fair value through other comprehensive income	-	-	-	-	-	-
Total 31/12/2023	**262**	**460**	**59**	**10**	**34**	**-**
Total 31/12/2022	**504**	**176**	**34**	**4**	**43**	**-**

A.1.4 Prudential consolidation - On-balance and off-balance-sheet credit exposures to banks: gross and net values

TYPES OF LOANS/ VALUES	Gross exposure					Writedowns and total allocations					Net exposure	Total partial write-offs*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
A. ON-BALANCE-SHEET CREDIT EXPOSURES												
A.1 ON DEMAND	**155**	**146**	**9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**155**	**-**
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	155	146	9	X	-	-	-	-	X	-	155	-
A.2 OTHER	**1,575**	**1,504**	**66**	**-**	**-**	**2**	**2**	**-**	**-**	**-**	**1,573**	**-**
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
c) Impaired past due exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Performing past due exposures	-	-	-	X	-	-	-	-	X	-	-	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	1,575	1,504	66	X	-	2	2	-	X	-	1,573	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL (A)	**1,730**	**1,650**	**75**	**-**	**-**	**2**	**2**	**-**	**-**	**-**	**1,728**	**-**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES												
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	997	526	119	X	-	-	-	-	X	-	997	-
TOTAL (B)	**997**	**526**	**119**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**997**	**-**
TOTAL (A+B)	**2,727**	**2,176**	**194**	**-**	**-**	**2**	**2**	**-**	**-**	**-**	**2,725**	**-**

*Value to be displayed for information purposes

A.1.5 Prudential consolidation – On-balance and off-balance-sheet credit exposures to customers: gross and net values

TYPES OF LOANS/ VALUES	Gross exposure					Writedowns and total allocations					Net exposure	Total partial write-offs*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
A. ON-BALANCE-SHEET CREDIT EXPOSURES												
a) Non-performing	628	X	-	627	-	588	X	-	588	-	40	273
- of which: forborne exposures	144	X	-	144	-	138	X	-	138	-	6	59
b) Unlikely to pay	1,462	X	-	1,445	17	1,208	X	-	1,192	15	254	14
- of which: forborne exposures	801	X	-	789	12	684	X	-	672	11	117	1
c) Impaired past due exposures	61	X	-	61	-	28	X	-	28	-	33	-
- of which: forborne exposures	2	X	-	2	-	1	X	-	1	-	1	-
d) Performing past due exposures	554	193	361	X	-	50	2	48	X	-	504	-
- of which: forborne exposures	43	-	43	X	-	8	-	8	X	-	35	-
e) Other performing exposures	82,193	77,254	4,817	X	9	676	180	495	X	1	81,517	-
- of which: forborne exposures	684	1	677	X	6	83	-	82	X	1	601	-
TOTAL (A)	**84,898**	**77,447**	**5,178**	**2,133**	**26**	**2,550**	**182**	**543**	**1,808**	**16**	**82,348**	**287**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES												
a) Impaired	123	X	-	123	-	55	X	-	55	-	68	-
b) Performing	14,098	13,332	758	X	-	92	48	44	X	-	14,006	-
TOTAL (B)	**14,221**	**13,332**	**758**	**123**	**-**	**147**	**48**	**44**	**55**	**-**	**14,074**	**-**
TOTAL (A+B)	**99,119**	**90,779**	**5,936**	**2,256**	**26**	**2,697**	**230**	**587**	**1,863**	**16**	**96,422**	**287**

*Value to be displayed for information purposes

At 31 December 2023, existing loans that constitute new liquidity granted through pubic guarantee mechanisms issued in the context of COVID-19 amounted to EUR 4,469 million, compared to EUR 5,859 million at 31 December 2022. See below for the gross exposure and total writedowns, grouped by risk stage and by "impaired acquired or originated", split into the different categories of impaired/performing assets.

TYPES OF LOANS/VALUES	Gross exposure					Writedowns and total allocations					Net exposure
		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	
A. Non-performing loans	58	-	-	58	-	48	-	-	48	-	10
B. Unlikely to pay	127	-	-	127	-	81	-	-	81	-	46
C. Impaired past due loans	8	-	-	8	-	3	-	-	3	-	5
D. Performing past due loans	35	7	28	-	-	3	-	3	-	-	32
E. Performing loans	4,432	3,875	557	-	-	56	15	41	-	-	4,376
TOTAL (A+B+C+D+E)	**4,660**	**3,882**	**585**	**193**	**-**	**191**	**15**	**44**	**132**	**-**	**4,469**

A.1.6 Prudential consolidation – On-balance-sheet credit exposures to banks: trend in gross impaired exposures

As at the reporting date, there were no impaired cash credit exposures to banks.

A.1.6bis Prudential consolidation – On-balance-sheet credit exposures to banks: trend in gross forborne exposures broken down by credit quality

As at the reporting date, there were no impaired cash credit exposures to banks.

A.1.7 Prudential consolidation – On-balance-sheet credit exposures to customers: trend in gross impaired exposures

DESCRIPTIONS/CATEGORIES	Non-performing	Unlikely to pay	Impaired past due exposures
A. INITIAL GROSS EXPOSURE	**807**	**1,625**	**64**
- of which: exposures transferred but not derecognised	13	24	2
B. INCREASES	**241**	**539**	**64**
B.1 transfers from performing exposures	74	382	58
B.2 transfers from purchased or originated credit impaired financial assets	-	17	-
B.3 transfers from other categories of impaired exposures	146	27	1
B.4 contractual changes without derecognitions	-	1	-
B.5 other increases	21	112	5
C. DECREASES	**420**	**702**	**67**
C.1 transfers to performing exposures	1	185	12
C.2 write-offs	179	35	-
C.3 collections	152	322	10
C.4 gains from disposal	31	3	-
C.5 losses from disposal	3	-	-
C.6 transfers to other categories of impaired exposures	2	129	43
C.7 contractual changes without derecognitions	-	1	-
C.8 other decreases	52	27	2
D. GROSS FINAL EXPOSURE	**628**	**1,462**	**61**
- of which: exposures transferred but not derecognised	20	34	2

The item "C.8 other decreases" includes the gross amount of the exposure sold exceeding the sum of the realisable value of transactions for the sale of impaired loans to third parties during the year, mainly attributable to the "NPLS X" non-performing loan sale transaction.

A.1.7bis Prudential consolidation – Cash credit exposures to customers: trend in gross forborne exposures broken down by credit quality

DESCRIPTIONS/QUALITY	Forborne exposures: impaired	Forborne exposures: performing
A. INITIAL GROSS EXPOSURE	**1,131**	**967**
- of which: exposures transferred but not derecognised	28	24
B. INCREASES	**251**	**385**
B.1 transfers from non-forborne performing exposures	59	196
B.2 transfers from forborne performing exposures	79	X
B.3 transfers from forborne impaired exposures	X	110
B.4 transfers from non-forborne impaired exposures	54	-
B.5 other increases	59	79
C. DECREASES	**435**	**625**
C.1 transfers to non-forborne performing exposures	X	393
C.2 transfers to forborne performing exposures	110	X
C.3 transfers to forborne impaired exposures	X	79
C.4 write-offs	61	-
C.5 collections	195	129
C.6 gains from disposal	12	-
C.7 losses from disposal	1	-
C.8 other decreases	56	24
D. GROSS FINAL EXPOSURE	**947**	**727**
- of which: exposures transferred but not derecognised	18	24

A.1.8 Prudential consolidation – Impaired cash credit exposures to banks: trend in total adjustments

As at the reporting date, there were no impaired cash credit exposures to banks.

A.1.9 Prudential consolidation – Impaired cash credit exposures to customers: trend in total adjustments

DESCRIPTIONS/CATEGORIES	Non-performing		Unlikely to pay		Impaired past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. INITIAL TOTAL ADJUSTMENTS	**741**	**181**	**1,274**	**758**	**26**	**1**
- of which: exposures transferred but not derecognised	11	2	13	6	1	-
B. INCREASES	**247**	**65**	**518**	**201**	**30**	**2**
B.1 value adjustments from impaired financial assets acquired or originated	-	X	15	X	-	X
B.2 other value adjustments	124	19	452	167	27	1
B.3 losses from disposal	3	1	-	-	-	-
B.4 transfers from other categories of impaired exposures	103	32	11	-	1	1
B.5 contractual changes without derecognitions	-	-	-	-	-	-
B.6 other increases	17	13	40	34	2	-
C. DECREASES	**400**	**108**	**584**	**275**	**28**	**2**
C.1 value write-backs from valuations	7	2	43	21	2	-
C.2 value write-backs due to collection	126	32	181	78	2	-
C.3 gains from disposal	21	5	-	-	-	-
C.4 write-offs	179	49	35	12	-	-
C.5 transfers to other categories of impaired exposures	1	-	97	33	17	-
C.6 contractual changes without derecognitions	-	-	-	-	-	-
C.7 other decreases	66	20	228	131	7	2
D. FINAL TOTAL ADJUSTMENTS	**588**	**138**	**1,208**	**684**	**28**	**1**
- of which: exposures transferred but not derecognised	16	1	20	10	-	-

Item "C.7 Other decreases" mainly includes value adjustments related to transactions subject to derecognition during the year, mainly attributable to the "NPLS X" sale of non-performing loans.

A.2 Classification of exposures on the basis of external and internal ratings

A.2.1 Prudential consolidation – Distribution of financial assets, commitments to disburse funds and financial guarantees given by external rating classes (gross values)

EXPOSURES	External rating classes						Without rating	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. FINANCIAL ASSETS MEASURED AT AMORTISED COST	**2,477**	**958**	**23,023**	**1,644**	**863**	**89**	**46,374**	**75,428**
- Stage 1	2,432	957	22,947	1,539	735	31	39,386	68,027
- Stage 2	45	1	76	102	124	57	4,837	5,242
- Stage 3	-	-	-	3	4	1	2,125	2,133
- Purchased or originated credit impaired	-	-	-	-	-	-	26	26
B. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**1,418**	**164**	**9,287**	**11**	**1**	**-**	**45**	**10,926**
- Stage 1	1,418	164	9,287	11	1	-	44	10,925
- Stage 2	-	-	-	-	-	-	1	1
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
C. FINANCIAL ASSETS HELD FOR DISPOSAL	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
Total (A+B+C)	**3,895**	**1,122**	**32,310**	**1,655**	**864**	**89**	**46,419**	**86,354**
D. COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED	**411**	**15**	**656**	**943**	**309**	**18**	**12,510**	**14,862**
- Stage 1	405	15	647	884	281	5	11,624	13,861
- Stage 2	6	-	9	58	28	13	764	878
- Stage 3	-	-	-	1	-	-	122	123
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
Total (D)	**411**	**15**	**656**	**943**	**309**	**18**	**12,510**	**14,862**
Total (A+B+C+D)	**4,306**	**1,137**	**32,966**	**2,598**	**1,173**	**107**	**58,929**	**101,216**

The Group adopts the assessments of the Moody's and CRIF rating agencies on the reported portfolios, the latter with reference to exposures to companies.

Moody's	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6
Global long-term rating scale	Aaa, Aa	A	Baa	Ba	B	Caa, Ca, C
Global short-term rating scale	P-1	P-2	P-3	NP		

Crif	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6
Long-term rating scale – Corporate	AAA, AA	A	BBB	BB	B	CCC, CC, C, DS
Long-term rating scale – SME	SME 1, SME 2		SME3	SME 4	SME 5, SME 6	SME 7, SME 8

A.2.2 Prudential consolidation – Distribution of financial assets, commitments to disburse funds and financial guarantees given by internal rating classes (gross values)

At the end of the reporting period, the Group does not use internal ratings in the calculation of capital requirements.

A.3 Breakdown of secured credit exposures by type of guarantee

A.3.1 Prudential consolidation – On-balance and off-balance sheet secured credit exposures to banks

	Gross exposure	Net exposure	Collateral (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Credit commitments				
								Other derivatives								
			Real estate - Mortgages	Real estate - Financing for leases	Securities	Other collateral	CLN	Central counterparties	Banks	Other financial corporations	Other subjects	General Governments	Banks	Other financial corporations	Other subjects	
1. SECURED ON-BALANCE-SHEET CREDIT EXPOSURES:	**164**	**164**	**-**	**-**	**162**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2**	**164**
1.1 totally secured	164	164	-	-	162	-	-	-	-	-	-	-	-	-	2	**164**
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
1.2 partially secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2. SECURED OFF-BALANCE-SHEET CREDIT EXPOSURES:	**77**	**77**	**-**	**-**	**75**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**75**
2.1 totally secured	77	77	-	-	75	-	-	-	-	-	-	-	-	-	-	**75**
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2.2 partially secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**

A.3.2 Prudential consolidation – On-balance and off-balance sheet secured credit exposures to customers

	Gross exposure	Net exposure	Collateral (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Credit commitments				
								Other derivatives								
			Real estate - Mortgages	Real estate - Financing for leases	Securities	Other collateral	CLN	Central counterparties	Banks	Other financial corporations	Other subjects	General Governments	Banks	Other financial corporations	Other subjects	
1. SECURED ON-BALANCE-SHEET CREDIT EXPOSURES:	**44,306**	**41,985**	**27,397**	**442**	**179**	**799**	**-**	**-**	**-**	**-**	**-**	**6,745**	**3**	**246**	**4,913**	**40,724**
1.1 totally secured	39,079	36,981	27,037	437	143	690	-	-	-	-	-	3,636	2	183	4,713	**36,841**
- of which impaired	1,824	267	181	8	1	3	-	-	-	-	-	47	-	1	26	**267**
1.2 partially secured	5,227	5,004	360	5	36	109	-	-	-	-	-	3,109	1	63	200	**3,883**
- of which impaired	199	47	5	-	1	-	-	-	-	-	-	32	-	-	2	**40**
2. SECURED OFF-BALANCE-SHEET CREDIT EXPOSURES:	**6,570**	**6,508**	**283**	**14**	**48**	**186**	**-**	**-**	**-**	**-**	**-**	**642**	**9**	**92**	**4,447**	**5,721**
2.1 totally secured	5,090	5,042	268	12	25	125	-	-	-	-	-	360	1	64	4,171	**5,026**
- of which impaired	74	39	5	-	-	2	-	-	-	-	-	3	-	1	29	**40**
2.2 partially secured	1,480	1,466	15	2	23	61	-	-	-	-	-	282	8	28	276	**695**
- of which impaired	10	6	-	-	-	-	-	-	-	-	-	3	-	-	1	**4**

A.4 Prudential consolidation – Financial and non-financial assets obtained through the enforcement of guarantees received

	Credit exposure derecognised	Gross value	Writedowns	Book value	
					of which obtained during the year
A. TANGIBLE ASSETS	**74**	**76**	**23**	**53**	**-**
A.1. For business use	8	9	3	6	-
A.2. For investment purposes	35	37	9	28	-
A.3. Inventories	31	30	11	19	-
B. EQUITIES AND DEBT SECURITIES	**-**	**-**	**-**	**-**	**-**
C. OTHER ASSETS	**-**	**-**	**-**	**-**	**-**
D. NON-CURRENT ASSETS AND GROUPS OF ASSETS HELD FOR DISPOSAL	**-**	**-**	**-**	**-**	**-**
D.1. Tangible assets	-	-	-	-	-
D.2. Other assets	-	-	-	-	-
Total 31/12/2023	**74**	**76**	**23**	**53**	**-**
Total 31/12/2022	**87**	**88**	**19**	**69**	**2**

At the end of the reporting period, the Group does not have any assets that are not readily convertible into cash that are deemed to be significant (see IFRS 7 section 38 letter b).

B. DISTRIBUTION AND CONCENTRATION OF CREDIT EXPOSURES

B.1 Prudential consolidation – Distribution by sector of on-balance and off-balance-sheet credit exposures to customers

EXPOSURES/COUNTERPARTIES	General Governments		Financial companies		Financial companies (of which: insurance companies)		Non-financial corporations		Households	
	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
A. ON-BALANCE-SHEET CREDIT EXPOSURES										
A.1 Non-performing	-	-	-	1	-	-	29	368	11	219
- of which: forborne exposures	-	-	-	-	-	-	4	83	2	55
A.2 Unlikely to pay	-	-	1	13	-	-	165	754	88	441
- of which: forborne exposures	-	-	-	4	-	-	73	428	44	252
A.3 Impaired past due exposures	-	-	-	-	-	-	9	7	24	21
- of which: forborne exposures	-	-	-	-	-	-	-	-	1	1
A.4 Performing exposures	34,358	7	895	48	146	-	22,094	461	24,674	210
- of which: forborne exposures	-	-	2	-	-	-	301	55	333	36
Total (A)	**34,358**	**7**	**896**	**62**	**146**	**-**	**22,297**	**1,590**	**24,797**	**891**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES										
B.1 Impaired exposures	-	-	-	1	-	-	60	47	8	7
B.2 Performing exposures	249	-	538	53	199	1	11,094	33	2,125	6
Total (B)	**249**	**-**	**538**	**54**	**199**	**1**	**11,154**	**80**	**2,133**	**13**
Total (A+B) 31/12/2023	**34,607**	**7**	**1,434**	**116**	**345**	**1**	**33,451**	**1,670**	**26,930**	**904**
Total (A+B) 31/12/2022	**37,910**	**7**	**1,419**	**116**	**183**	**-**	**32,992**	**1,826**	**26,908**	**934**

B.2 Prudential consolidation – Distribution by territory of on-balance and off-balance sheet credit exposures to customers

EXPOSURES/GEOGRAPHIC AREAS	Italy North West		Italy North East		Italy Centre		Italy South and the Islands	
	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
A. ON-BALANCE-SHEET CREDIT EXPOSURES								
A.1 Non-performing	16	118	7	318	9	61	8	91
A.2 Unlikely to pay	49	198	73	747	59	109	73	154
A.3 Impaired past due exposures	4	4	14	14	4	3	11	7
A.4 Performing exposures	10,982	160	26,941	348	33,710	131	4,891	85
Total (A)	**11,051**	**480**	**27,035**	**1,427**	**33,782**	**304**	**4,983**	**337**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES								
B.1 Impaired exposures	17	8	38	38	6	4	7	5
B.2 Performing exposures	3,920	10	7,760	19	1,221	56	1,088	6
Total (B)	**3,937**	**18**	**7,798**	**57**	**1,227**	**60**	**1,095**	**11**
Total (A+B) 31/12/2023	**14,988**	**498**	**34,833**	**1,484**	**35,009**	**364**	**6,078**	**348**
Total (A+B) 31/12/2022	**14,576**	**519**	**34,741**	**1,681**	**38,783**	**367**	**5,992**	**315**

B.3 Prudential consolidation – Distribution by territory of on-balance and off-balance sheet credit exposures to banks

EXPOSURES/GEOGRAPHIC AREAS	Italy North West		Italy North East		Italy Centre		Italy South and the Islands	
	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
A. ON-BALANCE-SHEET CREDIT EXPOSURES								
A.1 Non-performing	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-
A.3 Impaired past due exposures	-	-	-	-	-	-	-	-
A.4 Performing exposures	230	1	167	1	690	-	2	-
Total (A)	**230**	**1**	**167**	**1**	**690**	**-**	**2**	**-**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES								
B.1 Impaired exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	296	-	335	-	305	-	-	-
Total (B)	**296**	**-**	**335**	**-**	**305**	**-**	**-**	**-**
Total (A+B) 31/12/2023	**526**	**1**	**502**	**1**	**995**	**-**	**2**	**-**
Total (A+B) 31/12/2022	**633**	**2**	**561**	**2**	**1,013**	**1**	**1**	**-**

B.4 Large exposures

ITEMS	Total 31/12/2023	Total 31/12/2022
A) AMOUNT OF LARGE EXPOSURES		
a1) book value	46,198	48,558
a2) weighted value amount	569	774
B) NUMBER OF POSITIONS OF LARGE EXPOSURES	**6**	**4**

C. SECURITISATION TRANSACTIONS

Securitisation transactions are not recognised, in which banks in the same prudential consolidation are the originator and the total liabilities issued (e.g. ABS securities, loans in the warehousing phase) by the special purpose vehicles are subscribed at the time of issue by one or more companies in the same prudential consolidation.

Information of a qualitative nature

1. "Own" securitisation transactions

Securitisation of loans allows the procurement of significant financial assets as an alternative to direct debt, with the possibility of reducing risk assets for the purposes of solvency ratios, without removing the Originator from the management of the relationship with the customer.

The transaction, therefore, is characterised by the use of a funding instrument on international markets to finance the Group's loans and is part of the expectations of supporting the development of the local economy, in line with the company's strategic guidelines.

In 2023, no new own securitisation transactions were carried out.

However, in previous years, the Group participated, alongside other credit institutes, in multi-originator securitisation transactions involving non-performing loans arising from contracts with customers resident in Italy.

The transactions were mainly carried out with the aim of improving the quality of the assets of the originator banks in that the criteria for full derecognition of the assets in compliance with the provisions of IFRS 9 were met.

Third party securitisation transactions

At the end of the reporting period, the Group held about EUR 53 million in securities arising from the third party securitisation transactions described below.

The securitisation transactions reported in the following table "C.2 Prudential consolidation – Exposures arising from the main third-party securitisation transactions broken down by type of securitised assets and by exposure type" include approximately EUR 46 million arising from the multi-originator transactions, reported in the previous section on "own" securitisations, for the portion referring to the underlying assets sold by other credit institutions not belonging to the Group.

Third-party exposures other than those mentioned above consist of unrated securities issued by the special purpose vehicle Lucrezia Securitisation S.r.l. as part of the Institutional Guarantee Fund interventions, broken down as follows:

- the securities with ISIN code IT0005216392 were issued by the special purpose vehicle on 3 October 2016 for an initial countervalue of approximately EUR 211 million following the securitisation of the portfolios of bad loans acquired as part of the crisis resolution intervention of Banca Padovana in A.S. and of BCC Irpina in A.S. These securities have a 10-year maturity and pay interest quarterly in arrears;
- the securities with ISIN code IT0005240749 were issued by the special purpose vehicle on 27 January 2017 for an initial countervalue of approximately EUR 78 million following the securitisation of the portfolios of bad loans acquired as part of the BCC Crediveneto solution. These securities have a 10-year maturity and pay interest quarterly in arrears;
- the securities with ISIN code IT0005316846 were issued by the special purpose vehicle on 1 December 2017 for an initial countervalue of approximately EUR 32 million following the securitisation of the portfolios of bad loans acquired as part of the BCC Teramo solution. These securities have a 10-year maturity and pay interest quarterly in arrears.

The assets underlying these securities are composed of impaired loans, largely fully secured by properties. These securities are included under item 40 of the Group consolidated balance sheet. Financial assets measured at amortised cost, sub-item "b) Loans to customers".

As far as the economic aspects are concerned, the securities involved the recognition of interest income for a negligible amount, at an annual rate of 1%.

It should be noted that in relation to the above securitisation transactions, the Group does not play any role as servicer and does not hold any interest in the special purpose vehicle.

Moreover, in compliance with the provisions on organisational requirements in the same prudential provisions, with regard to the assumption of positions towards the transactions in question, the Group must comply with the obligations of due diligence and monitoring.

In accordance with the above mentioned due diligence and monitoring requirements for the Group, other than the assignor or the promoter, which takes positions as regards securitisation, the following should be noted.

As the Investor Group, before taking positions in each securitisation transaction and for as long as they are held in the portfolio, an analysis is carried out on each transaction and the exposures underlying it, in order to gain full knowledge of the risks to which the Group is exposed or would be exposed.

In particular, the Group has verified:

- the maintenance by the assignor, on an ongoing basis, of the net economic interest;
- the provision of relevant information to perform due diligence;

- the structural characteristics of the securitisation that can have a significant impact on the performance of positions towards securitisation (e.g. contractual clauses, priority in redemptions, rules for the allocation of cash flows and related triggers, credit enhancement instruments, liquidity facilities, definition of default used, rating, historical analysis of the performance of similar positions);
- the risk characteristics of the assets underlying the securitisation positions;
- the communications made by the assignor/promoter regarding the due diligence carried out on the securitised assets, the quality of any collateral covering them, etc.

With reference to monitoring, in accordance with the provisions on the need for information to be assessed regularly at least once a year, as well as in the presence of significant changes in the performance of the transaction, the Group has put in place processes and procedures for the acquisition of information on the assets underlying each transaction with reference to:

- nature of exposures, incidence of positions past due for more than 30, 60, 90 days;
- default rates;
- early repayments;
- exposures subject to enforcement procedures;
- nature of the collateral;
- creditworthiness of debtors;
- sectoral and geographical diversification;
- frequency of distribution of loan to value rates.

In relation to the above, periodic information flows have been agreed centrally with the servicer, to be made available to Group banks that have subscribed to securities of this type, to ensure their compliance with the regulatory requirement that they must be "constantly aware of the composition of the portfolio of securitised exposures" pursuant to Article 253 of the CRR.

The periodic flows received from the Institutional Guarantee Fund are transmitted to all banks of the Group and supplement the Investor Report produced by the Special Purpose Vehicle.

Information of a quantitative nature

C.1 Prudential consolidation – Exposures deriving from primary "own" securitisation operations subdivided by type of securitised asset and type of exposure

TYPE OF SECURITISED ASSETS/EXPOSURES	On-balance exposures					
	Senior		Mezzanine		Junior	
	Book value	Value adjustments/ write-backs	Book value	Value adjustments/ write-backs	Book value	Value adjustments/ write-backs
A. Subject of full derecognition from the financial statements	**107**	**-**	**-**	**-**	**2**	**-**
IMPAIRED ASSETS	**107**	**-**	**-**	**-**	**2**	**-**
- Non-performing	107	-	-	-	2	-
- Unlikely to pay	-	-	-	-	-	-
- Past due	-	-	-	-	-	-
PERFORMING ASSETS	**-**	**-**	**-**	**-**	**-**	**-**
B. Subject of partial derecognition from the financial statements	**-**	**-**	**-**	**-**	**-**	**-**
IMPAIRED ASSETS	**-**	**-**	**-**	**-**	**-**	**-**
- Non-performing	-	-	-	-	-	-
- Unlikely to pay	-	-	-	-	-	-
- Past due	-	-	-	-	-	-
PERFORMING ASSETS	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised from the financial statements	**-**	**-**	**-**	**-**	**-**	**-**
IMPAIRED ASSETS	**-**	**-**	**-**	**-**	**-**	**-**
- Non-performing	-	-	-	-	-	-
- Unlikely to pay	-	-	-	-	-	-
- Past due	-	-	-	-	-	-
PERFORMING ASSETS	**-**	**-**	**-**	**-**	**-**	**-**

At the end of the reporting period, there are also credit lines for a total of EUR 3.3 million.

Off-balance-sheet

As at 31 December 2023, the scenario was not present.

C.2 Prudential consolidation – Exposures deriving from primary "third party" securitisation operations subdivided by type of securitised asset and type of exposure

TYPE OF UNDERLYING ASSETS/EXPOSURES	On-balance exposures					
	Senior		Mezzanine		Junior	
	Book value	Value adjustments/ write-backs	Book value	Value adjustments/ write-backs	Book value	Value adjustments/ write-backs
IMPAIRED ASSETS	**53**	**-**	**-**	**-**	**-**	**-**
- Non-performing	53	-	-	-	-	-
- Unlikely to pay	-	-	-	-	-	-
- Past due	-	-	-	-	-	-
PERFORMING ASSETS	**-**	**-**	**-**	**-**	**-**	**-**

At the end of the reporting period, there are also credit lines in third-party securitisation transactions for a total of EUR 1.7 million.

Off-balance-sheet

As at 31 December 2023, the scenario was not present.

C.3 Prudential consolidation – Securitisation special purpose vehicles

SECURITISATION NAME / SPV NAME	Registered office	Consolidation	ASSETS			LIABILITIES		
			Loans	Debt securities	Other	Senior	Mezzanine	Junior
Buonconsiglio I - Marmarole SPV S.r.l	Trento	Not consolidated	71	-	-	36	-	49
Buonconsiglio II - Nepal S.r.l.	Milan	Not consolidated	1	-	-	-	-	55
Buonconsiglio 3 S.r.l.	Milan	Not consolidated	93	-	-	104	21	5
Buonconsiglio 4 S.r.l.	Conegliano (TV)	Not consolidated	82	-	-	79	17	6
Lucrezia Securitisation S.r.l. - Padovana/Irpina	Rome	Not consolidated	8	-	-	95	-	-
Lucrezia Securitisation S.r.l. - Crediveneto	Rome	Not consolidated	6	-	-	35	-	-
Lucrezia Securitisation S.r.l. - Castiglione	Rome	Not consolidated	2	-	-	32	-	-

C.4 Prudential consolidation – Not consolidated securitisation special purpose vehicles

SECURITISATION NAME / SPV NAME	Amounts at 31/12/2023							Difference between exposure to risk of loss and book value (E=D-C)
	Accounting portfolios of assets		Total assets (A)	Accounting portfolios of liabilities	Total liabilities (B)	Net book value (C=A-B)	Maximum exposure to risk of loss (D) (**)	
	AC (*)	OFV (*)						
Buonconsiglio I - Marmarole SPV S.r.l	28	1	29		-	29	29	-
Buonconsiglio II - Nepal S.r.l	-	1	1		-	1	1	-
Buonconsiglio 3 S.r.l	80	3	83		-	83	83	-
Buonconsiglio 4 S.r.l	45	2	47		-	47	47	-
Lucrezia Securitisation S.r.l. - Padovana/Irpina	4	-	4		-	4	4	-
Lucrezia Securitisation S.r.l. - Crediveneto	2	-	2		-	2	2	-
Lucrezia Securitisation S.r.l.. - Castiglione	1	-	1		-	1	1	-

(*) AC = assets measured at amortised cost; OFV = Financial assets mandatorily measured at Fair Value.

(**) The maximum exposure to the risk of loss is calculated by adding off-balance sheet exposures to the net book value.

C.5 Prudential consolidation – Servicer activities - own securitisations: collections of securitised receivables and reimbursements of securities issued by the securitisation special purpose vehicle

During the year, the Group did not carry out any servicer activities in own securitisation transactions in which the assets sold were derecognised from the financial statements pursuant to IFRS 9.

C.6 Prudential consolidation – Consolidated securitisation special purpose vehicles

As at 31 December 2023, the scenario was not present.

D. DISPOSAL TRANSACTIONS

A. FINANCIAL ASSETS SOLD AND NOT FULLY DERECOGNISED

Information of a qualitative nature

With regard to the qualitative nature of these assets and related liabilities, reference should be made to the contents of table D.1. Prudential consolidation – Financial assets sold and fully recognised and associated financial liabilities: book values.

Information of a quantitative nature

D.1. Prudential consolidation - Financial assets sold and fully recognised and associated financial liabilities: book values

	Financial assets sold and fully recognised				Associated financial liabilities		
	Book value	of which: subject of securitisation transactions	of which: subject of repurchase agreements	of which impaired	Book value	of which: subject of securitisation transactions	of which: subject of repurchase agreements
A. FINANCIAL ASSETS HELD FOR TRADING	**-**	**-**	**-**	**X**	**-**	**-**	**-**
1. Debt securities	-	-	-	X	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**1,045**	**-**	**1,045**	**-**	**1,047**	**-**	**1,047**
1. Debt securities	1,045	-	1,045	-	1,047	-	1,047
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. FINANCIAL ASSETS MEASURED AT AMORTISED COST	**696**	**-**	**696**	**-**	**692**	**-**	**692**
1. Debt securities	696	-	696	-	692	-	692
2. Loans	-	-	-	-	-	-	-
Total 31/12/2023	**1,741**	**-**	**1,741**	**-**	**1,739**	**-**	**1,739**
Total 31/12/2022	**1,767**	**-**	**1,766**	**-**	**1,769**	**-**	**1,768**

The transactions shown above are mainly related to repos.

D.2. Prudential consolidation - Financial assets sold and partially recognised and associated financial liabilities: book values

At the end of the reporting period, the Group did not hold financial assets attributable to this scenario.

D.3. Prudential consolidation - Disposals with liabilities with reimbursement exclusively on assets sold and not fully derecognised: fair value

	Fully recognised	Partially recognised	Total	
			31/12/2023	31/12/2022
A. FINANCIAL ASSETS HELD FOR TRADING	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
4. Derivatives	-	-	-	-
B. OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
C. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Loans	-	-	-	-
D. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**1,045**	**-**	**1,045**	**18**
1. Debt securities	1,045	-	1,045	18
2. Equities	-	-	-	-
3. Loans	-	-	-	-
E. FINANCIAL ASSETS MEASURED AT AMORTISED COST (FAIR VALUE)	**696**	**-**	**696**	**1,729**
1. Debt securities	696	-	696	1,728
2. Loans	-	-	-	1
Total financial assets	**1,741**	**-**	**1,741**	**1,747**
Total associated financial liabilities	**1,739**	**-**	**X**	**X**
Net amount 31/12/2023	**2**	**-**	**1,741**	**X**
Net amount 31/12/2022	**(22)**	**-**	**X**	**1,747**

B. FINANCIAL ASSETS SOLD AND FULLY DERECOGNISED WITH RECOGNITION OF CONTINUING INVOLVEMENT

At the end of the reporting period, the Group had not sold any financial assets that had been fully derecognised, and the related continuing involvement should be recognised in the financial statements.

C. FINANCIAL ASSETS SOLD AND FULLY DERECOGNISED

Information of a qualitative nature

Transfer transactions to mutual investment funds with allocation of the relevant units to the assignor

During the year, no sales to mutual investment funds were carried out.

Non-performing loans assigned without recourse

During the year, the Group assigned without recourse non-performing loans for a gross value of EUR 93.8 million related to bad loans. The overall coverage of assigned loans is 88.7%.

D. COVERED BOND TRANSACTIONS

At the end of the reporting period, the Group had no covered bond transactions.

E. PRUDENTIAL CONSOLIDATION - CREDIT RISK MEASUREMENT MODELS

At the end of the reporting period, the Group does not use internal portfolio models to measure credit risk exposure. For more specific considerations, please refer to 2.2 Management, measurement and control systems (Section 2 – Risks of prudential consolidation).

1.2 MARKET RISKS

1.2.1 INTEREST RATE RISK AND PRICE RISK - REGULATORY TRADING BOOK

Information of a qualitative nature

A. General aspects

The Planning Department of the Parent Company and the Finance Department of the Affiliated Banks plan the investment choices relating to the trading book in accordance with the guidelines shared within the Group through the periodic portfolio management strategy documents and in compliance with any amounts of investment defined by the Board of Directors.

During the year, the proprietary portfolio management strategy established that the trading book activity was limited to financial instruments held for intermediation with banking and non-banking customers and to derivatives entered into for hedging risks (such as, for example, forward foreign exchange transactions for intermediation with customers or derivatives linked to the fair value option): such operations, being balanced, do not give rise to significant risks.

B. Management processes and measurement methods relative to interest rate and price risk

Interest rate risk – Regulatory trading book

The measurement of interest rate risk on the regulatory trading book, related to the securities component, is supported by the daily reports provided by the Risk Management Department of the Parent Company, which highlights the value at risk of the investment (VaR, Value at Risk). This is calculated using RiskMetrics applications, based on the historical method, over a 10-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk). The calculation of volatilities and correlations is made by assuming a future distribution of risk factor returns equal to the historical distribution over a given time horizon.

To support the definition of the structure of its internal limits, important strategic choices, or specific analyses, simulations of purchases and sales of financial instruments within its asset allocation are available, obtaining an updated calculation of the new risk exposure in terms of both VaR and effective duration.

The monitoring of market risk exposure is also carried out using the Montecarlo fat-tailed method, which uses a procedure to simulate the returns of risk factors on the basis of past volatility and correlation data, generating 10,000 random scenarios consistent with the market situation. An additional measure introduced to assess market risk is the expected shortfall, calculated with both the historical method and the Montecarlo method.

Additional risk statistics derived from VaR (such as Marginal VaR, Incremental VaR and Conditional VaR), measures of sensitivity of income instruments (Effective Duration) and analyses linked to the evolution of correlations between the various risk factors present are monitored through reporting.

The analyses are available at different levels of detail: on the entire trading book and within the latter on groupings by type of instrument (Equities, Funds, Fixed Rate and Government, Supranational and Corporate variable rate), up to the individual securities present.

Of particular importance is also the backtesting of the VaR model used daily, carried out on the entire portfolio of securities owned by comparing the VaR – calculated at 99% and over the daily time period – with the actual changes in the theoretical market value of the portfolio.

Daily stress tests are available on the theoretical market value of the own securities portfolio through which changes in the theoretical countervalue of the trading book and the various groupings of instruments (Equities, Funds, Fixed Rate and Government, Supranational and Corporate variable rate) present in it are studied with respect to certain market scenarios. As part of risk management strategies, various scenarios on the bond and equity front are monitored for a complete and improved analysis of the portfolio.

The reports described are monitored by the Risk Management Department, the Planning Department of the Parent Company, and Finance Department of the Affiliated Banks, and periodically submitted to the Board of Directors.

In addition, an automatic email alert is active if the attention thresholds and/or limits in the internal regulations are exceeded.

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

Price risk – Regulatory trading book

In line with the section on interest rate risk - regulatory trading book, the measurement of price risk on the regulatory trading book is supported by the reports provided by the Management Department of the Parent Company, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics applications, on the basis of the historical method, over a 10-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (interest rate risk, equity risk, foreign exchange risk and inflation risk).

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

Information about the VaR calculations for the securities component of the regulatory trading book during the course of 2023 is reported below:

(Figures rounded to nearest euro unit)

VaR 31/12/2023	Average VaR	Minimum VaR	Maximum VaR
-	-	-	-

As at 31 December 2023, there were no securities in the regulatory trading book, according to the strategic guidelines established by the Parent Company.

Information of a quantitative nature

1. Regulatory trading book: Breakdown by residual duration (re-pricing date) of financial assets and liabilities in cash as well as financial derivatives

Euro

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 years and 10 years	Beyond 10 years	Indefinite Maturity
1. CASH ASSETS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. CASH LIABILITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase Agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. FINANCIAL DERIVATIVES								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	135	27	29	56	-	-	-
+ Short positions	-	135	27	29	56	-	-	-
- Other derivatives								
+ Long positions	11	178	15	6	23	6	5	-
+ Short positions	11	251	30	6	22	6	5	-

Currencies other than the Euro

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 years and 10 years	Beyond 10 years	Indefinite Maturity
1. CASH ASSETS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. CASH LIABILITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase Agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. FINANCIAL DERIVATIVES								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	89	22	4	-	-	-	-
+ Short positions	-	16	7	4	1	-	-	-

2. Regulatory trading book: breakdown of exposures in equities and stock market indices for the main countries of the listed market

At the end of the reporting period, the Group did not hold financial assets attributable to this scenario.

3. Regulatory trading book: internal models and other methodologies for sensitivity analysis

The measurement of price risk on the trading book is supported by reports provided by the Risk Management Department of the Parent Company, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics applications, based on the historical method, over a 10-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk).

The VaR measurement is available daily for monitoring and operational evaluations carried out by the Risk Management Department and the Planning Department of the Parent Company and the Finance Department of the Affiliated Banks, and is calculated on various levels of detail which, in addition to the Total portfolio, consider the Banking portfolio, the business models, the various groupings by type of instrument (Equities, Funds, Fixed Rate and Government, Supranational and Corporate variable rate), up to the individual securities present.

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

1.2.2 INTEREST RATE RISK AND PRICE RISK - BANKING BOOK

Information of a qualitative nature

A. General aspects, management processes and measurement methods for interest rate and price risk

Interest rate risk – Banking book

Primary sources of interest rate risk

The sources of the interest rate risk to which the Group is exposed can be identified mainly in the lending, funding and finance processes, since the banking book consists mainly of loans and the various forms of funding from customers.

In particular, ‘fair value’ interest rate risk is derived from fixed-rate items while interest rate risk from cash flows is derived from variable-rate items.

However, items on demand generally include asymmetrical behaviours, depending on whether one considers liability or asset items; the former - being characterised by greater stability - primarily refer to fair value risk while the second are more sensitive to market changes and therefore ascribable to cash flow risk.

Internal management processes and measurement methods for interest rate risk

The Group has put in place appropriate mitigation and control measures aimed at avoiding the possibility of positions exceeding a certain level of objective risk.

These mitigation and control measures are applied within the framework of corporate regulations aimed at setting up monitoring processes based on position limits and systems of attention thresholds in terms of internal capital, beyond which appropriate corrective actions are triggered.

With regard to this point, the following are defined:

- policies and procedures for managing interest rate risk that are consistent with the nature and complexity of the activity carried out;
- measurement metrics consistent with the risk measurement methodology adopted by the Group, on the basis of which an early warning system has been defined that allows for the timely identification and activation of appropriate corrective measures;
- operational limits and internal procedural provisions which aim to maintain exposure within limits that are consistent with the managerial policy and with the alert thresholds pursuant to prudential regulations.

From an organisational point of view, the Group has identified the Planning Department of the Parent Company and the Finance Departments of the Affiliated Banks as the structures responsible for overseeing this process of managing interest rate risk on the banking book.

The monitoring of interest rate risk exposure on the banking book is carried out on a monthly basis.

With regard to the risk measurement methodology in terms of change in economic value and change in interest margin, the Group has decided to use the calculation framework provided by the EBA guidelines (EBA/GL/2022/14) which is based on the following elements:

- sensitivity analysis to economic value: the calculation engine allows the quantification of the difference in fair value of financial statement items calculated according to the Discounted Cash Flow method using first a base curve (without shock) and then a shocked curve. The reports can be prepared individually or aggregated on the basis of their specific financial characteristics;
- margin sensitivity analysis: the calculation engine allows the quantification of the difference in the interest margin against specific expected rate scenarios (baseline or adverse) or one or more rate shocks (parallel or otherwise), assuming the reinvestment of maturing (assuming of constant volumes) or rate-revising flows (indexed ratios) at forward rates over a predefined time period (e.g. twelve months);
- treatment of behavioural models: the calculation engine allows for the behavioural models to be taken into account in the analysis (value and margin); in 2023, an update was applied to the model of items on demand, estimated using Group data and a new prepayment model was developed and put into production, applied to loans repayable in instalments.

The Group determines the internal capital for interest rate risk according to the model of the change in economic value shown above, applying a parallel rate shock of +/- 200 basis points.

Additional stress scenarios, as indicated in the relevant legislation, are determined to assess the impacts of non-parallel curve shifts (steepening, flattening, short rates up and down) and from cases established internally within the Group. With the introduction by regulation of the SOT (Supervisory Outlier Test) also on the NII (Net Interest Income) from 30 June 2023, the Group has adapted its rate risk monitoring process on the Interest Margin by calculating and monitoring the respective levels of "large decline".

The risk indicator is represented in the RAF (Risk Appetite Framework) by the ratio between the internal capital thus calculated and the value of CET1. At consolidated level, the Parent Company monitors the Group's positioning with respect to the attention thresholds of 15% for the Economic Value and 5% for the Interest Margin set by EBA's Guidelines and Regulatory Technical Standards (RTS). If the risk indicator exceeds the thresholds set out in the RAF, the appropriate recovery initiatives are activated.

Price risk – Banking book

In line with the section on interest rate risk - regulatory trading book, the measurement of price risk on the banking book is supported by the reports provided by the Risk Management Department of the Parent Company, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics applications, based on the historical method, over a 10-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk).

The VaR measurement is available daily for monitoring and operational evaluations carried out by the Risk Management Department and the Planning Department of the Parent Company and the Finance Department of the Affiliated Banks, and is calculated on various levels of detail which, in addition to the Total portfolio, consider the Banking portfolio, the business models, the various groupings by type of instrument (Equities, Funds, Fixed Rate and Government, Supranational and Corporate variable rate), up to the individual securities present.

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

Information about the VaR calculations for the securities component of the banking book during the course of 2023 is reported below:

(Figures rounded to nearest euro unit)

VaR 31/12/2023	Average VaR	Minimum VaR	Maximum VaR
472,484,284	597,128,831	471,691,911	971,925,540

Control over the reliability of the model is implemented through theoretical backtesting activities which verify daily changes in the market value of the banking book, as calculated by the model with an estimate of the expected loss for the day. At portfolio level the previous model did not identify any significant overruns in the year.

The year 2023 saw a continuation, with respect to VaR, of the quantification of issuer risk for government securities and therefore country risk, understood as VaR relating only to the risk factor "Credit Spread", expressed as the spread between the Italian government bond curve and the risk-free curve, understood as the reference monetary curve for each currency in which the bond is denominated. VaR and Expected Shortfall metrics were also calculated only on the Italian Government bonds segment.

With regard to stress tests, the outcomes of simulations of the impact of different shock scenarios on the theoretical value of the portfolio on 31 December 2023 is reported below. The shocks replicate parallel movements of +/-25 and +/-50 basis points for the primary rate curves that were used in the valuation of securities within the owned portfolio.

(Figures rounded to nearest euro unit)

Theoretical value at 31/12/23	Shock value changes -25 bps	Shock value changes +25 bps	Shock value changes -50 bps	Shock value changes +50 bps
35,142,064,128	+251,812,624	-246,844,138	+508,759,798	-488,841,447

Information of a quantitative nature

1. Banking book: breakdown by residual duration (re-pricing date) of financial assets and liabilities

Euro

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 years and 10 years	Beyond 10 years	Indefinite Maturity
1. CASH ASSETS	**11,939**	**23,818**	**10,956**	**5,393**	**14,566**	**9,806**	**7,272**	**-**
1.1 Debt securities	-	5,873	9,016	3,475	8,147	5,648	2,998	-
- with early repayment option	-	94	14	13	29	109	5	-
- other	-	5,779	9,002	3,462	8,118	5,539	2,993	-
1.2 Loans to banks	134	691	-	57	-	-	-	-
1.3 Loans to customers	11,805	17,254	1,940	1,861	6,419	4,158	4,274	-
- current accounts	2,920	637	53	66	67	11	1	-
- other loans	8,885	16,617	1,887	1,795	6,352	4,147	4,273	-
- with early repayment option	2,680	7,064	838	870	3,014	1,760	2,120	-
- other	6,205	9,553	1,049	925	3,338	2,387	2,153	-
2. CASH LIABILITIES	**58,671**	**5,671**	**1,708**	**9,310**	**3,236**	**114**	**136**	**-**
2.1 Due to customers	57,904	2,182	633	898	1,109	113	133	-
- current accounts	54,733	400	464	656	721	24	1	-
- other payables	3,171	1,782	169	242	388	89	132	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	3,171	1,782	169	242	388	89	132	-
2.2 Due to banks	725	1,964	219	7,261	-	1	-	-
- current accounts	266	-	-	-	-	-	-	-
- other payables	459	1,964	219	7,261	-	1	-	-
2.3 Debt securities	42	1,525	856	1,151	2,127	-	3	-
- with early repayment option	2	1,358	596	780	1,642	-	-	-
- other	40	167	260	371	485	-	3	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 years and 10 years	Beyond 10 years	Indefinite Maturity
3. FINANCIAL DERIVATIVES								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	1	29	29	57	419	400	585	-
+ Short positions	225	1,119	42	39	56	23	16	-
- Other derivatives								
+ Long positions	5	657	38	84	10	5	-	-
+ Short positions	-	12	12	33	230	242	270	-
4. OTHER OFF-BALANCE-SHEET OPERATIONS								
+ Long positions	133	56	4	6	10	6	13	-
+ Short positions	213	2	4	1	8	-	-	-

Currencies other than the Euro

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 years and 10 years	Beyond 10 years	Indefinite Maturity
1. CASH ASSETS	**26**	**15**	**2**	**-**	**2**	**46**	**-**	**-**
1.1 Debt securities	-	-	-	-	1	46	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	1	46	-	-
1.2 Loans to banks	21	5	1	-	1	-	-	-
1.3 Loans to customers	5	10	1	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other loans	5	10	1	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	5	10	1	-	-	-	-	-
2. CASH LIABILITIES	**127**	**2**	**-**	**-**	**39**	**-**	**-**	**-**
2.1 Due to customers	121	2	-	-	-	-	-	-
- current accounts	116	-	-	-	-	-	-	-
- other payables	5	2	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	5	2	-	-	-	-	-	-
2.2 Due to banks	6	-	-	-	39	-	-	-
- current accounts	6	-	-	-	-	-	-	-
- other payables	-	-	-	-	39	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. FINANCIAL DERIVATIVES								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 years and 10 years	Beyond 10 years	Indefinite Maturity
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. OTHER OFF-BALANCE-SHEET OPERATIONS								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

2. Banking book: internal models and other methodologies for sensitivity analysis

For management purposes, the Group quantifies on a monthly basis the impacts deriving from parallel and non-parallel curve shocks, both for the change in economic value and for the change in the interest margin.

On the basis of the analyses as at 31 December 2023, assuming a change in interest rates of +/-100 basis points, the effects relating to the change in the economic value and the interest margin are shown, then compared to the value of the Tier 1, therefore adapting the calculation to the new indicator established by RTS/2022/10.

(Figures rounded to nearest euro unit)

CHANGE IN ECONOMIC VALUE	Scenario +100 basis points	Scenario -100 basis points
Banking book: loans	-1,206,308,465	1,360,021,387
Banking book: securities	-1,041,850,713	1,139,118,113
Other assets	-12,126,000	13,027,339
Liabilities	2,037,237,999	-2,211,669,555
Total	-223,047,179	300,497,283
Tier 1	8,114,548,632	8,114,548,632
% Impact on Tier 1	-2.75%	3.70%

(Figures rounded to nearest euro unit)

CHANGE IN INTEREST MARGIN	Scenario +100 basis points	Scenario -100 basis points
Banking book: loans	208,142,748	-200,257,239
Banking book: securities	97,439,582	-97,750,503
Other assets	7,784,690	-17,136,243
Liabilities	-193,686,851	190,891,961
Total	119,680,169	-124,252,024
Tier 1	8,114,548,632	8,114,548,632
% Impact on Tier 1	1.47%	-1.53%

1.2.3 EXCHANGE RATE RISK

Information of a qualitative nature

A. General aspects, management processes and measurement methods for exchange rate risk

In line with the section on interest rate risk - regulatory trading book, the measurement of exchange rate risk relating to foreign currency income instruments held is supported by the reports provided by the Risk Management Department of the Parent Company, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics applications, based on the historical method, over a 10-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk).

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

B. Exchange rate risk hedging activities

Exchange rate risk hedging activities are implemented through a careful policy of essentially balancing booked foreign currency positions. To this end, in 2023 the Group carried out transactions to hedge the exchange rate risk using outright derivatives.

Information of a quantitative nature

1. Distribution of assets, liabilities and derivatives by currency

ITEMS	Currency					
	USD	GBP	JPY	CAD	CHF	OTHER CURRENCIES
A. FINANCIAL ASSETS	**75**	**1**	**1**	**1**	**16**	**2**
A.1 Debt securities	47	-	-	-	-	-
A.2 Equities	3	-	-	-	-	-
A.3 Loans to banks	12	1	1	1	11	2
A.4 Loans to customers	13	-	-	-	5	-
A.5 Other financial assets	-	-	-	-	-	-
B. OTHER ASSETS	**10**	**2**	**-**	**1**	**2**	**2**
C. FINANCIAL LIABILITIES	**143**	**8**	**1**	**1**	**15**	**2**
C.1 Due to banks	44	1	-	-	-	-
C.2 Due to customers	99	7	1	1	15	2
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. OTHER LIABILITIES	**-**	**-**	**-**	**-**	**-**	**-**
E. FINANCIAL DERIVATIVES						
- Options						
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-
- Other derivatives						
+ Long positions	106	6	-	2	-	-
+ Short positions	25	-	-	-	1	1
Total assets	**191**	**9**	**1**	**4**	**18**	**4**
Total liabilities	**168**	**8**	**1**	**1**	**16**	**3**
Imbalance (+/-)	**23**	**1**	**-**	**3**	**2**	**1**

2. Internal models and other methodologies for sensitivity analysis

The Group's overall exposure to exchange rate risk is very limited: the effects of changes in exchange rates on net interest and other banking income, net profit for the year and equity, as well as the results of scenario analyses, are not reported.

1.3 DERIVATIVES AND HEDGING POLICIES

1.3.1 DERIVATIVES HELD FOR TRADING

A. Financial derivatives

A.1 Financial derivatives held for trading: notional values at the end of the period

UNDERLYING ASSETS / TYPE OF DERIVATIVES	Total 31/12/2023				Total 31/12/2022			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. DEBT SECURITIES AND INTEREST RATES	**-**	**276**	**90**	**-**	**-**	**379**	**-**	**-**
a) Options	-	112	37	-	-	151	-	-
b) Swaps	-	164	53	-	-	228	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. EQUITIES AND STOCK MARKET INDICES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. CURRENCIES AND GOLD	**-**	**101**	**21**	**-**	**-**	**145**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	101	21	-	-	145	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. COMMODITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. OTHER	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**377**	**111**	**-**	**-**	**524**	**-**	**-**

A.2 Financial derivatives held for trading: Gross positive and negative fair value - breakdown by product

DERIVATIVE TYPES	Total 31/12/2023				Total 31/12/2022			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. POSITIVE FAIR VALUE								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	5	-	-	-	6	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	2	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**5**	**-**	**-**	**-**	**8**	**-**	**-**
2. NEGATIVE FAIR VALUE								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	2	1	-	-	5	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	1	-	-	-	2	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**3**	**1**	**-**	**-**	**7**	**-**	**-**

A.3 OTC financial derivatives held for trading: notional values, gross positive and negative fair value by counterparty

UNDERLYING ASSETS	Central counterparties	Banks	Other financial corporations	Other subjects
Contracts not part of netting agreements				
1) DEBT SECURITIES AND INTEREST RATES				
- notional value	X	-	-	90
- positive fair value	X	-	-	-
- negative fair value	X	-	-	1
2) EQUITIES AND STOCK MARKET INDICES				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) CURRENCIES AND GOLD				
- notional value	X	-	-	21
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) COMMODITIES				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts that are part of netting agreements				
1) DEBT SECURITIES AND INTEREST RATES				
- notional value	-	276	-	-
- positive fair value	-	5	-	-
- negative fair value	-	2	-	-
2) EQUITIES AND STOCK MARKET INDICES				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

UNDERLYING ASSETS	Central counterparties	Banks	Other financial corporations	Other subjects
3) CURRENCIES AND GOLD				
- notional value	-	101	-	1
- positive fair value	-	-	-	-
- negative fair value	-	1	-	-
4) COMMODITIES				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC financial derivatives: notional values

UNDERLYING/RESIDUAL LIFE	Up to 1 year	From 1 to 5 years	Beyond 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	96	105	165	**366**
A.2 Financial derivatives on equities and stock market indices	-	-	-	**-**
A.3 Financial derivatives on currencies and gold	121	1	-	**122**
A.4 Financial derivatives on commodities	-	-	-	**-**
A.5 Other financial derivatives	-	-	-	**-**
Total 31/12/2023	**217**	**106**	**165**	**488**
Total 31/12/2022	**211**	**73**	**240**	**524**

B. Credit derivatives

At the end of the reporting period, the Group had not entered into any transactions in credit derivatives. This section shall therefore not be filled in.

1.3.2 Accounting hedges

Information of a qualitative nature

A. Fair value hedging

The purpose of fair value hedging is to immunise changes in the fair value of funding and loans caused by movements in the interest rate curve. The main types of derivatives used are interest rate swaps. The assets and liabilities covered, identified in detail, are mainly fixed-rate loans to customers, which fall under specific or portfolio hedges.

In 2023 an interest rate swap was negotiated on an Italian fixed-rate government bond present in the securities portfolio. The operation falls under a Fair Value Hedge. The nominal amount of the security is EUR 5 million, a quantity entirely hedged by the operation. The aim was to sterilise any changes in fair value in the security deriving from changes in the risk-free rates curve.

The Group also has management hedging transactions for a negligible amount against changes in fair value, for the accounting representation of which it uses the provisions of the so-called fair value option has been exercised. The main types of derivatives used are interest rate swaps. The assets and liabilities covered are mainly loans to customers.

The Group has adopted organisational and instrumental controls in accordance with the regulations governing the fair value option.

The Group has equipped itself with the necessary organisational controls for an informed management of hedging transactions and related risks through the adoption of the Group's Hedge Accounting Policy.

B. Cash flow hedging

At the date of preparation of the financial statement, the Group does not engage in cash flow hedging transactions, i.e. hedging exposure to variability in cash flows associated with variable rate financial instruments.

C. Hedging of foreign investments

During 2023, the Group did not carry out any foreign investment hedging transactions.

D. Hedging instruments

Derivatives are not listed on regulated markets and fall under contracts stipulated through Clearing Houses, contracted on over-the-counter (OTC) markets.

E. Hedged elements

For more information see paragraph "A. Fair value hedging" in this section.

Information of a quantitative nature

A. Financial hedging derivatives

A.1 Financial hedging derivatives: notional values at the end of the period

UNDERLYING ASSETS / TYPE OF DERIVATIVES	Total 31/12/2023				Total 31/12/2022			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. DEBT SECURITIES AND INTEREST RATES	**-**	**799**	**-**	**-**	**-**	**892**	**-**	**-**
a) Options	-	-	-	-	-	75	-	-
b) Swaps	-	799	-	-	-	817	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. EQUITIES AND STOCK MARKET INDICES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. CURRENCIES AND GOLD	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. COMMODITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. OTHER	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**799**	**-**	**-**	**-**	**892**	**-**	**-**

A.2 Financial hedging derivatives: Gross positive and negative fair value - breakdown by product

DERIVATIVE TYPES	Positive and negative fair value								Change in the value used to detect the ineffectiveness of the hedging	
	Total 31/12/2023				Total 31/12/2022				Total 31/12/2023	Total 31/12/2022
	Over the counter			Organised markets	Over the counter			Organised markets		
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties				
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements			
POSITIVE FAIR VALUE										
a) Options	-	-	-	-	-	2	-	-	-	-
b) Interest rate swaps	-	84	-	-	-	123	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**84**	**-**	**-**	**-**	**125**	**-**	**-**	**-**	**-**
NEGATIVE FAIR VALUE										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	4	-	-	-	1	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**4**	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**-**

A.3 OTC financial hedging derivatives: notional values, gross positive and negative fair value by counterparty

UNDERLYING ASSETS	Central counterparties	Banks	Other financial corporations	Other subjects
Contracts not part of netting agreements				
1) DEBT SECURITIES AND INTEREST RATES				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) EQUITIES AND STOCK MARKET INDICES				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) CURRENCIES AND GOLD				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) COMMODITIES				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts that are part of netting agreements				
1) DEBT SECURITIES AND INTEREST RATES				
- notional value	-	799	-	-
- positive fair value	-	84	-	-
- negative fair value	-	4	-	-
2) EQUITIES AND STOCK MARKET INDICES				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

UNDERLYING ASSETS	Central counterparties	Banks	Other financial corporations	Other subjects
3) CURRENCIES AND GOLD				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) COMMODITIES				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other	-	-	-	**-**
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC financial hedging derivatives: notional values

UNDERLYING/RESIDUAL LIFE	Up to 1 year	From 1 to 5 years	Beyond 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	57	230	512	799
A.2 Financial derivatives on equities and stock market indices	-	-	-	-
A.3 Financial derivatives on currencies and gold	-	-	-	-
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31/12/2023	**57**	**230**	**512**	**799**
Total 31/12/2022	**60**	**304**	**528**	**892**

B. Credit derivatives

At the end of the reporting period, the Group had not entered into any transactions in credit derivatives. This section shall therefore not be filled in.

C. Non-derivative hedging instruments

At the end of the reporting period, the Group had not carried out any transactions attributable to this scenario. This section shall therefore not be filled in.

D. Hedged instruments

D.1 Fair value hedging

The Group avails itself of the possibility, provided for in the introduction of IFRS 9, to continue to apply in full the provisions of IAS 39 on hedge accounting (in the carved out version approved by the European Commission) for each type of hedge (for both specific hedges and macro hedges).

	Specific hedges: book value	Specific hedges - net positions: book value of assets or liabilities (before offsetting)	Specific hedges			Macro hedges: Book value
			Accrued fair value changes in the hedged instrument	Disposal of the hedge: accrued residual changes in fair value	Changes in the value used to detect the ineffectiveness of the hedging	
A. Assets						
1. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - HEDGING OF:	-	-	-	**-**	**-**	**-**
1.1 Debt securities and interest rates	-	-	-	-	-	X
1.2 Equities and stock market indices	-	-	-	-	-	X
1.3 Currencies and gold	-	-	-	-	-	X
1.4 Loans	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
2. FINANCIAL ASSETS MEASURED AT AMORTISED COST - HEDGING OF:	30	-	(1)	**-**	**-**	**753**
1.1 Debt securities and interest rates	30	-	(1)	-	-	X
1.2 Equities and stock market indices	-	-	-	-	-	X
1.3 Currencies and gold	-	-	-	-	-	X
1.4 Loans	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
Total 31/12/2023						**753**
Total 31/12/2022						**696**
B. Liabilities						
1. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST - HEDGING OF:	17	-	-	**-**	**-**	**-**
1.1 Debt securities and interest rates	17	-	-	-	-	X
1.2 Currencies and gold	-	-	-	-	-	X
1.3 Other	-	-	-	-	-	X
Total 31/12/2023	**17**	**-**	**-**	**-**	**-**	**-**
Total 31/12/2022	**27**	**-**	**-**	**-**	**-**	**-**

D.2 Hedging of cash flows and foreign investments

At the end of the reporting period, the Group had not carried out any transactions attributable to this scenario. This table is therefore not filled in.

E. Effects of equity hedging transactions

At the end of the reporting period there were no cash flow hedge valuation reserves deemed significant. This section shall therefore not be filled in.

1.3.3 Other information on derivatives (trading and hedging)

A. Financial and credit derivatives

A.1 OTC financial and credit derivatives: net fair values by counterparties

	Central counterparties	Banks	Other financial corporations	Other subjects
A. FINANCIAL DERIVATIVES				
1) Debt securities and interest rates				
- notional value	-	1,075	-	90
- positive net fair value	-	89	-	-
- negative net fair value	-	6	-	1
2) Equities and stock market indices				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	101	-	21
- positive net fair value	-	-	-	-
- negative net fair value	-	1	-	-
4) Commodities				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
B. CREDIT DERIVATIVES				
1) Purchase of protection				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
2) Sale of protection				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-

1.4 LIQUIDITY RISK

Information of a qualitative nature

A. General aspects, management processes and measurement methods for liquidity risk

Liquidity risk is defined as the possibility that the Group may not be able to meet its payment commitments due to the inability to raise new funds and/or sell its assets on the market (Funding Liquidity Risk), or that it may be forced to incur very high costs to meet these commitments (Market Liquidity Risk). Funding liquidity risk can be divided into: (i) Mismatching Liquidity Risk, consisting of the risk associated with the different time profile of cash inflows and outflows determined by the misalignment of the maturities of financial assets and liabilities on (and off) the balance sheet; (ii) Contingency Liquidity Risk, i.e. the risk that unexpected events may require a higher amount of cash and cash equivalents than estimated as necessary; and (iii) Margin Calls Liquidity Risk, i.e. the risk that the Group, in the event of adverse changes in the fair value of financial instruments, is contractually required to restore the reference margins by means of collateral/cash margins.

In this regard, it should be noted that the Delegated Regulation of the European Commission (EU) no. 61/2015 introduced the Liquidity Coverage Requirement (LCR) for credit institutions (hereinafter "DR-LCR"). The LCR is a short-term rule aimed at ensuring the availability of liquid assets by individual banks that allow them to survive in the short to very short term in the event of acute stress, without recourse to the market. The indicator compares the liquid assets available to the Group with net cash outflows (difference between gross outflows and inflows) expected over a 30-day time period, the latter developed taking into account a predefined stress scenario: a 100% requirement must be met. The DR-LCR integrates and, in part, amends the provisions of Regulation no. 575/2013 (CRR) which provides only for obligations of a reporting nature.

Liquidity risk can be generated by various factors both internal and external to the Group. The sources of liquidity risk can therefore be distinguished in the following macro-categories:

- endogenous: represented by negative events specific to the Group (e.g. deterioration of the Group's creditworthiness and loss of confidence on the part of creditors);
- exogenous: when the origin of the risk can be traced back to negative events not directly controllable by the Group (political crises, financial crises, catastrophic events, etc.) that cause situations of liquidity tension in the markets;
- combinations of the above.

The identification of the factors from which liquidity risk is generated is carried out by means of the following:

- the analysis of the time distribution of cash flows of financial assets and liabilities and off-balance sheet transactions;
- the identification of:
    - items that do not have a defined due date (on demand and revocation items);
    - financial instruments that incorporate optional components (explicit or implicit) that may change the entity and/or the time distribution of cash flows (e.g. early redemption options);

- financial instruments that by their nature determine variable cash flows depending on the performance of specific underlying assets (e.g. derivatives);

- the analysis of the level of seniority of financial instruments.

The processes in which the Group's liquidity risk arises are mainly represented by the Finance/Treasury, Funding and Credit processes.

The internal regulation of liquidity risk management meets the requirements set out in the regulatory provisions and guarantees consistency between the management measurements and the regulatory ones.

The Group adopts a liquidity risk management and governance system which, in accordance with the provisions of the Supervisory Authorities and on the basis of the guidelines defined by the Parent Company, pursues the objectives of:

- being liquid at all times and, therefore, to remain in a position to meet its payment obligations in situations of both normal business and stress;
- financing its activities at the best current and prospective market conditions.

To this end, in its function as a strategic Supervisory Authority, the Board of Directors of the Parent Company and of each Affiliated Bank defines the strategies, policies, responsibilities, processes, risk objectives, tolerance thresholds and limits to exposure to liquidity risk (operating and structural), as well as instruments for liquidity risk management – related to membership of the Cooperative Banking Group – by formalising its internal regulations on liquidity risk management and governance.

The Group's liquidity is managed by the Planning Department of the Parent Company and by the Finance Department of the Affiliated Banks in accordance with the aforementioned strategic guidelines. To this end, it makes use of the commitment forecasts made through internal procedures where information on forecast cash requirements and availability can be found. The organisational controls of liquidity risk are defined in terms of line controls and activities of the control functions at level II and III. Liquidity risk is controlled by the Risk Management Department of the Parent Company, which makes use of its representative at the Affiliated Banks to check the availability of sufficient liquidity reserves to ensure solvency in the short term and diversification of sources of funding and, at the same time, to maintain a substantial balance between average maturities of lending and funding in the medium/long term.

The Group intends to pursue a dual objective:

- the management of operating liquidity aimed at verifying the Group's ability to meet expected and unforeseen short-term (up to 12 months) cash payment commitments;
- structural liquidity management aimed at maintaining an adequate ratio between total liabilities and medium/long-term assets (over 12 months).

The Group has structured its control of short-term operating liquidity on two levels:

- the first level provides for daily supervision of the treasury position;
- the second level provides for monthly monitoring of the overall operating liquidity position.

With reference to the monthly monitoring of the overall operating liquidity position, the Group uses the analysis reports available monthly prepared by the Parent Company.

Monthly measurement and monitoring of the operating liquidity position is carried out by means of the following methods:

- the LCR indicator, for the 30-day liquidity position, as determined on the basis of the DR-LCR and transmitted (according to the template developed by the EBA) on a monthly basis to the Supervisory Authority;
- its liquidity position by means of the time to survival indicator, designed to measure the ability to cover the liquidity imbalance generated by inertial operations of balance sheet items;
- a set of summary indicators aimed at highlighting vulnerabilities in the Group's liquidity position in reference to the degree of concentration of loans and deposits with the main counterparties;
- analysis of the level of asset encumbrance and quantification of readily monetised assets.

In particular, as regards the concentration of funding sources at the end of the reporting period, the incidence of funding from the top 10 counterparties (private and Non-financial corporations) on the Group's total funding from customers is 0.7% as at 31 December 2023.

The Group's exposure to unexpected cash outflows mainly relates to:

- items that do not have a defined maturity (primarily current account liabilities and unrestricted deposits);
- liabilities at maturity (certificates of deposit, term deposits) which, at the request of the depositor, can be repaid early;
- its own bonds, for which the Group operates in order to guarantee liquidity on the secondary market;
- commitments to exchange collateral arising from margining agreements relating to OTC derivative transactions;
- the margins available on the credit lines granted.

With reference to the management of structural liquidity, the Group uses the analysis reports available monthly prepared by the Parent Company.

The Net Stable Funding Ratio, consisting of the ratio between stable sources of funding and medium/long-term assets, is measured monthly from reporting and management sources by means of the percentages set out in the EU Regulation no. 2019/876 (CRR2).

In order to assess its vulnerability to exceptional but plausible liquidity stress situations, the Group calculates and monitors the LCR indicator as determined on the basis of the DR-LCR and transmitted (according to the template developed by the EBA) on a monthly basis to the Supervisory Authority. Periodic scenario stress tests are also conducted. The latter, conducted according to a qualitative approach based on the company's experience and the indications provided by the regulations and supervisory guidelines, cover two scenarios of liquidity, market/systemic and Group-specific crises. In particular, the Group performs the stress analysis by extending the scenario covered by the LCR regulation, with the aim of assessing the impact of additional load tests.

Over the last few years, additional stress scenarios linked to the pandemic crisis have been introduced (which affects the inflow component) and climate risk (both physical and transition). The results of the analyses carried out are periodically documented to the Board of Directors.

On the basis of the guidelines defined by the Parent Company, crisis, system/market early warning indicators have been identified, i.e. a set of qualitative and quantitative measurements useful for identifying signs of a potential increase in exposure to liquidity risk. These indicators represent, together with the results of liquidity risk measurement, an important information element for the activation of liquidity risk mitigation measures.

With regard to the Contingency Funding Plan (CFP), i.e. the organisational and operational procedures to be implemented to deal with situations of alert or liquidity crisis, it should be noted that management is centralised at the Parent Company; it follows that in the event of any critical issues regarding the liquidity profile encountered at the level of individual banks belonging to the Group, it is the Parent Company that intervenes using the resources available to the entire Group. The CFP is therefore only activated if there is a problem with the consolidated values of the Cassa Centrale Group. The Group's CFP defines the statuses of non-ordinary operations and the processes and tools for their activation/management (roles and responsibilities of the corporate bodies and organisational units involved, systemic and specific crisis early warning indicators, procedures for monitoring and activating non-ordinary operations, crisis management strategies and tools).

Traditionally, the Group has had a significant amount of liquid resources due to both the composition of its liquidity buffer, consisting mainly of high-quality financial instruments eligible for refinancing operations with the Eurosystem, and the adoption of funding policies aimed at favouring direct retail funding.

As at 31 December 2023, the total amount of free cash reserves, understood as high-quality liquid assets calculated for the purposes of determining the Liquidity Coverage Ratio (LCR), stood at EUR 26.2 billion.

The recourse to refinancing from the ECB amounted to EUR 9.3 billion and is mainly represented by funding from participation in the Targeted Longer Term Refinancing Operations (TLTRO).

Information of a quantitative nature

1. Time-based breakdown by residual contractual duration of financial assets and liabilities

Euro

ITEMS/TIME PERIOD BRACKETS	On demand	Between 1 day and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 month and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Indefinite useful life
A. CASH ASSETS	**3,972**	**205**	**622**	**1,045**	**4,917**	**3,982**	**9,580**	**30,858**	**31,570**	**573**
A.1 Government securities	2	-	331	445	2,825	1,582	5,559	14,352	9,281	-
A.2 Other debt securities	29	-	4	3	31	23	37	625	793	-
A.3 UCITS units	133	-	-	-	-	-	-	-	-	-
A.4 Loans	3,808	205	287	597	2,061	2,377	3,984	15,881	21,496	573
- Banks	136	12	9	-	78	-	64	-	-	573
- Customers	3,672	193	278	597	1,983	2,377	3,920	15,881	21,496	-
B. CASH LIABILITIES	**58,244**	**781**	**939**	**231**	**2,803**	**1,446**	**9,593**	**4,820**	**471**	**-**
B.1 Deposits and current accounts	57,750	27	49	88	421	616	935	1,027	37	-
- Banks	336	-	-	-	32	-	-	2	7	-
- Customers	57,414	27	49	88	389	616	935	1,025	30	-
B.2 Debt securities	40	46	65	95	392	561	915	3,659	5	-
B.3 Other liabilities	454	708	825	48	1,990	269	7,743	134	429	-
C. OFF BALANCE-SHEET OPERATIONS										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	4	2	2	6	7	4	1	-	-
- Short positions	-	35	12	16	27	22	4	-	-	-
C.2 Financial derivatives without exchange of capital										
- Long positions	4	-	-	-	1	1	2	2	2	-
- Short positions	5	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	11	-	-	2	21	22	21	25	60	-
- Short positions	162	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	491	-	-	2	5	9	17	59	55	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Currencies other than the Euro

ITEMS/TIME PERIOD BRACKETS	On demand	Between 1 day and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 month and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Indefinite useful life
A. CASH ASSETS	**20**	**7**	**2**	**6**	**5**	**4**	**1**	**3**	**46**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	1	1	45	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	20	7	2	6	5	4	-	2	1	-
- Banks	15	6	1	3	-	2	-	1	-	-
- Customers	5	1	1	3	5	2	-	1	1	-
B. CASH LIABILITIES	**128**	**-**	**-**	**-**	**2**	**-**	**1**	**39**	**-**	**-**
B.1 Deposits and current accounts	126	-	-	-	-	-	1	-	-	-
- Banks	6	-	-	-	-	-	-	-	-	-
- Customers	120	-	-	-	-	-	1	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	2	-	-	-	2	-	-	39	-	-
C. OFF BALANCE-SHEET OPERATIONS										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	35	12	16	27	22	5	-	-	-
- Short positions	-	4	3	2	6	7	4	1	-	-
C.2 Financial derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

2. Self-securitisation transactions

At the reporting date of these financial statements, the Group had no significant exposures to self-securitisation transactions.

During the year, no securitisation transactions were concluded that saw participation of the Group Banks as originators, with the aim of increasing the amount of eligible assets for Eurosystem refinancing operations: this includes the multioriginator securitisation transaction named BCC SME Finance 1, launched in 2012 and definitively liquidated in 2023.

1.5 OPERATIONAL RISK

Information of a qualitative nature

A. General aspects, management processes and measurement methods for operational risk

Operational risk, as defined by prudential regulations, is the "risk of sustaining losses deriving from the inadequacy or dysfunction of procedures, human resources and internal systems or those caused by exogenous events".

This definition includes legal risk (i.e. the risk of suffering losses resulting from violations of laws or regulations, contractual or non-contractual liability or other disputes), but does not consider reputational and strategic risk.

Operational risk therefore refers to different types of events that are not individually relevant and are quantified jointly for the entire risk category.

Operational risk - which is inherent in the performance of banking activities - is generated across all company processes. In general, the primary sources of operating risk are internal fraud, external fraud, workplace employment and safety reports, professional obligations with respect to clients or the nature and characteristics of products as well as damages from external events and the breakdown of IT systems and deficiencies in the handling of transactions or process management, as well as losses due to positions with commercial counterparties and suppliers.

The following subcategories of risk are significant in terms of operational risks:

- "ICT and security" risk, namely the risk of incurring losses due to a breach of confidentiality, lack of integrity of the systems and data, inadequacy or unavailability of the systems and data or inability to replace the information technology (IT) within a reasonable time and cost limits, in case of changes to the requirements of the external environment or activity (agility), as well as security risks arising from inadequate or incorrect internal processes or external events, including cyber attacks or a level of inadequate physical security;
- "third-party risk", namely the risk of incurring economic losses, damage to reputation or market share losses arising from the outsourcing/supply of services and/or company functions.

Given that it is a transversal risk across processes, operational risk can be controlled and mitigated through currently effective regulations (regulations, executive provisions, proxies) which operate primarily for the purposes of prevention. Specific line controls are then set up on the basis of these regulations as a verification and additional system for monitoring this type of risk.

Currently effective regulations are also applied to IT procedures with the aim of constantly monitoring the correct assignment of authorisation as well as compliance with functional subdivisions on the basis of company roles.

Regulations and line controls are governed by the Board of Directors, implemented by the Management and updated, as a rule, by specialist managers.

With reference to organisational controls, the establishment of the Compliance function is important, outsourced to the Parent Company, which is responsible for monitoring and controlling compliance with regulations and which provides support to the process of preventing and managing the risk of being subject to judicial or administrative sanctions as well as the risk of reporting significant losses following the violation of external regulations (laws or regulations) or internal ones (Articles of Association, codes of conduct, corporate governance codes). The Compliance Department also operates through its own representatives identified within the individual Group banks.

In addition, second-level controls are envisaged regarding the checks on the risks associated with the management of the IT system and the operations of employees.

The operational risk management process consists of the following steps:

- **identification and assessment**, which includes the detection, collection and classification of quantitative and qualitative information relating to operational risk; these risks are constantly and clearly identified, reported and relayed to top management;
- **measurement**, which includes the activity of determining operational risk exposure based on information collected at the identification stage;
- **monitoring and control**, which includes activities concerning the regular monitoring of the operational risk profile and exposure to significant losses, through the provision of a regular information flow that promotes active risk management;
- **risk management**, which includes activities aimed at containing operational risk consistently with the established risk appetite, implemented by intervening on significant risk factors or through their transfer, through the use of insurance coverage or other instruments;
- **reporting**, activities aimed at preparing information to be transmitted to corporate bodies (including control bodies) and to all corporate structures involved, regarding the risks assumed or assumable.

During the financial year, the Group, under the coordination of the Parent Company, has implemented a procedure for the recognition of operational loss events and the related economic effects. Furthermore, assessments were carried out for the prospective measurement of operational risk (Risk and Control Self-Assessment – RCSA) and analysis activities were launched for the risk generated by operations with third parties (third-party risk management) using a tool prepared by the Parent Company.

Finally, there are the third level controls carried out by the Internal Audit Department of the Parent Company, which periodically reviews the functionality of the control system as part of the various corporate processes.

As part of the overall assessment, with specific reference to the risk component linked to the outsourcing of business processes/activities, it should be noted that the Group mainly uses the services offered by the Parent Company and its instrumental companies. These circumstances constitute a mitigation of the risks assumed by the Group in outsourcing important control or operational functions.

With regard to all the existing outsourcing profiles, the procedures have been activated to ascertain the correct performance of the supplier's activities by preparing, according to the different types, different levels of contractual protection and control with regard to the list of outsourcing of important operational functions and corporate control functions.

The Group internally maintains the expertise required to effectively control the outsourced important operational functions (hereinafter also "IOF") and to manage the risks associated with outsourcing, including those arising from potential conflicts of interest of the service provider. In this context, an internal contact representative has been identified within the organisation for each of the outsourced activities, with adequate professional requirements, responsible for monitoring the level of services provided by the outsourcer and set out in the respective outsourcing contracts and for reporting to corporate bodies on the status and performance of the outsourced functions.

With reference to the regulatory measurement of the prudential requirement for operational risks, the Group, in view of its organisational, operational and dimensional profiles, has approved the application of the Basic Indicator Approach (BIA).

On the basis of this methodology, the capital requirement for operating risks is measured by applying the regulatory coefficient of 15% to the average of the last three data recordings - on an annual basis - of an indicator of the volume of corporate operations (so-called relevant indicator, referring to the year-end situation).

If one of the observations shows that the relevant indicator is negative or zero, this figure shall not be taken into account in the calculation of the three-year average.

The adoption of a Business Continuity and Emergency Plan to protect the Group against critical events that may affect its overall operations is also part of the measures to mitigate these risks.

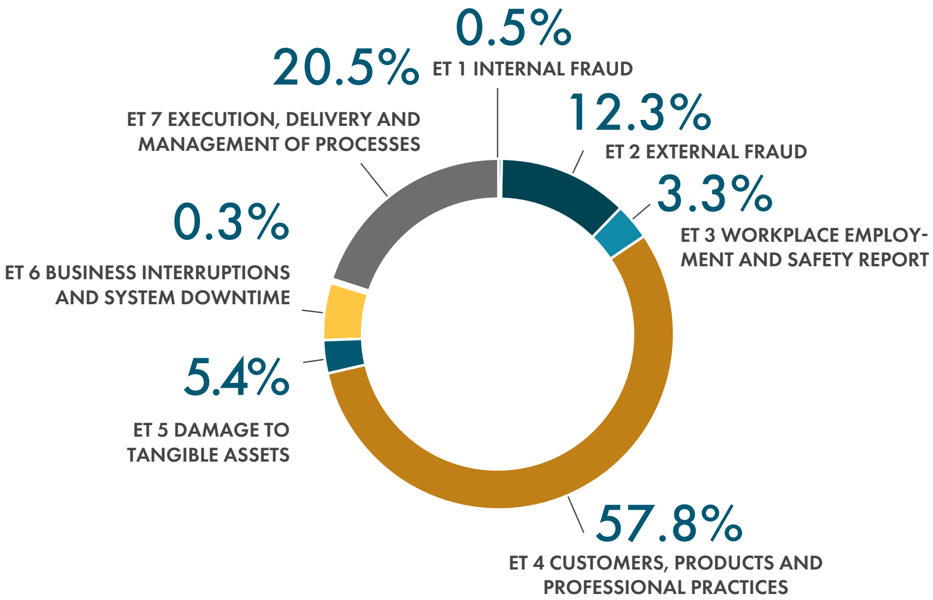
YEAR	Amount
Year T	3,404
Year T-1	2,791
Year T-2	2,355
RELEVANT INDICATOR AVERAGE LAST 3 YEARS	**2,850**
CAPITAL REQUIREMENT (15% OF THE AVERAGE)	**428**

Information of a quantitative nature

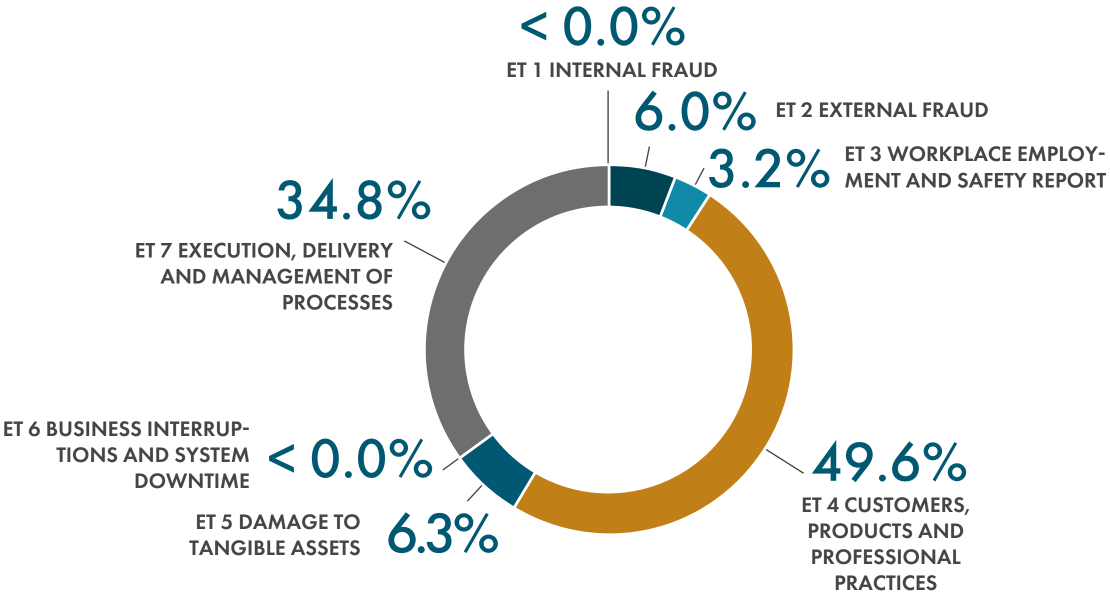
With reference to the quantitative information, in continuation of the activity already started last year, in relation to the structured process of Loss Data Collection at the Group[22], the distribution by Event Type is reported.

[22] As at 31 December 2023, the process of recording Operational Risk events in the Loss Data Collection company tool was active for the Affiliated Banks, Allitude S.p.A. and Claris Leasing S.p.A..

Number of operational loss events with effects recorded in 2023



Net operating losses in 2023



Operational losses were mainly concentrated in the event type "ET 4 Customers, products and professional practices" (57.8% of frequencies and 49.6% of total impacts detected), followed by "ET 7 Execution, delivery and management of processes" (20.5% of frequencies and 34.8% of total impacts detected) and "ET 2 External fraud" (12.3% of frequencies and 6.0% of total impacts detected).

Legal risk

In carrying out their activities, the Group companies may be involved in legal disputes and proceedings. For these disputes and proceedings, adequate provisions have been made in the financial statements based on the reconstruction of the amounts potentially at risk, the assessment of the risk carried out according to the degree of "probability" and/or "possibility" as defined by IAS 37 and taking into account the most consolidated case law on the subject. Therefore, although it is not possible to predict with certainty the final outcome, it is believed that any unfavourable result of these proceedings would not have, either individually or as a whole, a significant negative effect on the financial and economic situation of the Group. For more detailed information, please refer to Part B, Section 10 – Provisions for risks and charges.

Section 3 - Risks of insurance companies

The section is not applicable and therefore was not filled in.

Section 4 - Risks of other companies

No other significant risks were noted for the remaining companies included in the scope of consolidation, given they do not belong to the Group nor insurance companies.

PART F - Information on equity

Section 1 - Consolidated equity

A. Qualitative information

Equity is the main safeguard against corporate risks associated with the Group's activities. It represents a fundamental reference parameter for solvency assessments, conducted by the Supervisory Authorities and by the market, and is the best element for effective management, both from a strategic point of view and in terms of current operations, as it is a financial element capable of absorbing possible losses produced by the Group's exposure to all the risks assumed. In addition, it also plays an important role in terms of guaranteeing depositors and creditors in general.

For this purpose, the international and local Supervisory Authorities have established strict requirements for determining the regulatory capital and the minimum capital requirements that credit institutions must comply with.

The capital to which the Group refers is that defined by EU Regulation no. 575/2013 (CRR) in the notion of Own Funds and is divided into the following components:

- Tier 1 capital, consisting of Common Equity Tier 1 capital (CET 1) and Additional Tier 1 capital (AT1);
- Tier 2 capital (T2).

In this, particular importance is represented by:

- a careful profit distribution policy, which in compliance with the provisions of the sector, entails a significant allocation to the profit reserves by the Affiliated Banks;
- prudent management of investments, which takes into account the risk of counterparties;
- capital strengthening plans promoted by the Parent Company through the issue of equity instruments and subordinated securities.

All this is pursued within the scope of compliance with capital adequacy by determining the level of internal capital necessary to face the risks assumed, from a current and future perspective, as well as in stressful situations, and taking into account the company objectives and strategies in the contexts in which the Group operates. These assessments are carried out annually in conjunction with the definition of the budget objectives and, if necessary, in view of extraordinary transactions involving the Group companies.

Moreover, at least every quarter, compliance with the minimum capital requirements, established by the provisions in force, as per Art. 92 of the CRR shall be verified, based on which:

- the value of Common Equity Tier 1 capital in relation to total risk-weighted assets must be at least 4.5% (CET1 Capital ratio);
- the value of Tier 1 capital in relation to total risk-weighted assets must be at least 6.0% (T1 Capital ratio);
- the value of own funds in relation to total risk-weighted assets must be at least 8.0% (Total Capital ratio).

The Capital Conservation Buffer of 2.5% was added to these minimum regulatory requirements.

Any failure by the Supervised Entity to comply with all these requirements (the Combined Requirement) will result in limitations on dividend distributions, variable remuneration and other elements of regulatory capital beyond pre-established limits, and as a result, Supervised Entities will be required to take appropriate action to restore the required level of capital.

Moreover, as of 1 January 2016, the banks are required to hold a Countercyclical Capital Buffer. Starting from 1 January 2019, this reserve, consisting of Common Equity Tier 1, may not exceed 2.5% of the total amount of risk-weighted exposures.

Considering that, as per Bank of Italy notice of 22 September 2023, for the fourth quarter of 2023, the countercyclical buffer ratio for exposures to counterparties resident in Italy has been set at 0%, that countercyclical capital ratios have generally been set at 0%, and that the Group has mainly exposures to domestic entities, the Group-specific countercyclical ratio is close to zero.

Lastly, the Group must comply with the provisions deriving from the Supervisory Review and Evaluation Process (SREP) pursuant to Art. 97 et seq. of EU Directive no. 36/2013 (CRD IV). Through this process, the Competent Authority reviews and evaluates the process of determining capital adequacy conducted internally by the Group, analyses its risk profiles both individually and in the aggregate – including under stress conditions – assesses its contribution to systemic risk, the corporate governance system, and verifies compliance with the set of prudential rules.

At the end of the reporting period of these consolidated financial statements, the Group shows:

- a ratio of Common Equity Tier 1 capital – CET1 – to risk-weighted assets (CET 1 ratio) of 24.59%;
- a ratio of Tier 1 capital to risk-weighted assets (Tier 1 capital ratio – Tier 1 ratio) of 24.59%;
- a ratio of own funds to risk-weighted assets (total capital ratio) of 24,59%.

The amount of own funds is not only fully sufficient on all three binding capital levels, but also adequate to cover the Capital Conservation Buffer.

B. Quantitative information

B.1 Consolidated accounting capital: breakdown by type of company

ITEMS OF EQUITY	Prudential consolidation	Insurance companies	Other companies	Eliminations and consolidation adjustments	Total
1. Capital	1,271	-	-	-	1,271
2. Share premium	76	-	-	-	76
3. Reserves	6,889	-	80	(80)	6,889
4. Equity instruments	1	-	-	-	1
5. (Own shares)	(868)	-	-	-	(868)
6. Valuation reserves:	(20)	-	2	(2)	(20)
- Equities measured at fair value through other comprehensive income	9	-	-	-	9
- Hedging of equities measured at fair value through other comprehensive income	-	-	-	-	-
- Financial assets (other than equities) measured at fair value through other comprehensive income	(55)	-	2	(2)	(55)
- Tangible assets	4	-	-	-	4
- Intangible assets	-	-	-	-	-
- Hedging of foreign investments	-	-	-	-	-
- Cash flow hedging	-	-	-	-	-
- Hedging instruments [non designated elements]	-	-	-	-	-
- Exchange rate differences	-	-	-	-	-
- Non-current assets and groups of assets held for disposal	-	-	-	-	-
- Financial liabilities measured at fair value through profit or loss (changes in credit rating)	-	-	-	-	-
- Actuarial gains (Losses) from defined benefit plans	(15)	-	-	-	(15)
- Quota of reserves from the valuation of shareholdings measured with the equity method	3	-	-	-	3
- Financial revenues or costs relating to insurance contracts issued	-	-	-	-	-
- Financial revenues or costs relating to reinsurance transfers	-	-	-	-	-
- Special revaluation laws	34	-	-	-	34
7. Profit (Loss) for the year (+/-) of the group and pertaining to minority interests	871	-	75	(75)	871
Total	**8,220**	**-**	**157**	**(157)**	**8,220**

B.2 Valuation reserves for financial assets designated at fair value through other comprehensive income: composition

ASSETS/VALUES	Total 31/12/23				
	Prudential consolidation		Insurance companies		Other companies
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve
1. Debt securities	41	(96)	-	-	-
2. Equities	17	(8)	-	-	2
3. Loans	-	-	-	-	-
Total 31/12/2023	**58**	**(104)**	**-**	**-**	**2**
Total 31/12/2022	**17**	**(273)**	**-**	**-**	**2**

ASSETS/VALUES	Total 31/12/23				
	Other companies	Eliminations and consolidation adjustments		Total	
	Negative reserve	Negative reserve	Positive reserve	Positive reserve	Negative reserve
1. Debt securities	-	-	-	41	(96)
2. Equities	-	(2)	-	17	(8)
3. Loans	-	-	-	-	-
Total 31/12/2023	**-**	**(2)**	**-**	**58**	**(104)**
Total 31/12/2022	**-**	**(2)**	**-**	**17**	**(273)**

B.3 Valuation reserves for financial assets designated at fair value through other comprehensive income: annual changes

	Debt securities	Equities	Loans
1. OPENING BALANCES	**(252)**	**(4)**	**-**
2. POSITIVE CHANGES	**407**	**20**	**-**
2.1 Increases in fair value	195	14	-
2.2 Writedowns for credit risk	2	X	-
2.3 Reversals of negative reserves to the income statement: from sale	148	X	-
2.4 Transfers to other components of equity (equities)	-	-	-
2.5 Other changes	62	6	-
3. NEGATIVE CHANGES	**210**	**7**	**-**
3.1 Decreases in fair value	39	1	-
3.2 Write-backs for credit risk	1	-	-
3.3 Reversals of positive reserves to the income statement: from sale	18	X	-
3.4 Transfers to other components of equity (equities)	-	-	-
3.5 Other changes	152	6	-
4. CLOSING BALANCES	**(55)**	**9**	**-**

B.4 Valuation reserves relating to defined benefit plans: annual changes

ITEMS	31/12/2023
1. OPENING BALANCES	**(15)**
2. POSITIVE CHANGES	**1**
2.1 Actuarial gains from defined benefit plans	1
2.2 Other changes	-
2.3 Business combinations	-
3. NEGATIVE CHANGES	**1**
3.1 Actuarial losses from defined benefit plans	1
3.2 Other changes	-
3.3 Business combinations	-
4. CLOSING BALANCES	**(15)**

Section 2 - Own funds and adequacy ratios

With regard to the contents of this section, reference should be made to the information on own funds and capital adequacy contained in the disclosure to the public (so-called Third Pillar), prepared in accordance with Regulation (EU) no. 575/2013 of 26 June 2013 (CRR).

PART G - Business combinations regarding companies or branches

Section 1 - Transactions implemented during the year

1.1 Business combinations

During the year, no business combinations of companies or branches, as governed pursuant to IFRS 3, were carried out.

Mergers between Cooperative Credit Banks belonging to the Group

During the year, a number of business combinations between Cooperative Credit Banks belonging to the Group were carried out, which did not, however, have any effect on the consolidated financial statements (as they are outside the scope of application of IFRS 3).

Such transactions pursue objectives of stability, efficiency and competitiveness. During 2023, the number of Affiliated Banks reached 67. Details of the business combinations during the year are shown below:

- Credito Etneo – Banca di Credito Cooperativo, merger by incorporation into Banca Sicana – Credito Cooperativo with simultaneous change in company name to Sicilbanca – Credito Cooperativo Italiano: effective from 1 January 2023, Sicily region;
- Friulovest Banca – Credito Cooperativo – Società Cooperativa, merger by incorporation into BancaTer – Credito Cooperativo FVG Società Cooperativa with simultaneous change in company name to Banca 360 Credito Cooperativo FVG Società Cooperativa: effective 1 July 2023, Friuli-Venezia Giulia region.

From an accounting point of view, since these are business combinations between entities under common control, the above transactions are excluded from the scope of IFRS 3 (see IFRS 3.2(c) and IFRS 3 B1-B4). In fact, for this type of transaction, in the absence of an accounting standard of reference, the "ASSIREVI Preliminary Guidelines on IFRS" (so-called OPI) No. 1 and No. 2 are applied to this type of transaction, as is the established practice in the banking sector.

The documents already mentioned, for business combinations that have the nature of a reorganisation and which, therefore, do not have a significant influence on the future cash flows of the net assets transferred, provide for the application, in the financial statements of the acquiring entity, of the principle of "continuity of values".

This principle implies the recognition in the balance sheet of values equal to those that would have resulted if the companies involved in the combination had always been combined. The net assets of the acquired and the acquiring entity shall therefore be recognised at the book values they had in their respective accounts before the transaction. The income statement shall be the sum of the income statements of the two integrated entities from the effective date of the transaction.

Section 2 - Transactions implemented after the close of the year

The following business combination between Affiliated Banks took place after the end of the year, effective 1 January 2024:

- Cassa Rurale Novella e Alta Anaunia – Banca di Credito Cooperativo, merger by incorporation into Cassa di Trento, Lavis, Mezzocorona, Valle di Cembra e Alta Vallagarina – Banca di Credito Cooperativo with simultaneous change in company name to Banca per il Trentino Alto Adige – Bank fur Trentino-Sudtirol – Credito Cooperativo Italiano Società Cooperativa: effective 1 January 2024, Trentino Alto Adige region.

As such, the total number of Affiliated Banks decreased to 66.

Section 3 - Retrospective adjustments

No adjustments relating to business combinations were recorded during the year.

PART H - Transactions with related parties

The Cassa Centrale Group, in compliance with the procedures provided for by sector regulations, has adopted the Group Regulation for the management of transactions with associated parties.

The aforementioned Regulation, which takes into account the provisions of Bank of Italy Circular no. 285 of 17 December 2013 and subsequent updates, is intended to govern the identification, approval and execution of Transactions with Associated Parties carried out by the Group, as well as the organisational structure and internal control system that the Group uses in order to preserve the integrity of decision-making processes in Transactions with Associated Parties, ensuring constant compliance with the prudential limits and decision-making procedures established by the aforementioned Bank of Italy Circular.

For more strictly accounting purposes, the provisions of IAS 24 – Related party disclosures also apply; under the Cassa Centrale Group's internal regulations, the following are identified as related parties:

Natural persons:

- executives and officers with strategic responsibilities (including Directors, Standing Auditors and General Management members) of the entity preparing the financial statements:
    - executives with strategic responsibilities are those who retain powers and responsibilities, directly or indirectly, pertaining to the planning, management and control of the Company's activities;
- the immediate family members of "executives and officers with strategic responsibilities":
    - close family members of a person are those family members who are expected to influence, or be influenced by, that person in their dealings with the entity, including:
        - children (even if not living together) and the spouse (even if legally separated) or common-law spouse of that person;
        - the children of the spouse or common-law spouse of that person;
        - the dependants of that person or the dependants of that person's spouse or common-law spouse for tax purposes;
        - the brothers, sisters, parents, grandparents and grandchildren – children of the children – even if not cohabitant, of that person.

Legal Entity/legal person:

- entity controlled (direct, indirect or joint control) by one of the persons referred to in the previous point (natural persons);
- entity that has significant influence over the entity preparing the financial statements as well as their subsidiaries and related joint ventures;
- CR/BCC/Raika belonging to the Cassa Centrale Group;
- the companies belonging to the Cassa Centrale Group (direct, indirect or joint control) as well as their subsidiaries;
- associates and joint ventures that prepare the financial statements and their subsidiaries;
- post-employment benefit plans for employees of the Group.

1. Information on compensation of executives with strategic responsibilities

Executives with strategic responsibilities are those which retain powers and responsibilities, directly or indirectly, pertaining to the planning, management and control of the Company's activities.

The table below shows, in compliance with the requirements of section 17 of IAS 24, the amount of compensation paid during the year to the members of the Management and Control Bodies as well as the compensation relating to other Executives with strategic responsibilities that fall within the notion of related party.

	MANAGEMENT BODIES		CONTROL BODIES		OTHER MANAGERS		TOTAL AT 31/12/2023	
	Amount due	Amount paid	Amount due	Amount paid	Amount due	Amount paid	Amount due	Amount paid
Salaries and other short-term benefits	22	22	10	9	38	38	70	69
Benefits relative to the post-employment period (social security, insurance, etc.)	2	1	-	-	9	7	11	8
Other long-term benefits	-	-	-	-	1	-	1	-
Compensation for termination of employment	-	-	-	-	-	-	-	-
Payments in shares	-	-	-	-	-	-	-	-
Total	**24**	**23**	**10**	**9**	**48**	**45**	**82**	**77**

2. Information on transactions with related parties

The table below provides information on the balance sheet and income statement transactions with related parties during the period. It should be noted that transactions with related parties consolidated on a line-by-line basis are not included in this disclosure, as they are eliminated at consolidated level.

	Assets	Liabilities	Guarantees given	Guarantees received	Revenues	Costs
Associates	63	11	17	-	3	-
Directors and Executives	28	65	4	73	1	6
Other related parties	193	559	35	477	11	8
Total	**284**	**635**	**56**	**550**	**15**	**14**

It should be noted that “Other related parties” include the close relatives of Directors, Statutory Auditors and other Executives with strategic responsibilities, as well as subsidiaries, jointly-controlled companies and associates of the same parties or their close relatives.

Relations and transactions with related parties are attributable to ordinary credit and service activities and have normally developed during the year according to contingent needs or benefits, in the common interest of the parties. The conditions applied to individual relationships and transactions with such counterparties do not differ from current market conditions, or are aligned, if the conditions are met, with the conditions applied to employees.

Transactions with related parties do not have a significant incidence on the financial situation, economic result and cash flows of the Group.

PART I - Payment agreements based on own equity instruments

This section is not completed given that the Group has not entered into any payment agreements based on own equity instruments.

PART L - Segment reporting

INTRODUCTION

This section is prepared based on provisions of the international accounting standard IFRS 8 "Operating Segments". The identification of the "operating segments" in this section is consistent with the methods adopted by the Company Management for making operational decisions and is based on the internal reporting used for resource allocation purposes to the different segments and analysing the related performance (IFRS 8 paragraph 5 Operating Segments).

Cassa Centrale Group's operations by sectors of activity

Similarly to the organisational structure of the Group presented in the paragraph of the Report on Consolidated Operations "Main strategic business areas of the Cassa Centrale Group", the entities belonging to the Cassa Centrale Group operate within the following operating segments:

- the Affiliated Banks, which represent the Group's core business through the management of banking activities in the territory;
- the Industrial Group, including the Parent Company and the Companies that offer services to Affiliated Banks in finance, credit, insurance, ICT, NPLs and asset management.

It is also shown that within the "Intra-sectoral Relations" sector, the eliminations between entities belonging to different operating sectors are incorporated.

The Affiliated Banks, which represent the most important part of the Cooperative Banking Group's consolidated assets and which operate with the aim of fostering the development of communities and the local economy, play a key role and are an important reference point for households and small and medium-sized enterprises. Their operations are in fact characterised by high customer funding deriving from historical ties with the territory to which they belong, a prevalence of loans to counterparties represented by households and small companies and a low loan-to-deposit ratio which, from a liquidity perspective, reflects the structural soundness of the Group and the investment of excess liquidity mainly in government bonds.

The Industrial Group, represented by the Parent Company and the subsidiaries and associates, operates in the following different areas of activity:

- ICT and back office services, with the subsidiary Allitude S.p.A.;
- leasing services, with the subsidiary Claris Leasing S.p.A.;
- insurance services, with the subsidiaries Assicura Agenzia S.r.l. and Assicura Broker S.r.l.;
- collective asset management services, with the subsidiary Nord Est Asset Management S.A.;
- consumer credit services, with the subsidiary Prestipay S.p.A.;
- other ancillary services, with the subsidiaries Centrale Soluzioni Immobiliari S.r.l., Claris Rent S.p.A. and the associated company Centrale Trading S.r.l..

A. Primary scheme

A.1 Breakdown by sectors of activity: income statement data

(figures in millions of euro)	31/12/2023			
	Total	Affiliated Banks	Industrial Group	Intra-sectoral relations
Interest income	3,287	3,107	651	(471)
Interest expenses	(891)	(813)	(549)	471
NET INTEREST INCOME	**2,396**	**2,294**	**102**	**-**
Net fees and commissions	795	678	117	-
Dividends	4	24	1	(21)
Net trading revenues	(361)	(360)	3	(4)
Net interest and other banking income	**2,834**	**2,636**	**223**	**(25)**
Net value adjustments/write-backs	(81)	(97)	16	-
Income from financial activities	**2,753**	**2,539**	**239**	**(25)**
Operating expenses*	(1,905)	(1,643)	(429)	167
Net allocations to provisions for risks and expenses	(13)	(15)	2	-
Other income (expenses)	195	154	208	(167)
Value adjustments to goodwill and other intangible assets	-	-	-	-
Profit (loss) from disposal of investments and equity investments	(3)	-	(3)	-
Gross current result	**1,027**	**1,035**	**17**	**(25)**
Income tax	(156)	(151)	(5)	-
Profit (loss) from discontinued operations	-	-	-	-
Profit (loss) for the period for minority interests	-	-	-	-
Net income of the Parent Company	**871**	**884**	**12**	**(25)**

* This item includes staff expenses, other administrative expenses and operating amortisation/depreciation.

The "Affiliated Banks" and the "Industrial Group" operating segments incorporate all consolidation entries (IC eliminations, equity eliminations, other consolidation adjustments) between Companies belonging to the same operating sector.

As for the "intra-sectoral relations" column, summary information is provided below on the main cases attributable to the income statement aggregates reported in table A.1:

- **Net interest income**: contains the eliminations relating to income statement reports essentially attributable to the treasury activities in place between Affiliated Banks and the Parent Company;
- **dividends**: this is the elimination of the dividend disbursed by the Parent Company and received the Affiliated Banks;
- **trading**: mainly attributable to the effects arising from the consolidated accounting management of the Guarantee Agreement;
- **other administrative expenses and other operating income**: the eliminations are mainly attributable to the Administrative Expenses incurred by the Affiliated Banks for the activities for ICT Services and outsourcing provided by Allitude and, to a lesser extent, by the Parent Company.

A.2 Breakdown by sectors of activity: balance sheet data

(figures in millions of euro)	31/12/2023			
	Total	Affiliated Banks	Industrial Group	Intra-sectoral relations
Lending and funding to customers				
Loans to customers	(47,898)	(45,385)	(2,592)	79
Customer funding	63,299	60,716	2,593	(10)
Lending and funding to banks				
Loans to banks	(911)	(3,461)	(10,863)	13,413
Bank funding	10,216	10,342	13,365	(13,491)
Other financial assets	**(35,575)**	**(33,059)**	**(4,339)**	**1,823**
Securities portfolio	**(35,486)**	**(32,975)**	**(4,261)**	1,750
FVTPL securities portfolio	(163)	(130)	(52)	19
FVOCI securities portfolio	(11,050)	(10,878)	(1,107)	935
Securities at amortised cost	(24,273)	(21,967)	(3,102)	796
Derivatives portfolio	**(89)**	**(84)**	**(78)**	73
FVTPL trading derivatives	(5)	-	(78)	73
Hedging derivatives	(84)	(84)	-	-
Other financial liabilities	**5,712**	**5,797**	**803**	**(888)**
Financial liabilities held for trading	5	1	77	(73)
Financial liabilities at amortised cost	5,703	5,792	726	(815)
Hedging derivatives	4	4	-	-

The "Affiliated Banks" and the "Industrial Group" operating segments incorporate all consolidation entries (IC eliminations, equity eliminations, other consolidation adjustments) between Companies belonging to the same operating sector.

The intra-sectoral relations consist of:

- **Lending and funding**: mainly attributable to the treasury reports in place between the Parent Company and the Affiliated Banks;
- **Securities at FVOCI**: the item consists of the reclassification of the shares issued by the Parent Company and subscribed by the Affiliated Banks (EUR 928 million) as well as, residually, the elimination of the perpetual debt instruments (AT1) classified among Equity Instruments by the Affiliated Banks and subscribed by the Parent Company (EUR 7 million);
- **Other financial assets and liabilities**: this mainly concerns the accounting reclassification of hedging derivatives stipulated between the Affiliated Banks and the Parent Company, traded and outsourced by the latter with leading third-party banking counterparties and amounting to approximately EUR 73 million.

  The residual amounts are mainly attributable to the balance sheet created as a result of the Parent Company's issue of financial liabilities within the Euro Medium Term Notes Programme (EMTN), which are part of the process of meeting MREL requirements. The funding deriving from these issues, in turn, is channelled by the Parent Company to the Affiliated Banks.

B. Secondary scheme

With regard to information by geographical area, relating to the breakdown of economic and financial data towards foreign countries (IFRS 8 paragraph 33 Information on geographical areas), please note that the Group's activity is carried out almost exclusively in Italy.

In this regard, it should be noted that only NEAM, a Luxembourg-based asset management company wholly owned by Cassa Centrale Banca which manages the NEF Mutual Investment Fund, has net interest and other banking income, gross of the intercompany component, about EUR 15.6 million, received against collective asset management services.

PART M - Information on leasing

Section 1 - Lessee

Qualitative information

All the quantitative information relating to the rights of use acquired through lease, payables for leases and the related income statement components have already been presented in other sections of these Explanatory Notes.

Specifically:

- information on rights of use acquired through lease is provided in Part B – Information on the Consolidated Balance sheet, Assets, Section 9 - Tangible assets and Section 10 - Intangible assets;
- information on payables for leases is provided in Part B – Information on the consolidated balance sheet, Liabilities, Section 1 – Financial liabilities measured at amortised cost;
- the information on interest expense on payables for leases and other charges related to rights of use acquired through lease, profits and losses deriving from sale and leaseback transactions and income deriving from sub-lease transactions, can be found in Part C – Information on the consolidated income statement, in the respective sections.

Reference is therefore made to the considerations set out in the aforementioned information parts.

As at 31 December 2023, there were no commitments formally undertaken by the Group on lease contracts not yet entered into, considered significant.

With reference to the costs relating to short-term leases, accounted for in accordance with paragraph 6 of IFRS 16, reference should be made to Part C – Information on the income statement.

Section 2 - Lessor

Qualitative information

The leasing activities carried out within the Group are mainly provided by Claris Leasing SpA; the latter, as lessor, carries out leasing activities exclusively of a financial nature.

The credit risk to which the company is exposed in the granting of finance lease transactions is, due to the nature of the transaction carried out, mitigated by the presence of the asset of which the lessor retains ownership until the final purchase option is exercised.

However, for greater protection and in correlation with the economic, equity and financial structure of the customer, guarantees ancillary to the main obligation are frequently required of a personal nature (in this case the surety). Atypical guarantees are also collected, such as a commitment to take over, a commitment to repurchase or the Medio Credito Centrale guarantee.

Quantitative information

1. BALANCE SHEET AND INCOME STATEMENT INFORMATION

For information on the balance sheet and income statement on financing for leases, please refer to the sections of the Explanatory Notes in the previous section.

2. FINANCE LEASES

2.1 Classification by time brackets of payments to be received and reconciliation with financing for leases recorded under assets

The following table shows the breakdown of payments to be received for leases by time brackets.

TIME BRACKETS	Total 31/12/2023	Total 31/12/2022
	Payments to be received for leases	Payments to be received for leases
Up to 1 year	207	169
Between 1 and 2 years	183	151
Between 2 years and 3 years	149	130
Between 3 years and 4 years	108	99
Between 4 years and 5 years	65	65
Over 5 years	174	178
Reconciliation with loans	**886**	**792**
RECONCILIATION WITH LOANS		
Financial income not accrued (-)	124	91
Residual value not guaranteed (-)	(69)	(67)
Financing for leases	**831**	**768**

2.2 Other information

There is no further information to be provided in this section.

3. OPERATING LEASES

At the end of the reporting period, there were no such circumstances. This subsection does not contain any evaluation and is therefore omitted.

Annexes to the financial statements of the Cassa Centrale Group

Annex A) Audit and non-audit fees

(EUR million)

TYPE OF SERVICES	Company of the Deloitte Network	Fees
Auditing	Deloitte & Touche S.p.A.	2.3
Certification services	Deloitte & Touche S.p.A.	0.3
Other services	Deloitte Risk Advisory SB S.r.l.	0
Total		**2.6**

It should be noted that the fees indicated do not include VAT and out-of-pocket expenses, while they include any balance of audit expenses relating to the 2023 financial statements.

Cassa Centrale Banca Report and Financial Statements

Cassa Centrale Banca Report on Operations

2023 Financial Year

Operating performance of Cassa Centrale Banca

Performance indicators

The main performance and risk indicators for the year ended 31 December 2023 are shown below.

RATIOS	31/12/2023	31/12/2022	% change
STRUCTURAL RATIOS			
Loans to customers* / Total assets	**13.4%**	8.8%	52.3%
Direct funding / Total assets	**18.1%**	11.8%	53.4%
Net equity / Total assets	**6.4%**	4.9%	30.6%
Net loans / Direct funding	**74.3%**	75.2%	(1.2%)
Loans to banks / Total assets	**58.2%**	69.2%	(15.9%)
Financial assets / Total assets	**23.1%**	17.8%	29.8%
PROFITABILITY INDICES			
Net profit / Net equity (ROE)	**2.6%**	3.8%	(31.6%)
Net profit / Total assets (ROA)	**0.2%**	0.2%	(0.0%)
Cost / Income**	**91.9%**	70.8%	29.8%
Net interest income and other banking interest	**29.2%**	34.6%	(15.6%)
Net fees and commissions / Net interest and other banking interest	**50.0%**	43.3%	15.5%
Net interest and other banking interest / Total assets	**1.1%**	1.0%	10.0%

* Loans to customers include loans and advances to customers at amortised cost and fair value, thus differing from the exposures to customers shown in the financial statements.

** Indicator calculated as the ratio of operating costs to net interest and other banking income.

The assets of Cassa Centrale Banca at the end of 2023 were 58.2% compromised of loans to banks. The high proportion of this component reflects the Cassa Centrale Banca's typical business, which turns to the interbank market through treasury operations in order to carry out brokerage activities on behalf of the Affiliated Banks. The index fell slightly compared to the previous year, mainly as a result of a decrease in brokered ECB refinancing operations.

The proportion of financial assets on total assets was 23.1%, up compared to 2022. This increase was due to the growth in the securities portfolio, which includes the second tranche of MREL issues subscribed in February 2023, and the simultaneous decrease in total assets, referring to the decrease in exposures to banks. Loans to customers stood at 13.4%, a higher contribution than 2022 due to higher loans to the subsidiaries Claris Leasing and Prestipay and, to a lesser extent, due to the trend in loans to ordinary customers.

The ratio of net loans to direct funding from customers at the end of 2023 was 74.3%, down slightly on the 75.2% in the previous year as a result of growth that was more than proportionate to the ratio of direct funding to net loans.

The ratio of equity to total assets grew to 6.4%, with equity increasing slightly to EUR 1.2 billion and strengthening the high level of capitalisation for the Bank.

Looking at the profitability indicators, ROE stood at 2.6%, down compared to 2022 (3.8%) as a result of lower profit for the year and slight growth in equity. The ROA[23], calculated as the ratio of net profit to total assets, was 0.2%, in line with the previous year.

The ratio of net commissions to net interest and other banking income, 50.0%, was higher than in the previous year, reflecting the importance incidence of commissions on net interest and other banking income; the growth in the indicator is explained by the decrease in the net interest income and the result of financial operations, offset only marginally by the increase in net fees and commissions.

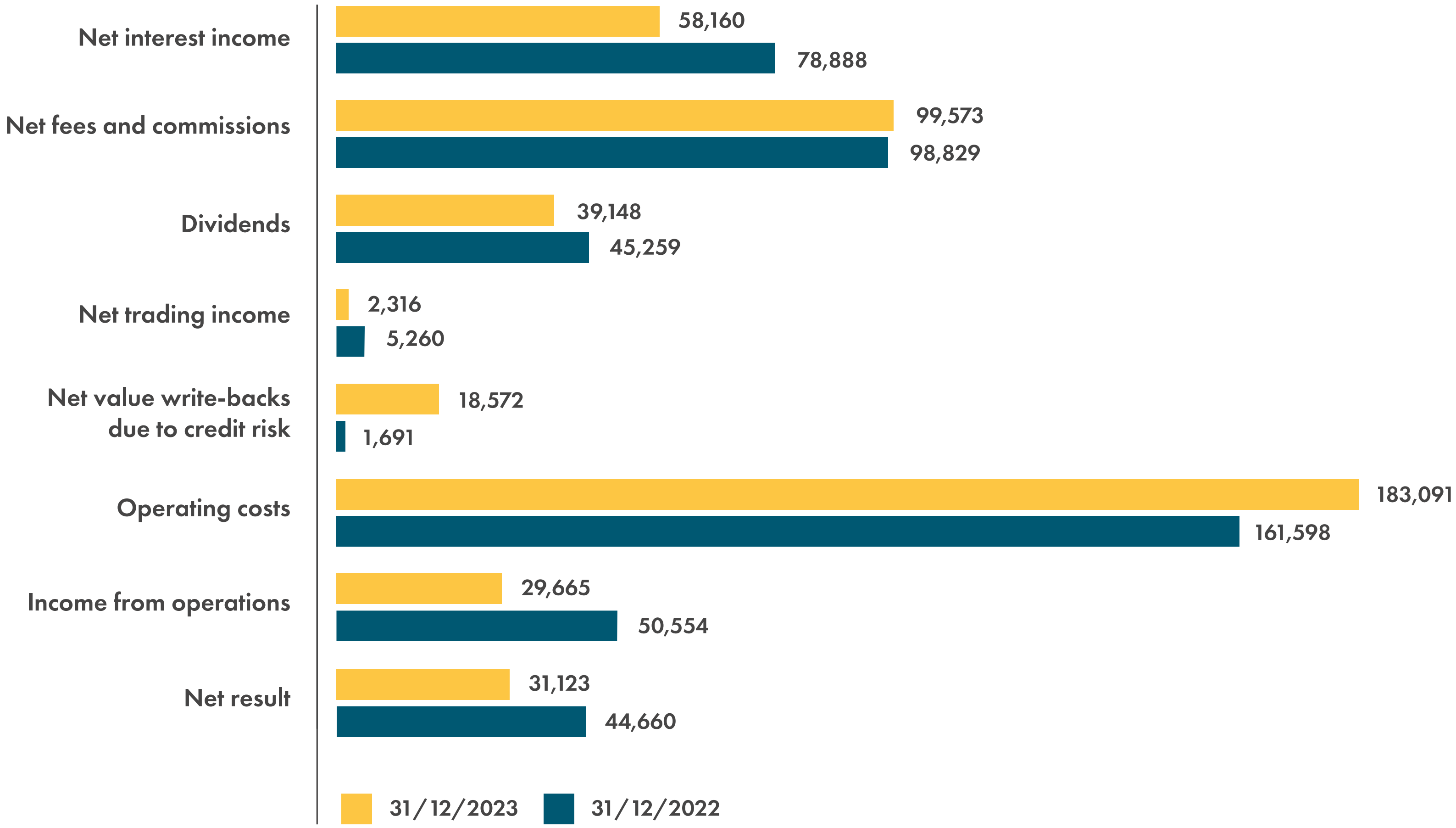
The growth in the ratio of net interest and other banking income to total assets, 1.1%, reflects the larger decrease in total assets than the one recorded by net interest and other banking income.

[23] The ROA is calculated in accordance with Directive 36/2013/EU (CRD IV).

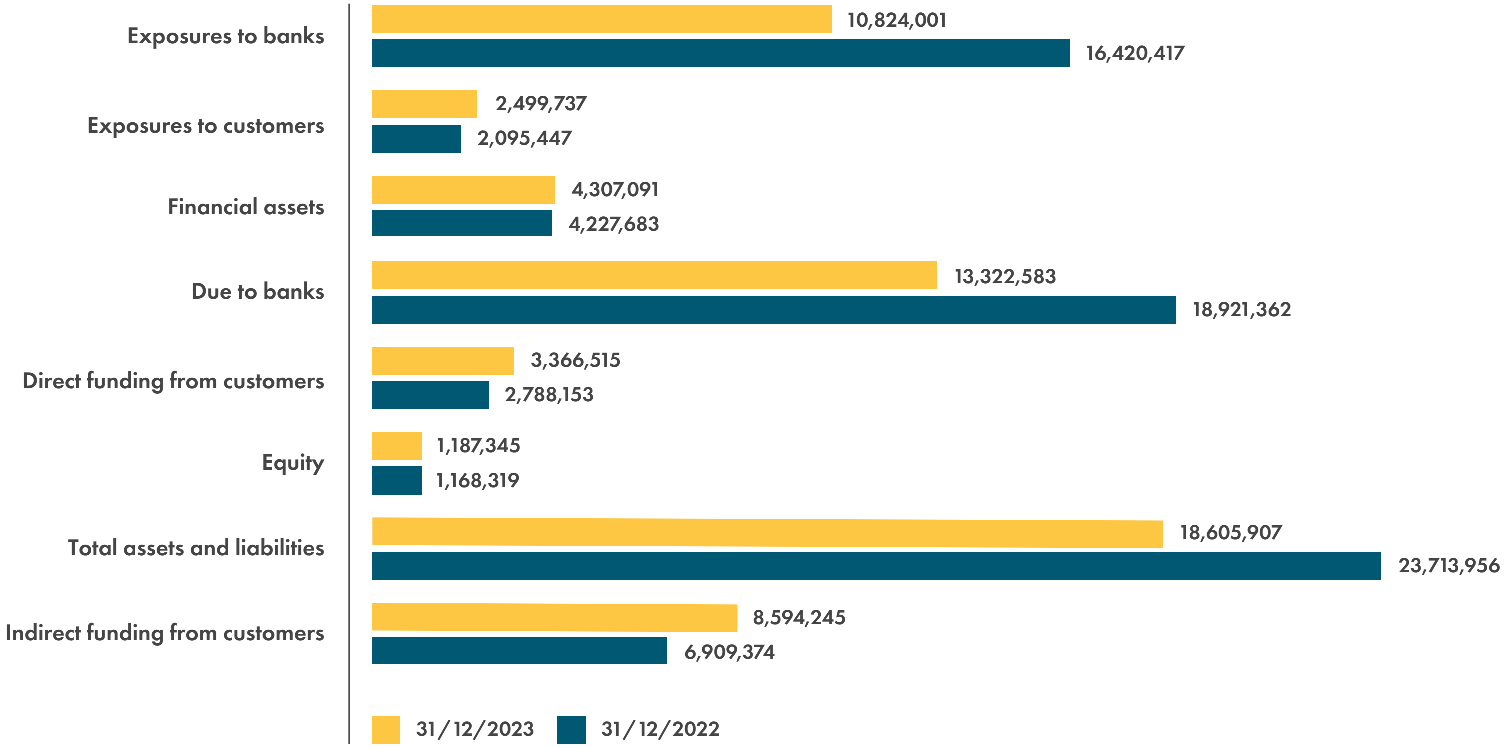
Summary of results

A graphic representation of the results of the main items in the income statement and balance sheet is provided below. Please refer to the specific sections for details of individual items.

Consolidated income statement figures (thousand of euro)



Consolidated balance sheet figures (thousand of euro)



Economic result

Reclassified income statement[24]

(Figures in thousands of euro)	31/12/2023	31/12/2022	Change	% change
Net interest income	**58,160**	**78,888**	**(20,728)**	**(26.3%)**
Net fees and commissions	99,573	98,829	744	0.8%
Dividends	39,148	45,259	(6,111)	(13.5%)
Net revenues from financial activities*	2,294	5,260	(2,966)	(56.4%)
Net interest and other banking income	**199,175**	**228,237**	**(29,062)**	**(12.7%)**
Net value adjustments/write-backs	18,551	1,709	16,842	n.s.
Income from financial activities	**217,726**	**229,945**	**(12,220)**	**(5.3%)**
Operating expenses **	(225,741)	(201,633)	(24,108)	12.0%
Net allocations to provisions for risks and expenses	1,242	(617)	1,859	n.s.
Other income (expenses)	41,408	40,652	756	1.9%
Profit (loss) from disposal of investments and equity investments	(4,970)	(17,794)	12,824	(72.1%)
Gross current result	**29,665**	**50,554**	**(20,889)**	**(41.3%)**
Income tax	1,458	(5,893)	7,351	n.s.
Net result	**31,123**	**44,660**	**(13,537)**	**(30.3%)**

* This item includes Net result from trading, Profit (Loss) from disposal/repurchase of financial assets, and Net result from other financial assets and liabilities designated at fair value through profit or loss and the Net result from hedging.

** This item includes staff expenses, other administrative expenses and operating amortisation/depreciation.

Net interest and other banking income for Cassa Centrale Banca in 2023 was EUR 199.2 million, down by EUR 29.1 million compared to 2022. The drop is especially attributable to the decrease in the net interest income, which came to EUR 58.2 million compared to EUR 78.9 million in 2022. Contribution from dividends (EUR 39.1 million) and trading assets (EUR 2.3 million) was also lower. Net fees and commissions showed slight growth compared to 2022.

As for value adjustments to loans, in 2023, there were net write-backs for approximately EUR 18.6 million, the main ones being attributable to write-backs on NPL positions for approximately EUR 4.7 million, and write-backs on ordinary performing loans due to release of the floors on moratoria for approximately EUR 4.5 million.

Income from financial activities was therefore lower than in the previous year, faced with higher operating expenses by EUR 24.1 million due mainly to the trend in other administrative expenses. This trend reflects the continuous process of adaptation to the role of Parent Company assumed by Cassa Centrale

[24] In order to provide a better management representation of the results, the reclassified income statement figures differ from the layouts of the financial statements envisaged by Bank of Italy Circular no. 262 of 2005, and subsequent updates.

Banca and the expenses necessary to support the operational and strategic objectives.

Net write-backs to provisions for risks and charges were recorded for EUR 1.2 million, against net allocations for EUR 0.6 million in the previous year, reflecting the release of allocations for commitments and guarantees.

Other income and expenses amounted to EUR 41.4 million, up on the previous year by EUR 0.8 million;the increase is firstly attributable to the higher recoveries of costs and, secondly, to higher contributions collected during the year.

Lastly, in 2023, the Cassa Centrale Banca equity investments in the subsidiary Allitude S.p.A. and in Casse Rurali-Raiffeisen Finanziaria S.p.A. - in liquidazione were partially written down by EUR 2.4 million and EUR 2.1 million respectively.

The gross current result, therefore, stands at EUR 29.7 million in 2023, a decrease on the previous year. Taxes (positive for EUR 1.5 million) affected by the positive effect deriving from the offsetting of the tax loss and the ACE facility for the period with taxable income of other companies participating in the tax consolidation (option exercised for the 2023-2025 three-year period), led to a net result of EUR 31.1 million, down by EUR 3.5 million compared to 2022.

Net interest income

(Figures in thousands of euro)	31/12/2023	31/12/2022	Change	% change
Financial assets measured at amortised cost not comprising loans	62,222	54,999	7,223	13.1%
Other financial assets and liabilities measured at FVTPL	5,997	2,263	3,734	n.s.
Other financial assets measured at FVOCI	19,901	6,029	13,872	n.s.
Financial instruments	**88,120**	**63,292**	**24,828**	**39.2%**
Net interest to customers (loans)	62,373	14,294	48,079	n.s.
Debt securities in issue	(37,932)	(3,061)	(34,871)	n.s.
Customer relations	**24,441**	**11,233**	**13,208**	**117.6%**
Net interest to banks	**(3,720)**	**1,219**	**(4,939)**	**n.s.**
Differentials on hedging derivatives	**12**	**-**	**12**	**n.s.**
Other net interest	**(50,693)**	**3,144**	**(53,837)**	**n.s.**
Total net interest income	**58,160**	**78,888**	**(20,728)**	**(26.3%)**

The net interest income for 2023 amounted to EUR 58.2 million, a decrease on the previous year (EUR 78.9 million), with a contribution to net interest and other banking income equal to 29%.

For Cassa Centrale Banca, the aggregate represents a significant revenue item and is especially attributable to income flows related to the financial instruments in the portfolio, for EUR 88.1 million in 2023, a notable increase on the EUR 63.3 million of the previous year as a result of the higher return on the securities in the portfolio.

Net interest from intermediation with customers, for EUR 24.4 million, also increased from the EUR 11.2 million in 2022: interest income from loans grew by EUR 48.1 million, mainly as a result of the trend in interest rates, as well as the increase in loans to ordinary customers and subsidiary companies. The growth in interest income was partially offset by the higher interest expenses from debt securities in issue, attributable to the MREL eligible issues.

Other net interest includes the operating reclassification of net interest income referring to the intermediation activities of Repos mainly with Cassa di Compensazione e Garanzia. The downturn mostly derives from the increase in the rates during 2023, and which negatively impacted the market funding of Cassa Centrale Banca.

Net fees and commissions

(Figures in thousands of euro)	31/12/2023	31/12/2022	Change	% change
Fees and commissions income	**227,108**	**202,387**	**24,721**	**12.2%**
Financial instruments	98,934	84,241	14,693	17.4%
Custody and administration	4,517	4,386	131	3.0%
Payment services	94,002	86,565	7,158	8.3%
Other fees and commissions income	29,655	27,195	2,739	10.1%
Fees and commissions expenses	**(127,534)**	**(103,557)**	**(23,977)**	**23.2%**
Financial instruments	(64,522)	(51,027)	(13,495)	26.4%
Offsetting and settlement	(47)	(47)	(0)	0.0%
Custody and administration	(1,478)	(1,315)	(164)	12.5%
Collection and payment services	(56,217)	(47,118)	(9,100)	19.3%
Other fees and commissions expenses	(5,270)	(4,051)	(1,218)	30.1%
Total net fees and commissions	**99,573**	**98,829**	**744**	**0.8%**

In 2023, net commissions represented the main revenue item for Cassa Centrale Banca, contributing around half to net interest and other banking income, confirming the Parent Company's operations focused on the provision of services to support its Affiliated Banks and other customer banks. Net fees and commissions amounted to approximately EUR 99.6 million, a slight increase compared to the previous year (EUR 98.8 million).

In particular, fees and commissions income, amounting to EUR 227.1 million, consisted of 44% of commissions relating to financial instruments (EUR 98.9 million) and 41% of fees and commissions income linked to payment services (EUR 93.7 million). Commissions related to financial instruments in particular increased by EUR 14.7 million, driven especially by the commissions deriving from asset management. Fees and commissions income related to payment services increased by EUR 7.2 million year-on-year, where the main revenue item came from commissions in the e-money segment.

Total fee and commission expense amounted to EUR 127.5 million, an annual increase of EUR 24.0 million, following the pro-rata increase in asset-side fees and commissions. Therefore, the increase is especially attributable to the higher fees and commissions expenses from fees and commissions expenses (which rose from EUR 51.0 million to EUR 64.5 million) and by the higher fees and commissions expenses from collection and payment services (which rose from EUR 47.1 million to EUR 56.2 million).

Net result from financial operations

(Figures in thousands of euro)	31/12/2023	31/12/2022	Change	% change
Financial assets and liabilities held for trading	1,398	5,362	(3,964)	(73.9%)
- Debt securities	*110*	*11*	*99*	*n.s.*
- UCITS units	*-*	*-*	*-*	
- Derivative instruments	*398*	*6,321*	*(5,923)*	*(93.7%)*
- Other	*890*	*(970)*	*1,860*	*n.s.*
Net income from the sale of financial assets and liabilities	3,712	9,971	(6,258)	(62.8%)
Net result from hedging	(22)	-	-	
Dividends and similar income	39,148	45,259	(6,111)	(13.5%)
Net change in value of other financial assets and liabilities	(2,795)	(10,071)	7,276	(72.2%)
Total result from financial operations	**41,441**	**50,521**	**(9,080)**	**(18.0%)**

The result of financial operations is an important revenue dynamic for Cassa Centrale Banca, contributing 21% to net interest and other banking income. In 2023, this item stood at EUR 41.4 million and was mostly represented by dividends received from subsidiaries, which amounted to EUR 39.1 million (down by EUR 6.1 million on the previous year).

The other constituent items of the result of financial operations are mainly represented by net income from the sale of financial assets and liabilities (down on 2022) and the net change in value of other financial assets and liabilities, which, albeit impacting negatively (EUR -2.8 million), was up on 2022 when significant valuation losses had been recorded due to the negative market effect.

Operating costs

(Figures in thousands of euro)	31/12/2023	31/12/2022	Change	% change
Administrative expenses	(222,378)	(197,913)	(24,465)	12.4%
- staff expenses	*(71,535)*	*(62,667)*	*(8,868)*	*14.2%*
- other administrative expenses	*(150,843)*	*(135,246)*	*(15,597)*	*11.5%*
Operating amortisation/depreciation	(3,363)	(3,720)	357	(9.6%)
Other net provisions (excluding credit risk adjustments)	1,242	(617)	1,860	n.s.
- of which on commitments and guarantees	*370*	*(1,292)*	*1,662*	*n.s.*
Other operating expenses/income	41,408	40,652	756	1.9%
Total operating costs	**(183,091)**	**(161,598)**	**(21,493)**	**13.3%**

Operating costs amounted to EUR 183.1 million and increased by approximately EUR 21.5 million compared to the previous year. The increase reflects the Group's strategic investments and the dynamics to strengthen the structures of the Bank in its role as Parent Company and are mainly attributable to the increase in other administrative expenses.

Staff expenses of EUR 71.5 million increased by EUR 8.9 million and are related to the dimensional growth to strengthen the structures of the Bank in its role as Parent Company. The number of employees increased from 666 at the end of 2022 to 713 at the end of 2023. For 2023, staff expenses included extraordinary provisions for retirement equal to EUR 4 million.

Other administrative expenses amounted to EUR 150.8 million and increased year-on-year by EUR 15.6 million. These expenses are mainly related to IT consultancy and development costs aimed at strengthening the controls of Cassa Centrale Banca, as Parent Company of the Banking Group.

As at 31 December 2023, operating amortisation/depreciation amounted to EUR 3.4 million, a decrease of approximately EUR 0.4 million compared to 2022. On the other hand, net allocations amounted to EUR -1.2 million, an increase of EUR 1.9 million compared to the previous year, this change is especially due to write-backs carried out in 2023 on provisions for risks and expenses.

Other operating expenses and income, amounting to EUR 41.4 million, mainly include recoveries of costs for the outsourcing of control functions by the Affiliated Banks to the Parent Company, as well as write-backs of indirect taxes and write-backs for supervisory expenses. This item increased slightly on the previous year.

As at 31 December 2023, the cost-income ratio of Cassa Centrale Banca, calculated as the ratio of operating costs to net interest and other banking income, stood at 91.9%, up from 70.8% in the previous year. The increase in costs was only partially offset by the increase in revenue.

Value adjustments

(Figures in thousands of euro)	31/12/2023	31/12/2022	Change	% change
Loans to customers	15,279	8	15,272	n.s.
- of which write-offs	-	-	-	
Loans to banks	3,397	1,869	1,528	81.8%
OCI debt securities	(105)	(186)	80	(43.0%)
Contractual changes without derecognitions	(21)	18	(39)	n.s.
(Net value adjustments)/write-backs	**18,550**	**1,709**	**16,841**	**n.s.**

During 2023, net value write-backs of Cassa Centrale Banca amounted to approximately EUR 18.6 million, a significant increase on the previous year (EUR +16.8 million).

The main drivers were write-backs on NPL positions and write-backs on ordinary performing loans due to the release of the floors on moratoria.

Financial position aggregates

Reclassified balance sheet[25]

(Figures in thousands of euro)	31/12/2023	31/12/2022	Change	% change
ASSETS				
Cash and cash equivalents	214,085	197,277	16,808	8.5%
Loans to banks	10,824,001	16,420,417	(5,596,416)	(34.1%)
Loans to customers	2,499,737	2,095,447	404,290	19.3%
- of which at fair value	*25,381*	*25,551*	*(170)*	*(0.7%)*
Financial assets	4,307,091	4,227,683	79,408	1.9%
Equity investments	255,647	242,489	13,158	5.4%
Tangible and intangible assets	25,971	22,756	3,215	14.1%
Tax assets	35,962	30,313	5,649	18.6%
Other asset items	443,413	477,574	(34,161)	(7.2%)
Total assets	**18,605,907**	**23,713,956**	**(5,108,049)**	**(21.5%)**
LIABILITIES				
Due to banks	13,322,583	18,921,362	(5,598,780)	(29.6%)
Direct funding	3,366,516	2,788,153	578,363	20.7%
- Due to customers	*2,639,280*	*2,585,092*	*54,187*	*2.1%*
- Debt securities in issue	*727,236*	*203,061*	*524,175*	*n.s.*
Other financial liabilities	78,165	109,006	(30,841)	(28.3%)
Provisions (Risks, expenses and personnel)	26,660	25,910	750	2.9%
Tax liabilities	4,982	3,006	1,976	65.7%
Other liability items	619,656	698,200	(78,544)	(11.2%)
Total liabilities	**17,418,562**	**22,545,638**	**(5,127,076)**	**(22.7%)**
Equity	1,187,345	1,168,319	19,027	1.6%
Total liabilities and equity	**18,605,907**	**23,713,956**	**(5,108,049)**	**(21.5%)**

As at 31 December 2023, the total assets of Cassa Centrale Banca amounted to EUR 18.6 billion, a decrease of EUR 5.1 billion compared to the previous year. The total amount is mainly made up of exposures to banks (EUR 10.8 billion including the demand loans present in Item 10 of the Balance Sheet Assets),

[25] In order to provide a better management representation of the results, the reclassified balance sheet figures differ from the layouts of the financial statements envisaged by Bank of Italy Circular no. 262 of 2005, and subsequent updates.

which explain the annual change, marking a decrease of EUR 5.6 billion compared to the end of 2022. The decrease, which is also reflected in the liabilities, is mainly linked to lower brokered loans against lower funding from ECB refinancing operations, for which the related repayment began in 2023.

Loans to customers, which stood at EUR 2.5 billion at the end of 2023, increased by approximately EUR 404.3 million compared to 2022.

Financial assets increased on the previous year by approximately EUR 79.4 million. The effect is due to the set of various factors, including an upswing in bank securities which includes the second tranche of MREL issues subscribed in February 2023, a sale on the securities portfolio at A.C. and FVOCI and a sale on UCITS units, as well as a decrease in the mark-to-market on trading derivatives.

Lastly, the item “other assets”, which increased from approximately EUR 477.6 million in 2022 to EUR 443.4 million in 2023, includes tax credits.

Liabilities consist mainly of amounts due to banks of EUR 13.3 billion, down by approximately EUR 5.6 billion compared to 2022, and direct funding of EUR 3.4 billion, up by EUR 0.6 billion compared to the previous year. As shown above and consistently in the assets, the liabilities were also heavily influenced by the reduction in the TLTRO funding of the Parent Company with central bodies.

Equity, including profit for the period, amounts to EUR 1.2 billion.

Total customer funding

(Figures in thousands of euro)	31/12/2023	31/12/2022	Change	% change
Current accounts and deposits on demand	585,933	821,500	(235,567)	(28.7%)
Fixed-term deposits	47,061	43,161	3,900	9.0%
Repos and securities lending	1,599,692	1,277,965	321,727	25.2%
Bonds	727,236	203,061	524,175	n.s.
Other funding	406,594	442,467	(35,873)	(8.1%)
Direct funding	**3,366,516**	**2,788,153**	**578,363**	**20.7%**

The total amount of direct funding from customers at the end of the year was EUR 3.4 billion, up compared to the previous year (EUR +0.6 billion). The increase is attributable to two factors: the growth in Bonds as a result of the issue of another EUR 500 million in the context of the Group’s MREL issue plan and the growth of Repos with Cassa Compensazione e Garanzia, which stood at EUR 1.3 billion at the end of 2022.

On the other hand, there was a decisive drop in current accounts and deposits on demand compared to the previous year: funding in “ordinary” current accounts and funding in current accounts dedicated to asset management both fell. Especially the one related to the “PIP Cash” asset management initiative reflected in the 2022 figures.

(Figures in thousands of euro)	31/12/2023	31/12/2022	Change	% change
Assets under management	**3,527,377**	**2,953,629**	**573,748**	**19.4%**
Mutual funds and SICAVs	337,503	201,390	136,113	67.6%
Asset management	3,182,894	2,743,733	439,161	16.0%
Banking-insurance products	6,980	8,505	(1,525)	(17.9%)
Assets under administration	**5,066,868**	**3,955,746**	**1,111,122**	**28.1%**
Bonds	4,357,551	3,231,733	1,125,818	34.8%
Shares	709,317	724,013	(14,696)	(2.0%)
Indirect funding*	**8,594,245**	**6,909,374**	**1,684,871**	**24.4%**

* Indirect funding is expressed at market values.

Indirect funding of Cassa Centrale Banca[26] amounted to approximately EUR 8.6 billion at the end of 2023, 41% of which was represented by assets under management, amounting to approximately EUR 3.5 billion. Assets under administration amounted to EUR 5.1 billion and represent 59% of volumes.

Overall funding from customers of Cassa Centrale Banca stood at approximately EUR 12.0 billion, a 23.3% increase compared to the EUR 9.7 billion in 2022, and is formed of direct funding for 28% and indirect funding for 72%, thus maintaining a composition in line with the previous year.

% COMPOSITION OF CUSTOMER FUNDING	31/12/2023	31/12/2022	% change
Direct funding	28.1%	28.8%	(2.4%)
Indirect funding	71.9%	71.2%	1.0%

[26] The indirect funding represented refers to the component placed by Cassa Centrale Banca directly with customers and does not include the component placed through banks.

Net loans to customers

(Figures in thousands of euro)	31/12/2023	31/12/2022	Change	% change
Loans at amortised cost	**2,474,356**	**2,069,896**	**404,460**	**19.5%**
Mortgage loans	1,422,830	1,294,853	127,976	9.9%
Current accounts	885,807	659,193	226,614	34.4%
Other loans	160,085	106,168	53,917	50.8%
Impaired assets	5,634	9,682	(4,048)	(41.8%)
Loans at fair value	**25,381**	**25,551**	**(169)**	**(0.7%)**
Total net loans to customers	**2,499,737**	**2,095,447**	**404,290**	**19.3%**

Net loans to customers at the end of the year totalled EUR 2.5 billion, comprising mortgages of EUR 1.4 billion and current accounts of approximately EUR 886 million. Other loans include exposure to Cassa di Compensazione e Garanzia.

The growth in net loans to customers is mainly attributable to current accounts, which increased by EUR 227 million; this growth is linked to the growth in exposure to Group Companies. The mortgage loans component increased by EUR 128 million, approximately EUR 70 million of which is attributable to the disbursement of loans to the subsidiary Prestipay.

Credit quality

Cassa Centrale Banca adopts a rigorous policy in the valuation of impaired loans. Loans granted to customers are the main sources of credit risk and require precise control and monitoring. A summary of loans to customers by degree of risk is provided below.

Customer loans

(Figures in thousands of euro)	31/12/2023			
	Gross exposure	Writedowns	Net exposure	Coverage
Impaired exposures at amortised cost	26,880	(21,245)	5,634	79.0%
- Non-performing	*6,844*	*(5,985)*	*859*	*87.5%*
- Unlikely to pay	*20,036*	*(15,260)*	*4,776*	*76.2%*
- Overdue/past due	-	-	-	
Performing exposures at amortised cost	2,502,760	(34,039)	2,468,721	1.4%
Total customer loans at amortised cost	**2,529,640**	**(55,284)**	**2,474,356**	**2.2%**
Impaired exposures at fair value	287	(287)	-	100%
Performing exposures at fair value	25,381	-	25,381	0.0%
Total customer loans at fair value	**25,668**	**(287)**	**25,381**	**0.0%**
Total customer loans	**2,555,308**	**(55,868)**	**2,499,737**	**2.2%**

(Figures in thousands of euro)	31/12/2022			
	Gross exposure	Writedowns	Net exposure	Coverage
Impaired exposures at amortised cost	37,072	(27,390)	9,682	73.9%
- Non-performing	*7,997*	*(7,203)*	*795*	*90.1%*
- Unlikely to pay	*29,075*	*(20,187)*	*8,888*	*69.4%*
- Overdue/past due	-	-	-	
Performing exposures at amortised cost	2,103,001	(42,787)	2,060,214	2.0%
Total customer loans at amortised cost	**2,140,073**	**(70,177)**	**2,069,896**	**3.3%**
Impaired exposures at fair value	-	-	-	
Performing exposures at fair value	25,551	-	25,551	0.0%
Total customer loans at fair value	**25,551**	**-**	**25,551**	**0.0%**
Total customer loans	**2,165,624**	**(70,177)**	**2,095,447**	**3.2%**

As at 31 December 2023, Cassa Centrale Banca's net performing exposures amounted to approximately EUR 2.5 billion, an increase of approximately EUR 408 million compared to the previous year. They account for over 99% of Cassa Centrale Banca's net cash assets to customers at amortised cost.

Total net impaired loans amounted to approximately EUR 5.6 million, down compared to the previous year by EUR 4.0 million; net bad loans amounted to approximately EUR 0.9 million and had a coverage level of 87.5%, while unlikely to pay, net of value adjustments, amounted to EUR 4.8 million, with a coverage level of 76%.

The table below shows the main risk management indicators[27].

RISK MANAGEMENT RATIOS	31/12/2023	31/12/2022
NPL ratio	1.1%	1.7%
NPL coverage	79.0%	73.9%

With regard to asset quality, as at 31 December 2023, Cassa Centrale Banca's NPL ratio was 1.1%, placing it at an absolutely virtuous level, also in light of a positive trend, (down by 0.6% compared to December 2022).

The overall level of coverage of impaired loans stood at 79.0%, higher than the value for 2022, but which still stood out as being among the highest in the Italian banking market.

Composition of financial instruments

(Figures in thousands of euro)	31/12/2023	31/12/2022	Change	% change
SECURITIES PORTFOLIO				
Trading book assets (FVTPL)	213,033	242,570	(29,537)	(12.2%)
Trading book liabilities (FVTPL)	-	-		
Financial liabilities	-	-		
Banking book assets (FVOCI)	943,427	1,016,580	(73,153)	(7.2%)
Financial fixed assets excluding loans (AC)	3,072,004	2,859,602	212,402	7.4%
Total securities portfolio	**4,228,464**	**4,118,752**	**109,712**	**2.7%**
DERIVATIVES PORTFOLIO				
Trading assets (FVTPL)	78,627	108,930	(30,303)	(27.8%)
Trading liabilities (FVTPL)	(77,856)	(109,006)	31,150	(28.6%)
Total derivatives portfolio	**771**	**(76)**	**847**	**n.s.**
TOTAL FINANCIAL INSTRUMENTS	**4,229,235**	**4,118,676**	**110,557**	**2.7%**

As at 31 December 2023, total financial instruments amounted to EUR 4.2 billion, up by EUR 110.5 million compared to the end of 2022. The portfolio consists of 73% of assets classified under BV, 22% under FVOCI and 5% under FVTPL. Compared to the previous year, there was a 7.4% increase in the exposure of financial assets classified at amortised cost, mainly attributable to the purchase of liabilities issued by the Affiliated Banks as part of the MREL Issue Plan.

[27] The NPL ratio is calculated as the ratio of gross impaired loans to total gross loans to customers (given the importance of the loans to banks component for Cassa Centrale Banca, it was considered appropriate to exclude this item from the calculation of the index), while the NPL coverage is calculated on the basis of the EBA data model (EBA methodological guidance on risk indicators, last updated October 2021). In calculating the NPL ratio on the basis of the EBA data model, the value of the index for 2023 would be 0.20%, unchanged since the end of 2022.

The OTC derivatives activity is mainly aimed at hedging the interest rate risk of Cassa Centrale Banca's banking book. As a result, the almost symmetrical increase in trading assets and liabilities in the derivatives portfolio is mainly representative of market trading in hedging transactions carried out by Cassa Centrale Banca for its Affiliated Banks.

Financial assets

(Figures in thousands of euro)	31/12/2023	31/12/2022	Change	% change
Debt securities	**4,179,531**	**4,036,707**	**142,824**	**3.5%**
- Obligatorily measured at fair value (FVTPL)	23	34	(11)	(32.4%)
- Measured at fair value (FVTPL)	184,207	174,551	9,656	5.5%
- Measured at fair value through other comprehensive income (FVOCI)	923,297	1,002,520	(79,223)	(7.9%)
- Measured at amortised cost (AC)	3,072,004	2,859,602	212,402	7.4%
Equities	**20,130**	**14,060**	**6,070**	**43.2%**
- Measured at fair value through other comprehensive income (FVOCI)	20,130	14,060	6,070	43.2%
UCITS units	**28,803**	**67,985**	**(39,182)**	**(57.6%)**
- Obligatorily measured at fair value (FVTPL)	28,803	67,985	(39,182)	(57.6%)
Total financial assets	**4,228,464**	**4,118,752**	**109,712**	**2.7%**

At the end of December 2023, financial assets amounted to EUR 4.2 billion, up by EUR 109.7 million compared to the same period in 2022, and consisted mainly of debt securities (99%). The latter mostly consist of government securities of euro area countries or supranational issuers.

Exposure to the banking system: net financial position

(Figures in thousands of euro)	31/12/2023	31/12/2022	Change	% change
Loans to Central Banks	576,057	532,327	43,730	8.2%
Loans to other banks	10,247,944	15,888,090	(5,640,146)	(35.5%)
- Current accounts and deposits on demand	*46,587*	*91,475*	*(44,888)*	*(49.1%)*
- Fixed-term deposits	*382,303*	*209,718*	*172,585*	*82.3%*
- Repos	*-*	*-*	*-*	
- Other loans	*9,819,054*	*15,586,897*	*(5,767,843)*	*(37.0%)*
Total loans (A)	**10,824,001**	**16,420,417**	**(5,596,416)**	**(34.1%)**
Due to Central Banks	(9,435,594)	(14,459,968)	5,024,374	(34.7%)
Due to other banks	(3,886,989)	(4,461,395)	574,406	(12.9%)
- Current accounts and deposits on demand	*(2,652,176)*	*(2,704,436)*	*52,260*	*(1.9%)*
- Fixed-term deposits	*(1,113,920)*	*(1,280,473)*	*166,553*	*(13.0%)*
- Repos	*(119,908)*	*(475,642)*	*355,734*	*(74.8%)*
- Other loans	*(985)*	*(843)*	*(142)*	*16.8%*
Total payables (B)	**(13,322,583)**	**(18,921,362)**	**5,598,780**	**(29.6%)**
NET FINANCIAL POSITION (A-B)	**(2,498,582)**	**(2,500,945)**	**2,363**	**(0.1%)**

As at 31 December 2023, total loans to banks amounted to EUR 10.2 billion, down by approximately EUR 5.6 million compared to the end of 2022. Other loans includes exposures linked to the brokerage of ECB refinancing operations with the Affiliated Banks for approximately EUR 9.4 billion.

Fixed assets

(Figures in thousands of euro)	31/12/2023	31/12/2022	Change	% change
Equity investments	255,647	242,489	13,158	5.4%
Tangible	25,835	22,422	3,413	15.2%
Intangible	137	334	(198)	(59.0%)
Total fixed assets	**281,619**	**265,245**	**16,373**	**6.2%**

Non-current assets as at 31 December 2023 amounted to EUR 282 million, an increase of approximately EUR 16.4 million compared to 2022, and consisted of equity investments of EUR 256 million, tangible assets of EUR 25.8 million and intangible assets of EUR 0.1 million (mainly user licences and software). Equity investments recorded a positive YoY change as a result of the exercise of the option to purchase on the share package of the subsidiary Prestipay

S.p.A. held by Deutsche Bank and equal to 40% of the share capital of that Company, despite the write-downs made during 2023 of the equity investments of Cassa Centrale Banca in the subsidiary "Allitude" and in Casse Rurali-Raiffeisen Finanziaria S.p.A. - in liquidazione as a result of the company's voluntary liquidation.

Equity

(Figures in thousands of euro)	31/12/2023	31/12/2022	Change	% change
Share Capital	952,032	952,032	-	0.0%
Share premium	19,029	19,029	-	0.0%
Reserves	191,270	171,051	20,219	11.8%
Valuation reserves	(6,108)	(18,454)	12,346	(66.9%)
Profit (loss) for the year	31,123	44,660	(13,538)	(30.3%)
Total equity	**1,187,345**	**1,168,319**	**19,027**	**1.6%**

Equity as at 31 December 2023 amounted to EUR 1.2 billion and is slightly higher than the previous year. The increase of approximately EUR 19.0 million originates from an increase in the reserves (EUR +20.2 million, as a consequence of the allocation of profit from previous years) and the increase in the valuation reserves (EUR +12.3 million). These increases are partly offset by the negative change in the profit for the year (down on the previous year by EUR 13.6 million).

Own funds and capital adequacy

Own funds and capital ratios

Own funds for prudential purposes are calculated on the basis of the capital and economic result determined in accordance with IAS/IFRS and the accounting policies adopted, and taking into account the prudential rules in force at the time.

Total own funds consist of Tier 1 (T1) capital and Tier 2 (T2) capital. Specifically, Tier 1 capital results from the sum of Common Equity Tier 1 (CET1) capital and Additional Tier 1 (AT1) capital.

The aforesaid aggregates (CET1, AT1 and T2) are determined by the algebraic sum of their constituent positive and negative elements, following consideration of prudential filters, referring to all positive and negative fair value changes to Common Equity Tier 1 capital introduced by the Supervisory Authority in order to reduce the potential volatility of the assets.

At the end of December 2023, Common Equity Tier 1 (CET1), Tier 1 capital and total own funds of the Bank were identical and stood at EUR 1,180,986 thousand.

The quantification of these balance sheet aggregates also took into account the effects of the IFRS9 transitional regime, which, as at 31 December 2023, exclusively consists of the component arising from the dynamic approach, as introduced by Regulation (EU) 2017/2395 and amended by Regulation (EU) 873/2020 (so-called Quick Fix), the impact of which on the Bank's Common Equity Tier 1 capital amounted to EUR 9,709 thousand.

The adjustment to CET1 related to the "dynamic" component can be made in the period between 2020 and 2024, re-including in the CET1 the impact as determined above, to the extent indicated hereunder for each of the 5 years of the transitory period:

- 2020 – 100%
- 2021 – 100%
- 2022 – 75%
- 2023 – 50%
- 2024 – 25%.

The application of the transitional provisions to CET1 obviously requires, in order to avoid double counting of the prudential benefit, to make a symmetric adjustment in the determination of capital requirements for credit risk by adjusting the exposure values determined in accordance with Article 111, paragraph 1 of the CRR. Starting from June 2020, this adjustment is reflected in the risk-weighted assets through the application of a risk weighting factor of 100% applied to the amount of the sum of the components calculated on the incidence of the adjustment made to the CET1. This approach replaced the application of the original graduation factor, which was determined on the basis of the 1-complement of the impact of the adjustment made to CET1. Finally, where recognised, a symmetrical adjustment must be made against DTAs linked to the higher value adjustments, deducted or weighted at 250%.

As at 31 December 2023, for the purposes of calculating the capital requirements in relation to credit risk, the use of the external ratings issued by a recognised ECAI has not only been extended to the Central Governments or Central Banks portfolio and Exposures to Securitisation, but also to the regulatory portfolios Exposures to Entities and Exposures to Companies.

Following this change, the adopted rating agencies are as follows, grouped by relevant portfolio:

- Central Governments or Central Banks: Moody's;
- Exposures to securitisation: Moody's;
- Exposures to Entities: Moody's;
- Exposures to companies: CRIF ratings.

This choice is based on the more general framework of a progressive optimisation of risk-weighted assets, also in consideration of the expected benefits associated with application of the new Basel IV provisions.

It should also be noted, that from 31 December 2022, if the thresholds envisaged for the OEM at consolidated level are exceeded, for the purposes of calculating the capital requirements in relation to counterparty risk, the SIMPLIFIED SA CCR method, pursuant to Art. 281 of the CRR II, is applied.

This method is a simplified alternative to the OEM, applicable by intermediaries that hold exposures in derivatives valued at less than EUR 300 million and at 10% of the entity's assets, as provided for by Art. 273-bis, section 1 of the CRR II.

Lastly, in 2023, the additional provisions already fully introduced in 2022 were applied in accordance with the application of the provisions envisaged by Regulation (EU) no. 876/2019 – known as CRR II – (e.g. the application of the new SME supporting factor and infrastructure factor) envisaged by the aforementioned Regulation, as well as the application of the regulation on Calendar Provisioning – NPL Backstop, which introduced a specific deduction from "Own funds" in the case of insufficient coverage referring to impaired exposures (Regulation (EU) no. 2019/630).

Own funds and capital ratios

OWN FUNDS AND CAPITAL RATIOS	31/12/2023	31/12/2022
Common Equity Tier 1 capital - CET1	1,180,986	1,175,097
Tier 1 capital - Tier 1	1,180,986	1,175,097
Total own funds - Total Capital	1,180,986	1,175,097
Total risk-weighted assets	2,309,015	2,123,055
CET1 Capital ratio (Common equity Tier 1 capital/Total risk-weighted assets)	51.15%	55.35%
Tier 1 Capital ratio (Tier 1 capital/Total risk-weighted assets)	51.15%	55.35%
Total Capital ratio (Total own funds / Total risk-weighted assets)	51.15%	55.35%

Risk Weighted Assets

(Figures in thousands of euro)	31/12/2023	31/12/2022	Change	% change
Credit and counterparty risk	1,790,783	1,558,009	232,774	14.9%
Credit valuation adjustment risk	21,257	35,005	(13,748)	(39.3%)
Market risk	56,364	118,377	(62,013)	(52.4%)
Operational risk	440,611	411,664	28,947	7.0%
Total RWA	**2,309,015**	**2,123,055**	**185,961**	**8.8%**

Risk-weighted assets increased from EUR 2,123,055 thousand to EUR 2,309,015 thousand following an increase mainly due to credit risk.

Therefore, the Bank has a ratio of Common Equity Tier 1 capital to risk-weighted assets (CET1 Capital ratio) of 51.15% (55.35% as at 31 December 2022). The same value also refers to the ratio of Tier 1 Capital to risk-weighted assets (T1 Capital ratio) and total own funds and risk-weighted assets (Total Capital ratio).

The reduction in the capital ratios compared to the previous year is therefore attributable to an increase in the RWA, as shown in the above table.

Lastly, Cassa Centrale Banca's leverage requirement as at 31 December 2023 is 16.73% and thus higher than the expected regulatory minimum of 3%.

Other information

Pursuant to Articles 37-bis of the Testo Unico Bancario (Consolidated Banking Act - TUB) and 2497 et seq. of the Italian Civil Code, Cassa Centrale Banca exercises management and coordination activities with regard to its direct and indirect subsidiaries, in application of Articles 23 of the TUB and 2359 of the Italian Civil Code, including companies that, under current prudential regulations, are not part of the Banking Group. It is also specified that the management and coordination activities of the Affiliated Banks are carried out following the signing of the Cohesion Contract between Cassa Centrale Banca, as the Parent Company, and the Affiliated Banks themselves; in particular, the Cohesion Contract defines the powers and duties of the Parent Company and the tasks and duties of the Affiliated Banks.

This Report on Operations includes only comments on the results of operations of the Parent Company Cassa Centrale Banca. For all other information required by law and specific regulations, please refer to the Explanatory Notes to these separate financial statements, the Directors' Report on the Consolidated Operations and the Consolidated Explanatory Notes to the consolidated financial statements.

In particular, reference should be made to the Explanatory Notes to these separate financial statements for the following information:

- information relating to the Bank's operations and transactions with related parties (Part H – Transactions with related parties);
- the list of wholly-owned subsidiaries, jointly controlled and subject to significant influence (Part B, Assets, Section 7 – Equity investments);
- information on the ownership of own shares (Part B, Liabilities, Section 13 – Equity);
- information on events after the end of the financial year (Part A – Accounting policies);
- other information on assets (Part F – Information on equity);
- extraordinary transactions (Part G – Business combinations regarding companies or branches).

Reference should be made to the Directors’ Report on Consolidated Operations of the Cassa Centrale Group for information on the following:

- economic context;
- significant events during the year;
- information on the Group’s main strategic business areas;
- risk management;
- business continuity;
- research and development;
- other information;
- business outlook.

Proposed appropriation of the result for the year

Dear Shareholders,

We bring to your attention the financial statements for the year ended 31 December 2023 consisting of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the explanatory notes, and the report on operations.

Article 26 (under "Extraordinary tax calculated on higher net interest income") of Decree Law no. 104 of 10 August 2023, published in the Official Gazette no. 186 of 10/08/2023 (converted with amendments by Law no. 136 of 9 October 2023 in the Official Gazette no. 236 of 09/10/2023), introduced an extraordinary tax for banks – for one financial year only – calculated on the increase in the net interest income between 2021 and 2023. During approval of the 2023 financial statements, Cassa Centrale proposes to allocate to a non-distributable reserve the amount corresponding to over 2.5 times the amount of the tax, making use of the option provided for by the Italian government.

In accordance with the provisions of the Law and the Articles of Association, we propose to allocate the profit of EUR 31,122,736.84 as set out below:

DESTINATION ITEM	Figures rounded to nearest euro unit
1. to legal reserve (5% of the net profit)	1,556,137
2. to reserve for tax on excess profits pursuant to Art. 26, Decree Law no. 104/2023	14,149,856
2. to extraordinary reserve	862,866
3. to dividends in favour of shareholders	14,303,877
4. allocation to the Board of Directors	250,000

Trento, 7 June 2024

The Board of Directors

Board of Statutory Auditors' Report

Board of Statutory Auditors' Report to the Shareholders' Meeting pursuant to Article 2429 of the Italian Civil Code

Dear Shareholders,

With this report, drawn up pursuant to Article 2429 of the Italian Civil Code, the Board of Statutory Auditors reports to the Shareholders' Meeting of Cassa Centrale – Credito Cooperativo Italiano S.p.A. (hereinafter also "Cassa Centrale", "CCB", "Parent Company" or "Bank") on the supervisory activities carried out in the financial year ended 31 December 2023, in accordance with the relevant regulations, the Articles of Association and in compliance with the provisions issued by the National (Bank of Italy and CONSOB) and European (European Central Bank) Supervisory Authorities, also taking into account the Rules of Conduct of the Board of Statutory Auditors recommended by the National Board of Chartered Accountants (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili - CNDCEC).

1. Preliminary considerations

The Board of Statutory Auditors in its current composition, appointed by the Shareholders' Meeting of Cassa Centrale on 30 May 2022, is composed of Mr Pierpaolo Singer (Chairperson), Ms Lara Castelli and Ms Mariella Rutigliano.
The Board of Statutory Auditors of the Bank was also assigned the role of Supervisory Body pursuant to the provisions of Legislative Decree no. 231 of 8 June 2001, on the basis of the indications contained in Bank of Italy Circular no. 285 of 17 December 2013.
In undertaking its duties, the Board of Statutory Auditors oversaw compliance with the law, regulations and the Articles of Association. It also monitored the principles of correct administration and adequacy of the organisational and accounting structures, as well as the functionality of the internal control system of the Bank.
During the year, the Control Body met thirty-three times and, between 1 January 2024 and the date of preparation of this report, held ten meetings. The average length of the meetings was five hours.
In view of the work it is called upon to perform, the Board of Statutory Auditors prepares a half-yearly note for the Board of Directors which summarises the main activities carried out in the reporting period and the recommendations formulated so that they might be appropriately considered by the Board of Directors in a constructive critical meeting with management.
As part of its supervisory activities, the Control Body attended every meeting of the Board of Directors and of the Executive Committee and, in accordance with the Regulations, at least one member attended every meeting of the Board Committees.
The Control Body attended the Regional Shareholders' Meetings, announced by the Parent Company, with the aim of sharing the strategic projects of relevance for the entire Group and the development guidelines in the implementation of which the Banks are active players.
The Board of Statutory Auditors also participated in the following events:

- Internal Audit meeting, held in Bologna on 17 May, aimed at sharing with the Banks' link auditors and Boards of Statutory Auditors the organisational evolution and methodological framework of Internal Audit, the management of corrective actions, the role and responsibilities of internal representatives and strategic supervisory bodies of audited entities, and a summary of the main audit evidence for individual areas and processes routinely subject to audit;

1

- online meeting organised by the Anti-Money Laundering Department on 23 June with its internal representatives for the presentation of the single risk profile, in view of the conclusion of the development and testing phases of the project launched in implementation of the Remedies Plan shared with the Bank of Italy as a result of the inspection activity conducted in 2021;
- meeting organised by the Compliance Department, held in Verona on 1 December 2023, with the participation of the Affiliated Banks' Internal Representatives and some representatives of the Parent Company's organisational units. During the meeting, the main topics and "risks" relevant to the Compliance Function were discussed, including digital, cybersecurity, ESG, climate risks and related regulations, data quality, data governance and risks and potentials related to artificial intelligence tools. Some mentions on the ECB's supervisory priorities for the three-year period 2023-2025 was also provided, based on the assessment of the key risks and vulnerabilities faced by supervised institutions in the current economic, regulatory and prudential environment;
- AML forum organised by the Anti-Money Laundering Function to discuss, in the presence of the Chairpersons of the Boards of Statutory Auditors, the Group's Departments and AML Representatives, the changes introduced by the Bank of Italy Provision of 1 August 2023 amending the provisions on organisation, procedures and internal controls for anti-money laundering purposes, and to present the governance model designed for the Cassa Centrale Group in order to adapt to the new regulatory context.

During the course of the year, action continued to be taken to guide and coordinate the Group's entities, to integrate and update the body of internal regulations, the set of Group policies and procedures aimed at progressively achieving objectives of full operational homogeneity at Affiliated Banks and Subsidiaries level.

The Control Functions continued to refine their methodological approach based on an integrated view of the risks in the planning and execution phases of the respective activities and in reporting them so as to allow the company bodies to promptly assess any anomalous phenomena and direct their supervision and guidance more effectively at Group level.

The Parent Company's activities made it possible to intercept and address the main criticalities manifested by certain Affiliates, realising the priority objective of securing the Group's overall structure. The results achieved and the gradual maturing of the Group's spirit have created the conditions for launching initiatives aimed at progressively increasing the efficacy of the direction and coordination activity, whilst continuing to protect the entire Group from legal and reputational impacts, in respect of the overall regulatory framework and provisions of reference and the guiding principles and mission of cooperative credit. This includes the launch of the project to revise the Standard Articles of Association of the Affiliated Banks - aimed at standardising their operating rules and encouraging compliance with best practices on the generational renewal of bodies and term of office of officers - and the update, in December 2023, of the "Group Model for the optimal composition of the Corporate Bodies and Management of the Affiliated Banks". In continuity with the action taken in the previous year, the Board of Statutory Auditors monitored the remedial actions planned in response to the findings of the inspections conducted by the ECB and the Bank of Italy, as well as the checks carried out by the Control Functions. Similar efforts were dedicated to the monitoring of the risk profiles and credit quality, as well as the progress of projects related to the development of applications in support of first and second level controls.

Finally, the Board of Statutory Auditors oversaw the relationship with the statutory auditor, intended to continuously promote mutual exchange of information regarding the performance of the supervisory activities within their respective remits and the necessary discussion around the process of producing financial reporting.

2. Coordination with the Boards of Statutory Auditors of Affiliated Banks and Subsidiaries

During the year, the Board of Statutory Auditors implemented coordination activities with the counterpart Bodies of the Affiliated Banks and Subsidiaries in order to share guidelines for performing control activities and raise their awareness of the need to supervise the tangible transposition at local level of Group regulations and compliance with specific provisions/indications formulated by the Parent Company, with a view to promoting the standardisation of processes, procedures and controls.
For the pursuit of these objectives, in addition to the exchange of information and news, aimed at delving into specific aspects of internal control or risk governance, a plenary meeting was organised in November 2023 with the Chairpersons of the Boards of Statutory Auditors of the Affiliated Banks and Subsidiaries, during which attention was focused on the need for accurate monitoring and strong encouragement of the Control Bodies to comply with the law and regulations, in particular on the following aspects:

- conflicts of interest: obligations pursuant to Article 2391 of the Italian Civil Code and Article 48 of the Articles of Association;
- operations of the Corporate Control Functions;
- first-level controls, with specific reference to those for monitoring and classifying Loans;
- implementation of plans to remedy the findings of the Bank of Italy's AML and transparency inspection.

Furthermore, in light of preparing the Annual Report on the Financial Statements, the Board of Statutory Auditors met with the Chairpersons of the Control Bodies of the Subsidiaries with the aim of learning the outcomes of the activity performed and any critical issues detected. A written request for information was also sent to the Boards of Statutory Auditors of a pool of twenty-seven Affiliated Banks, selected using a risk-based approach in order to discover information on:

- any significant shortcomings found in the internal control and risk management system;
- the state of implementation of the corrective actions identified following high or medium/high severity findings detected by the Control Functions;
- the outcomes of the activities conducted by the Control Body in order to transpose the provisions and indications issued by the Parent Company for implementation of the remedial plans following the Bank of Italy inspection on AML and Transparency;
- the results of supervisory activity on the status of actions taken by the Bank in execution of a governance plan, revitalisation plan or binding directive;
- any requests received from the Supervisory Authorities and/or discussions between them and the Bank's bodies;
- the number of meetings held since the beginning of the financial year 2023, with an indication of the main topics discussed.

The feedback received did not reveal any significant circumstances that were not already known. The request for information on the meetings held and the topics discussed was extended to the Boards of Statutory Auditors of all the Affiliated Banks in order to acquire elements to be evaluated in the context of reflections, started during the current year, on possible initiatives that could contribute to strengthening the coordination of the Group's Control Bodies.

3. Corporate governance

In compliance with the Regulatory Provisions and the guidelines expressed at European level on the composition, appointment and requirements of independence of corporate bodies, in March 2023, the Board of Directors carried out a self-assessment on its functioning and qualitative and quantitative composition, as well as of the Board Committees. The outcome was submitted to the Board of Directors for approval on 25 May 2023 and made available to shareholders at the Shareholders' Meeting of 07 June 2023.
The Board of Statutory Auditors supervised the self- assessment of the Board of Directors in office and carried out its own self-assessment.
At the date of drafting this report, the self-assessment process of the corporate bodies with reference to the year 2023 is underway with the support of the consulting firm *Spencer Stuart*. The Board of Statutory Auditors shall supervise the exercise by the Strategic Supervisory Body, the outcomes of which shall be reported to the Shareholders' Meeting during approval of the Financial Statements as at 31 December 2023.
By attending the meetings of the Appointments Committee and the Board of Directors, the Board of Statutory Auditors also monitored the processes for the appointment and assessment of the requirements of the members of the Affiliated Banks and the Subsidiaries, performed in line with the provisions of the "Group regulation for the assessment of the suitability of officers and self-assessment of the bodies of the Subsidiary Banks and for the identification of officers of the Subsidiary Companies" and in consideration of the provisions of the "Group Model for the optimal composition of the Corporate Bodies and Management of the Subsidiary Banks".

4. Transactions with related parties

In terms of conflicts of interest and transactions with associated and related parties, the Board of Statutory Auditors monitored the suitability of the internal procedures to ensure compliance with the related rules and, in particular, with the provisions set out in Bank of Italy Circular no. 285/2013, through direct feedback, attending all meetings of the Independent Directors' Committee, analysing periodic information on the transactions carried out and issuing specific opinions when requested.
CCB has adopted a "Group Regulation for the Management of Conflicts of Interest" and a "Group Regulation for the Management of Transactions with Related Parties", which define the principles, roles and responsibilities aimed at guarding against the risk of potential conflicts of interest in the management of transactions (i) with Related Parties pursuant to Consob Resolution No. 17221 of 12 March 2010 and subsequent amendments; (ii) with Connected Parties, as per Bank of Italy Circular No. 263/2006, Title V, Chapter 5; (iii) involving obligations of bank officers pursuant to Article 136 of Legislative Decree No. 385/1993; (iv) involving directors' interests, in accordance with the provisions of the Italian Civil Code; (v) with Related Parties IAS 24 related to financial statement disclosures on related party transactions; (vi) involving loans to

exponents and their Related Parties as referred to in Article 88 of Directive (EU) 2013/36.
On 7 November 2023, the Parent Company, also implementing the recommendations made by the Board of Statutory Auditors, also adopted the "Procedure for the Operations of Associated Parties and Conflicts of Interest Registers" and, in January 2024, issued the corresponding Group procedure for Affiliated Banks. These procedures also provide for the formalisation, in a uniform manner and timeframe, of the first-level controls in charge of the Affiliates and those centralised in the Parent Company for the verification and correctness of the information recorded by the latter. The regulatory framework of reference was completed with the issuance, last March, of the Operational Instructions, which set out the aforementioned controls in greater detail.
The Board of Statutory Auditors has not detected any transactions with related parties in conflict with the interest of Cassa Centrale.
The results of the verification activities carried out on this matter by the Corporate Control Functions, for their respective areas of competence, return a picture of substantial adequacy.
Furthermore, no writedowns were made and no losses for receivables from related parties were reported.
The relations and transactions are attributable to ordinary credit and service activities developed according to contingent needs or benefits, in the common interest of the parties.
The conditions applied to individual relationships and transactions with counterparties did not diverge from market conditions, namely they were aligned, where applicable, with the conditions applied to employees.

5. Monitoring of compliance with legal, regulatory and statutory provisions

The Board of Statutory Auditors monitored the activity carried out by the Bodies and by the Board Committees, verifying its compliance with the principles of correct administration and protection of the Bank's assets.
The Control Body acquired information on the management activities and the most significant transactions from an economic and financial point of view and/or from an organisational point of view, of Cassa Centrale, the Affiliated Banks and the Subsidiaries through its participation in board meetings, the proceedings of the Board Committees and meetings with Top Management. As part of the meetings it attended, and in light of the audits carried out, the Board of Statutory Auditors did not discover overtly imprudent or risky transactions or in potential conflict of interest, nor transactions that went against the resolutions of the Shareholders' Meeting, or such that would compromise the integrity of the assets.
As for the decision-making processes of the Board of Directors and the Executive Committee, the Board of Statutory Auditors monitored their compliance with the law and the Articles of Associations, verifying that the decisions made were inspired by the principle of correct information and reason.
In the course of its activities and on the basis of the information obtained, the Board of Statutory Auditors has not found any irregularities, censurable acts or facts or circumstances such as to require reporting to the Supervisory Authorities; moreover, it has not been alerted pursuant to Article 2408 of the Italian Civil Code, nor did it receive any complaints or claims.

The Control BODIES took note that, on 30 November 2023, the Bank received the notification of the SREP decision, containing the results of the annual Prudential Review and Evaluation Process covering the year 2024, in which a number of recommendations are set out in order to address the areas for improvement identified by the Supervisory Authority. Taking into account the analyses and assessments performed, the ECB confirmed the Own Funds, liquidity and quality requirements communicated following the 2022 SREP cycle.
The Group is therefore required to meet, on a consolidated basis, a total SREP requirement of 10.50%, including the additional requirement with regard to Pillar 2 (P2R) own funds of 2.50%. All capital requirements were met by Cassa Centrale: as at 31 December 2023, the Group's capital ratios at consolidated level amounted to 24.59% for both Common Equity Tier 1 and Total Capital Ratio.

6. Significant transactions

Among the most significant transactions and events during the year - of which the Directors have provided information in the Report on Operations to the Group's consolidated financial statements - which the Board of Statutory Auditors deems appropriate to note for their consistency with the strategic guidelines and the objectives of corporate rationalisation and strengthening of the quality of assets, as well as their significance, the following are worth mentioning:

✓ **Business combinations between Affiliated Banks**

During the 2023 financial year, as part of the process of rationalising the territorial presence, two aggregation transactions were carried out between Affiliated Banks, reducing their number from 69 at the end of 2022 to 67 at 31 December 2023.
These transactions had no impact on the consolidated financial position as they are mergers between entities under common control and concerned:

- Banca Sicana – Credito Cooperativo and Credito Etneo – Banca di Credito Cooperativo: new name Sicilbanca – Credito Cooperativo Italiano, effective from 1 January 2023, Sicily Region;
- BancaTer Credito Cooperativo FVG and Friulovest Banca - Credito Cooperativo: new name Banca 360 Credito Cooperativo FVG, effective from 1 July 2023, Friuli-Venezia Giulia Region.

✓ **2023-2026 Strategic Plan**

The 2022-25 Strategic Plan was updated by the Board of Directors of Cassa Centrale Banca on 29 June 2023 with a 2023-2026 horizon.
The main areas of intervention relate to: (*i)* the commercial development based on the territorial bank service model through the expansion of the customer base, the transformation of the distribution model and the evolution of services aimed at customers; *(ii)* the streamlining of the Group's business model through the evolution of ICT tools and processes, the centralisation of administrative and back-office activities and digitalisation; *iii*) the focus on capital and risk profiles through the proactive management of the Loans portfolio, the governance of financial risks and the evolution towards the Basel 4 framework; *iv)* the activation of enabling factors, to be framed transversally, through the enhancement and training of human capital and the integration of ESG models.

✓ **Impaired asset management and Group NPE strategy**

On 30 March 2023, the Parent Company's Board of Directors approved the new NPE Strategy and the related Group Operating Plan, with a 2023-2025 time horizon, maintaining a prudent approach declined through the adoption of a forecast default rate for the three-year period 2023-2025 particularly high compared to the historical data of the last financial years.

The Group's NPE Strategy predicts an additional reduction in the gross NPL ratio, which, at the end of the plan, is expected to fall to 4.2%. With regard to coverage levels, the Strategy forecast a slight decrease in the index, nevertheless retaining a provisional level for 2025 of 70.3%, which appears to be significantly higher than the figures of the Italian and European banking system. The combined effect of the reduction in the gross NPL ratio and the retention of a high coverage level on impaired loans will enable the Group to obtain a net NPL ratio of 1.3% at the end of the plan, lower than the average for the main Italian banking groups.

The final figures as at 31 December 2023 showed better results than the estimates formulated when the NPE Strategy was prepared, especially in terms of the default rate, which, at around 1%, does not currently show any significant impact from price and interest rate increases.

With regard to the recovery performance of impaired loans, the total reductions achieved during the year was in line with those planned in the Strategy. Total performing loans increased slightly compared to the figure at the end of 2022. The combined effect of these dynamics on the entire loan portfolio led to the achievement as at 31 December 2023 of a gross NPL ratio of 4.2% and a net NPL ratio of 0.7% against the targets for the end of 2023 of 4.6% and 1% respectively.

Impaired exposure coverage was maintained at 84.8%, placing the Cassa Centrale Group among the top performers in Italy and Europe in terms of coverage ratio.

✓ **Cassa Centrale Banca bond issue**

On 8 February 2023, Cassa Centrale Banca completed the public placement of the senior preferred bond issue for domestic and international institutional investors, with a fixed-rate, four-year maturity and repayable in advance after three years.

Part of the process to meet the MREL requirements, the bond was issued as part of the Euro Medium-Term Notes (EMTN) Programme worth EUR 3 billion, listed on the Irish Stock Exchange.

The security was issued at par value, with a 5.885% coupon and a rating from DBRS and Fitch equal to "BBB (low)" and "BBB-" respectively.

The transaction saw strong participation from leading institutional investors, raising demand of over EUR 1,700 million.

✓ **2023 EBA EU-wide Stress Test**

At the end of January 2023, on the instructions of the ECB, the Group started the stress test exercise conducted by the European Banking Authority.

The process involved the use of methodologies, scenarios and key assumptions developed in collaboration with the European Systemic Risk Board, the ECB and the European Commission (EC), assuming a static balance sheet with reference date 31 December 2022.

The results communicated at the end of July confirmed the Cassa Centrale Group's capital strength and highlighted its significant resilience, including in the face of particularly severe macroeconomic scenarios. The low of 18.52% achieved by the fully-loaded CET1 ratio in the adverse scenario at the end of 2023 against a starting value of 21.55% would guarantee the maintenance of an extremely significant buffer in relation to the requirements assigned by the Supervisory Authority.

✓ **Disputes**

On 16 January 2020, the financial holding company Malacalza Investimenti S.r.l. brought a civil action against Carige, FITD, SVI and Cassa Centrale Banca, contesting the validity of the resolution to increase the share capital by EUR 700 million approved by the Shareholders of Banca Carige in the Shareholders' Meeting of 20 September 2019 and submitting a claim for damages of over EUR 480 million (subsequently increased to approximately EUR 539 million). The contested invalidity of the Shareholders' Meeting resolution is based on the alleged unlawful exclusion of the option right, failure to comply with the principle of accounting parity and determination of the issue price of the new shares in breach of the criteria provided for by company regulations. The same defendants, including Cassa Centrale Banca, were then sued in two further disputes by the shareholder Vittorio Malacalza and forty-two other shareholders of Carige, with a claim for a further approximate total of EUR 11.4 million, plus revaluation and interest, based on assumptions and arguments coinciding with those put forward by Malacalza Investimenti.

On 15 November 2021, the Court of Genoa ascertained the validity of the capital increase resolution adopted by Carige on 20 September 2019 and rejected the claims for damages brought by the plaintiffs, ordering the latter to pay the legal costs.

In December 2021, Malacalza Investimenti Srl, Malacalza Vittorio and five small shareholders out of the initial 42 appealed against the first-level ruling before the Court of Appeal of Genoa, (with a reduction of the claims for damages from approximately EUR 8.4 million to EUR 84 thousand).

Cassa Centrale Banca appeared in the three lawsuits pending before the Court of Appeal, which were subsequently combined and are currently ongoing.

As a result of the assessments carried out with the support of solicitors, Cassa Centrale Banca, considering the risk of losing the case, decided not to make provisions for risks and expenses in line with the provisions of the IAS/IFRS international accounting standards.

✓ **Equity investments**

This concerns the following operations:

- *Exercise of the option to purchase the Prestipay S.p.A. share held by Deutsche Bank.* In February 2023, Cassa Centrale Banca resolved to exercise the purchase option on the share package of the subsidiary company Prestipay S.p.A. held by Deutsche Bank, equal to 40% of its share capital. The closing took place in June 2023.
- *Liquidation of the subsidiary Centrale Casa S.r.l.*
  In April 2023, the Extraordinary Shareholders' Meeting of Centrale Casa S.r.l., a wholly-owned subsidiary of Cassa Centrale Banca, resolved, as part of a broader process of reorganisation of the Group, to put the Company into voluntary liquidation, which ended in November 2023;
- *Liquidation of Casse Rurali Raiffeisen Finanziaria S.p.A.*
  In April 2023, the Extraordinary Shareholders' Meeting of Casse Rurali Raiffeisen Finanziaria S.p.A., 50% owned by Cassa Centrale Banca and 50% by Raiffeisen Landesbank, resolved to put the Company into voluntary liquidation. The procedure is, at present, ongoing.

8

- ✓ **System operation to resolve the crisis situation of Eurovita S.p.A.**

On 30 June 2023, an agreement was reached to rescue the insurance company Eurovita, which was put into receivership by the Supervisory Authority at the beginning of 2023. The agreement amongst around twenty-five Banks distributing the policies, five leading Italian insurance companies and some of the major Italian banks is aimed at protecting Eurovita's policyholders. Within this framework, the entire insurance portfolio of the Banks is to be taken over by the five insurance groups. The project also provided for the initial transfer of policies to the newly established Cronos Vita Assicurazioni S.p.A., which is owned by the five insurance companies mentioned above. IVASS Order No. 0249570 authorised the sale of Eurovita's business unit to Cronos and approved the relevant Sale Agreement.

The total amount of the Eurovita policies placed with Group customers was around EUR 402 million.

The agreement – signed by Cassa Centrale Banca on 27 September 2023 – allowed to remove the block on the option to exercise the right of redemption for the interested customers.

- ✓ **Impacts related to the conflict in the Middle East**

The Israeli-Palestinian conflict has resulted in cyber attacks on the platforms used to issue warning messages to the Israeli population.

Experts believe that war-related hacking activities will continue for the duration of the conflict, extending to organisations and countries directly and indirectly connected to developments in the disputed territory.

The Parent Company, in collaboration with Allitude, raised the alert level and increased its continuous threat analysis, collection and enhancement of indicators of compromise shared by cyber threat intelligence sources. It also carried out targeted information and awareness activities, within the entire Group, involving the Corporate Control Functions and top management figures.

- ✓ **MREL Requirement**

As part of the regulatory framework for the recovery and resolution of credit institutions and investment firms, the Single Resolution Board communicated in April 2023 to Cassa Centrale Banca, as the Group's resolution entity, the Minimum Requirement of Eligible Liabilities (MREL) to be met both at a consolidated level and at an individual level for the Affiliated Banks identified as Relevant Entities by the relevant legislation in the 2022 resolution cycle. Own funds on a consolidated basis shall be considered suitable to meet the consolidated MREL requirement, while the only eligible liabilities will be those issued directly by the Parent Company Cassa Centrale Banca and that will comply with the eligibility conditions set out in Regulation no. 877/2019. The minimum requirement for Own Funds and Eligible Liabilities on a consolidated basis to be met by the Parent Company by 1 January 2024 is 22.61% of the Total Risk Exposure Amount (TREA) and 5.91% of the Leverage Ratio Exposure (LRE). At the reference date of 31 December 2023, Cassa Centrale Banca complies on a consolidated basis with the mandatory intermediate level of the MREL requirement established as of 1 January 2022, both as a percentage of the total risk exposure amount (18.20%) and as a percentage of the leverage ratio exposure (5.91%).

7. Inspections by Supervisory Authorities

During 2023, the Bank was called upon to draw up action plans to define and implement corrective measures necessary in view of the outcomes of inspection activities (on-site or remote), conducted by the Supervisory Authorities.
The Board of Auditors received and examined the periodic updates on the status of implementation of these plans, prepared by the Risk Management Department and brought to the attention of the Board of Directors. In this regard, the Board of Auditors has recommended on several occasions a timely execution of remedial actions in compliance with the timeframe represented to the Supervisory Authority, considering that any rescheduling should be of a residual nature and adequately motivated.

- ✓ **European Central Bank credit and counterparty risk audit of the portfolio secured by commercial real estate**

On 6 June 2023, the ECB delivered its final report on the inspection conducted on Credit and counterparty risk, the purpose of which was to assess compliance with and implementation of the IFRS 9 accounting standard. Following the sharing of the Follow-up Letter with the JST, the Remedy Plan was launched in October 2023, which addresses the main remedial actions and sees the Group involved in related activities until 2025.

- ✓ **European Central Bank credit and counterparty risk audit (Retail SME OSI)**

On 28 March 2023, the European Central Bank informed of the start of an on-site inspection, as part of a broader campaign of control and analyses conducted on the entire European banking system, focused on credit and counterparty risk with reference to small and medium-sized enterprises. On 13 December 2023, the end-of-inspection report summarising the findings was submitted. The Group began identifying the corrective measures required to implement the recommendations set out in the Follow Up Letter of 27 February 2024, taking on board what has been shared with the JST, in order to ensure their completion, within the deadlines set by the Supervisory Authority.

- ✓ **European Central Bank inspection on IT risk**

In early 2023, the outcome of the inspection on ICT Operations and IT Project Management was notified, which highlighted some points of attention and areas for improvement for which the Cassa Centrale Group promptly took action. The relevant remedial plan is being implemented and is scheduled for completion by the end of 2024.

- ✓ **European Central Bank internal governance and risk management audit**

In January 2023, the ECB announced the initiation of an on-site internal governance and risk management audit, completed at the end of June 2023. In March 2024, the JST shared the definitive follow-up letter. The Group began identifying the corrective measures required to achieve the recommendations in the follow-up letter, in order to guarantee their completion in accordance with the terms set out by the Supervisory Authority.

- ✓ **CONSOB audit of the status of the MiFID II adjustment regarding product governance and assessing the appropriateness/adequacy of operations and related compliance audit**

On 22 February 2023, CONSOB began auditing the Group's model for the provision of investment services. The audit focused on the status of the regulatory adjustment regarding investment services with specific reference to product governance and procedures to assess the appropriateness and adequacy of operations carried out on behalf of customers, as well as methods for subdividing and effectively performing compliance checks in the aforementioned areas.
Consob notified Cassa Centrale of the end of the audit on 7 November. The decisions resulting from the inspection will be made and communicated by the Supervisory Authority within six months from the aforesaid date.
At the time of writing, there is no information on the outcome of these determinations.

- ✓ **"Forbearance deep dive" by the European Central Bank**

Following the in-depth examination conducted by the European Central Bank between October 2022 and January 2023, focusing on the forbearance process, the Cassa Centrale Banca Group received the follow-up letter from the JST on 11 May 2023.
In June 2023, the Group launched the remedial plan designed to incorporate the Supervisory Authority's suggestions to strengthen the forbearance framework, and guarantee compliance with the envisaged terms and deadlines.

- ✓ **Targeted analysis on management body effectiveness and diversity by the European Central Bank**

In October 2023, the European Central Bank began analyses and assessments of the functioning, supervision and composition of the corporate bodies of Cassa Centrale Banca. The activity should be complete by the first half of 2024.

8. Monitoring of the principles of correct administration and the adequacy of the organisational structure

The Board of Statutory Auditors became familiar with and monitored the organisational structure, especially with regard to compliance with regulatory provisions and the related changes and consolidation of the internal regulatory system. In this regard, both on the basis of direct discussions held with the Heads of the competent Corporate Functions, and in consideration of the evidence that emerged as a result of the controls conducted by the FACs, the Board of Statutory Auditors found that the Bank's organisational and regulatory structure was substantially adequate.
During 2023, the process of adapting and strengthening the structure to the operational complexity of the role as Parent Company continued.
In addition to the description below of the size and organisational structure of the individual Corporate Control Functions, it should be noted that the Board of Directors resolved as follows:

- with effect from 1 June 2023: *(i)* the transformation of the Institutional Relations Department into the ESG and Institutional Relations Department, appointing Ms. Roberta Famà as Head, hired as of 1 May 2023; *(ii)* the appointment of Mr. Fabrizio Preti as Chief of Cassa Centrale Banca's NPL Department, previously qualified as Service;

11

- with effect from 1 October 2023: *(i)* the constitution of the Human Resources Department, entrusted to the responsibility of Ms. Stefania Buratto, taken over as of 1 September 2023; *(ii)* the renaming of the Organisation and Human Resources Department to Operations Department, confirming the relative responsibility to the Chief Operating Officer, Mr. Paolo Sacco; *(iii)* the transfer of the Treasury Department from the Finance Department to the Planning Department;
- with effect from 1 October 2023: *(i)* the establishment of the General CounselDepartment, appointing Ms. Manuela Acler, former Group Chief Compliance Officer, as manager, into which the Corporate Affairs and Equity Investments Area and the Legal Area were merged; *(ii)* the appointment of Mr. Paolo Martignogni as interim Chief Compliance Officer;
- effective 18 December 2023, the appointment of Mr. Letterio Merlino as Chief of the Loans Department, now consisting of two Areas, the Loans Business Area and the Corporate and Structured Finance Area;
- with effect from 1 January 2024, the establishment of the Commercial Department, appointing Mr. Armando Franceschi as manager, in order to strengthen commercial policy and coordination activities and synergies between the Parent Company, Affiliated Banks and Product Companies, in execution of the provisions of the 2023-2026 strategic plan;
- with effect from 9 February 2024, the establishment of the Ceo Staff and Transformation Department, appointing Mr. Carlo Appetiti as manager, hired as of 1 February 2024;
- with effect from 18 March 2024, the employment of Ms Daniela Bragante as Chief Compliance Officer of Cassa Centrale Banca.

The Control Body also monitored the transposition of the regulations and policies by the Affiliated Banks and the Subsidiaries with the help of the Internal Regulations Office, in charge of carrying out the related monitoring, in accordance with the provisions of the "Group Policy for Managing Internal Regulations and Information Flows". It oversaw compliance with the guidelines issued by the Parent Company to the Affiliated Banks and the Subsidiaries, also obtaining information about specific provisions issued to individual entities of the Group, through participation in board meetings and the proceedings of the Board Committees.

With regard to the principles of proper administration, the Board of Statutory Auditors, through meetings with Top Management, the Heads of the business areas, the Administration and Financial Statements Manager, the Heads of the Control Functions and the Independent Auditors, as well as through observation of the information flows to the Board of Directors, can reasonably affirm that the transactions carried out during the year are based on principles of sound and prudent administration and have been approved after obtaining adequate information flows that have enabled the Strategic Supervisory Body to appreciate the related risk profiles.

9. Monitoring of the adequacy of the internal control system

The Corporate Control Functions of the Affiliated Cooperative Credit Banks are outsourced by the Parent Company in accordance with the Supervisory Provisions for Banks in the Cooperative Banking Group issued by the Bank of Italy.

The organisational model of Cassa Centrale provides for the figure of the "Internal Contact Representative" at the individual user companies who, albeit employed by the individual Affiliated Banks, reports functionally to the heads of the Parent

Company's Control Functions and carries out centrally planned verification activities under the direct supervision of the respective Functional Departments. For the Luxembourg-based NEAM and the other subsidiaries that have not outsourced their Control Functions to the Parent Company, annual reports and reports have been acquired and the status of the implementation of remedial actions against findings was monitored.

The Control Functions, which report directly to the Board of Directors, have direct access to all information useful for the performance of their duties and operate with organisational independence and in the absence of responsibility for the company's activities under assessment. The same requirements are demanded by internal regulations for local representatives, hierarchically placed to report directly to their Boards of Directors.

The Board of Statutory Auditors oversaw the adequacy of the internal control and risk management systems through:

- the acquisition of information from Top Management and the Heads of Business Departments and support to the Department;
- the analysis of the annual plans and annual reports prepared in accordance with the regulations in force by the Control Functions – Compliance, AML, Risk Management and Internal Audit – and periodic meetings with them;
- the analysis and discussions of the reports prepared by the Control Functions as a result of the verification and monitoring activities carried out;
- participation in the meetings of the Internal Board Committees and the Board of Directors during which the aforementioned reports and annual reports were presented and examined;
- the monitoring of the implementation and effectiveness of the remedial actions in the areas subject to verification in light of the findings emerging from the reports of the Control Functions, through direct intervention or examination of the periodic reports on the relevant progress prepared by the same Functions;
- the checks carried out in accordance with the action plan defined;
- the periodic meetings with the Independent Auditors in order to acquire evidence from the checks on the proper keeping of accounts and the correct recognition of management events in the accounting records and the results of the procedures checking the reliability of the administrative and accounting control system that oversees the production of financial information;
- the exchange of information and the meetings with the Control Bodies of the Group entities.

The controls and risk management system continues to consolidate in terms of reliability, integrity, functionality and adequacy thanks to: *i)* the gradual extension of the perimeter of controls, *ii)* the refinement of KPIs that guide the planning of FACs also in consideration of the weaknesses that have emerged as a result of the verification activities conducted since the start of Group operations and the related replicability characteristics detected *iii*) the evolution of audits towards a consolidated approach as well, *iv)* the introduction of control activities with a more vertical focus within individual processes, *v)* the gradual development of the maturity and role awareness of Internal Representatives, *vi)* the evolution and release of support tools also for conducting remote audits.

Also contributing to this are the increased staffing of the centralised Functions, the updating of the relevant regulations and the issuing of operating instructions to Internal Representatives for the performance of controls in specific areas.

The activities carried out by the latter are subject to evaluation by the functions to which they report and, in some cases, to reperforming.
The close interrelation between Control Function Departments and the Representatives contributes to their gradual maturation, fostering homogeneity of approach.
The establishment of the MRB management committee and the start of its activities following the approval of the new Risk Based Model, in addition to enhancing - according to methodologies defined by the individual Functions - the results of control activities for the purposes of governance assessments, provided further impetus to the coordination between the Control Functions and the harmonisation of control practices.
The release of regulations for all major processes, which is gradually being enriched by the issuance of operating procedures, contributes to the progressive homogenisation of processes and procedures adopted and acted upon by the individual legal entities, creating the prerequisite for the homogenisation of first-level controls as well. In this context, the 2023 financial year, as part of the implementation of a multi-year project, saw the launch of a systematic implementation of first-level controls mapped and defined in homogeneous terms for all the Banks of the Group and supported by a specific application that guarantees their tracking. Their release continues, with a view to their gradual extension to all management processes.
The consolidation of the structure of first- and second-level controls on Loans, redefined during the year, and the interlocutions of the NPL and Risk Management Departments developed during the execution of the monitoring and control cycles, respectively, contribute to raising the sensitivity of operators, as part of a path of progressive maturity intended to allow them to grasp, with the necessary timeliness, any signs of deterioration of the portfolio, for the purposes of the correct classification of positions, in consideration of both the size of the exposure to risk and the particular conditions of the current macroeconomic context.
In consideration of the evolution of internal regulations, Group processes, projects relating to the implementation of tools to support the performance of controls, including remote controls, the gradual adjustment of the Parent Company structures and the progressive acquisition of awareness of the role and responsibilities of Internal Representatives, the Board of Statutory Auditors has recommended a new assessment of the internal control system, which will begin, also in consideration of specific requests by the Supervisory Authority as a result of the OSI on Governance and Risk Management, with in-depth studies on the functioning and effectiveness of the Risk Management Function.
Internal Audit Department
During 2023, the Internal Audit Function underwent an External Quality Assessment Review conducted by EY, which rated it as "generally compliant" with the requirements of the Code of Conduct and the Standards for the Professional Practice of Internal Auditing. This assessment was confirmed by the results of the Assurance and Quality Improvement Programme activities implemented by the Management in the second half of the year, which showed that, although there were some areas for improvement, the Function and its activities were conducted in line with the above-mentioned requirements and standards. The Board of Statutory Auditors also acknowledged the annual report by the Function, drafted according to Bank of Italy Circular no. 285/2013, which, in order to best illustrate to the corporate bodies the areas of risk on which their action should be focused, reported the activity carried out according to a structure that reflects the macro-areas of the Supervisory Review and Evaluation Process: business model, governance and risk management, capital risk,

liquidity risk and unexpected events, with reference to which the interventions carried out were indicated, as were the related outcomes and the main areas for improvement found.
The Function's activities were carried out in substantial compliance with the 2023 Audit Plan approved by the Parent Company's Board of Directors and, to the extent of their competence, by the Boards of Directors of the Affiliated Banks. In accordance with the provisions of the Industry Standards and the Internal Audit Function's Mandate, in addition to the planned audits, the Internal Audit Function carried out an important tracking activity through: *i)* monitoring the actual implementation of the corrective actions planned by the respective owners in response to the findings and recommendations provided during the audit; *ii*) verifying the adequacy and effectiveness of the actions taken by the audited structures; *iii*) continuously reporting on the results of the resolution and management of anomalies.
The Function also carried out extra-plan activities, at the request of the Supervisory Authority or the Control Bodies or in consideration of specific circumstances that occurred during the year; these were managed with appropriate rescheduling of interventions, without prejudice to planned activities.
As a result of the activities conducted, taking into consideration the information acquired also during the periodic coordination meetings with the Other Corporate Control Functions, the Internal Audit Function confirmed the overall adequacy of the group's internal control system, reporting that "although some areas for improvement remain, the process of reinforcing the controls on Loans risk, and ICT and security risk has continued". This reinforcement is based on the entry into full operation of second-level controls on Loans and the adoption of group credit policies, as well as the extension and refinement of the controls implemented in the area of security and data quality.
The main areas of attention, highlighted by the Function and shared by the Board of Auditors, concern the need to complete: i) the process of homogenising first-level controls; ii) strengthening the group expenditure management process; iii) project initiatives on effective aggregation and reporting of risk data, in accordance with BCBS 239 principles.
Furthermore, in consideration of the strategic relevance and priorities assigned to Banks by the Supervisory Authority in relation to ESG risk management, Internal Audit carried out a preliminary assessment of the projects aimed at governing ESG risks, and in particular climate and environmental risks, formulating recommendations aimed at strengthening the planning and monitoring of the initiatives underway to integrate ESG risks into business processes.
With regard to the management of the risk of money laundering and terrorist financing, also as a result of specific audits aimed at assessing the effectiveness of the safeguards issued in implementation of the plan to remedy the findings referred to in the Bank of Italy's inspection report of January 2022, the Function, while noting residual areas for improvement, acknowledged the adequacy of the safeguards implemented and an overall and progressive improvement in the effective application of the new processes by the Affiliated Banks, as well as the substantial compliance with the timeframes set for the implementation of the plan itself. The Board of Statutory Auditors focused its attention on the evolutionary trend of Audit findings with high or medium-high severity opened or negatively found, noting their progressive reduction and concentration with respect to certain processes, such as connected persons and conflicts of interest, Loans and anti-money laundering, which

were the subject of specific discussion at the annual coordination meeting with the Control Bodies of the Affiliated Banks and Subsidiaries.
Together with the Function, the Control Body reviewed and discussed the 2024-2026 Multi-Year Audit Plan with the Function before it was presented to the Board of Directors for approval, on 28 March 2024. The planning, which has incorporated specific requests and/or recommendations made by the Board of Auditors, is based, both for the Parent Company and for the Other Group legal entities, on a risk-based model, defined with the objective of covering the audit universe, in accordance with the necessary priorities. Compared to the past, the Plan is enriched by the extension of the perimeter of the verifications foreseen with a consolidated approach and the introduction of two new types of verification interventions. In particular, in the area of AML, the Function, having now carried out an intervention on the entire process for all Affiliated Banks, planned to intervene with more vertical audits which, for the year 2024, will focus on customer due diligence. In addition, the first audits of the Accounting and Budget processes are planned for the year 2024.
With a view to integrated planning, the Plan was discussed with Other Corporate Control Functions within the FAC Committee.
The Board of Statutory Auditors verified the adequacy of the organisational set-up of the Department, noting that, in view of the ongoing recruitment activities, the Department is close to achieving the quantitative target. The Control Body also received assurances from the Head of the Function regarding the adequacy and quality of the staff.

Compliance Department

The Board of Statutory Auditors examined the Annual Plan of Activities approved by the Board of Directors on 28 March 2023 and acknowledged the annual report by the Compliance Department, draft in accordance with Bank of Italy Circular no. 285/2013.
This report highlights the regular execution of the Plan, noting a gradual extension of the Group's controls on the various regulatory, contractual and procedural areas, of which: i) Group credit policies; ii) regulations on personal transactions by relevant persons;
(iii) replacement rules for RATIOS in indexed products; (iv) treasury of public bodies; (v) Operations of products and contracts in foreign countries;
(vi) individual supervisory reporting on the matrix of accounts. Group regulations were also updated in the areas of: i) sustainability in financial services and the granting of Loans; ii) provision of investment services in line with the most recent adjustments to the Group model; iii) information system and business continuity; iv) whistleblowing; v) administrative liability of entities.
Certain releases/updates were followed by related IT implementations (register of relevant persons and related personal transactions, consistency checks and opportunistic reprofiling under MiFID, periodic assessment of the suitability of transactions and investment portfolios).
Particular effort was devoted by the Function to the Investment Services area, in view of the aforementioned inspection activities carried out by Consob and the continuation of projects related to the New Investment Services Model. As part of this project, during 2023, specific controls, including IT, were put in place, through gradual releases, which led to the closure of the issues highlighted over time by the Function (acquisition and assessment of the client's ESG preferences and their insurance requests and needs, periodic adequacy assessment as a tool for enhancing service quality, consistency of profiling, opportunistic reprofiling). The aforementioned releases also made it possible to complete the activities to comply with the provisions

of the SFDR and related regulatory technical standards (RTS) on sustainability reporting (ESG).
The findings relating to the examination of the risk indicators emerging from the application of the previous adequacy model were closed, following the release to the Affiliated Banks of the Group's new MiFID questionnaire, which also provides for the collection and assessment of the customer's sustainability preferences and insurance needs, against which the Banks themselves defined, adopted and launched a plan to adapt the questionnaires in accordance with the Parent Company's operating instructions, which is still in progress. The assessment of the development of risk indicators will be carried out on the basis of evidence from the application of the new adequacy model.
The gradual extension of the project led to a redefinition of the original deadline, postponing its conclusion to December 2024 with the release of control measurements for the integration of sustainability preferences into the switch and equivalence assessment.
In terms of the product governance of financial instruments and insurance investment products, with exclusive reference to ESG, there is still a need to complete the IT controls and internal regulations required to assess customer sustainability preferences acquired through the MiFID questionnaire.
In view of the updating of the Group's model, the Function provided assistance and support to the relevant structures in updating the Group's internal regulations and related operating procedures on investment services.
The Function is also actively involved in advancing the adaptation plan defined in consideration of the findings formulated by the Bank of Italy as a result of the inspections conducted in 2021 on the subject of Transparency and fairness in relations with customers, which is constantly monitored by the Control Body. In this regard, remain the adjustment measures in the area of Product Governance, relating in particular to the integration of the drivers of "Costs" and "Customer Needs" within the Target Market Identification Methodology, scheduled to be completed by 30/06/2024, and the Shares scheduled in the area of Transparency on the Foreign segment, rescheduled to 30/09/2024.
The Compliance Department itself devoted significant efforts to monitoring remedial actions, including those in respect of restitutive reliefs, which, subject to binding provisions, were closed, in view of the activities carried out by the Banks affected.
The overall verification activities carried out by the Function revealed medium to high residual risks in only 3 % of the cases, while no high risks were found.
There were delays in some regulatory compliance projects and areas for improvement in some regulatory areas, mainly at the design level, which are the subject of specific corrective actions and projects that have largely already started.
Among the main findings of non-compliance resulting from verification, monitoring and *ex-ante* evaluation of regulatory compliance projects were those in the following areas:

- *Outsourcing:* activities relating to the strengthening of operational tools to support the proper management of the outsourcing of corporate functions and the definition of the relevant risk tolerance level, which are expected to be completed by 31/12/2024, are behind schedule;
- *Associates and Directors' Interests*: the IT implementations necessary for the correct management and reporting of transactions on goods and services related to the liability cycle, including multi-year transactions, remain to be completed by 31/12/2024.

- *Loans:* in addition to delays in the completion of activities to comply with the EBA Guidelines on the granting and monitoring of loans and the provisions of Article25-*decies* of the Corporate Crisis Code, as well as the resolution of certain anomalies relating to the management of guarantees, already the subject of previous findings, the verification activities conducted in 2023 revealed profiles of incompleteness in the Group's regulations and control matrix relating to loans in the form of the issue of guarantees and practices assisted by guarantees from the Guarantee Fund not entrusted to external servicers contracted by the Parent Company.
- *Supervisory reporting*: verification activities conducted on Affiliated Banks revealed limited medium-high residual risks; the need to complete the Group's regulation and line control matrix on Central Risks also remains.
- *Benchmark Regulation*: there are delays in the implementation of adjustment measures following the introduction of Article118-*bis* in the TUB and the consequent need to update the contracts of the new index-linked funding relationships by the regulatory deadline of 11/01/2024.

In addition to the ordinary audits defined with a risk-based approach, the Compliance Plan provides for a sample quality review of the Banks' Internal Representatives' activities.

The Board of Statutory Auditors monitors the qualitative and quantitative adequacy of the resources employed by the Function, in view of the extent and specificity of the specialised areas covered by its activities.

The Function's staff and Internal Representatives are guaranteed adequate training.

Risk Management Department

The Board examined and took note of the 2024 Annual Plan and the 2023 Activity Report of the Risk Management Department, which were brought to the attention of the Board of Directors on 28 March 2024.

The activities carried out during the financial year 2023 by the Risk Management Department enabled the achievement of the planning objectives on the whole. Limited project queues remain, partly due to the fact that the nature of the Department's activities and projects requires significant support from Allitude, with whom discussions are conducted during the planning phase in order to share objectives and deadlines. The completion of the Department's projects is necessarily linked, as part of a process of progressive refinement and consolidation, to the ability to pursue activities in a synergetic manner with the IT provider.

During 2023, work continued on the Credit Risk Model Roadmap, which will be implemented in the current year, enabling the Group to have risk measurement tools in place that are in line with regulations and in line with the expectations that emerged during inspections.

Second level controls on loans were subject to further refinement in 2023; their results do not reveal any particularly critical situations, although a limited number of Affiliated Banks present results of partial inadequacy. These will be subject to further assessment and evaluation during the financial year 2024.

With specific regard to climate and environmental risks, the development of the framework for their measurement evolved during 2023; however, there are still areas for improvement, also highlighted by the ECB, which the Department will be engaged in during 2024.

In view of the provisions of the new EBA guidelines, a process of gradual adaptation of the methodologies and tools for measuring and monitoring interest rate and credit spread risk has been initiated. The related project will continue over the next two years

and, in parallel, work has begun on the preparation of the framework for the management of the new supervisory reporting, which will start in the course of 2024.
With regard to liquidity risk, the framework for handling new weekly reports has been put in place, although some activities are needed to streamline the feeding and calculation process for which Allitude has already been involved.
Also in consideration of recommendations formulated by Internal Audit, the Risk Management Function has planned to formalise, in the course of 2024, a report summarising the gaps with respect to BCBS-239 principles found as a result of the analysis of the relevant risk reports produced with reference to activities carried out in the past two years. Appropriate initiatives are expected to be taken, which will also involve updating the “Group Regulation - Risk Data Aggregation and Risk Reporting”, lastly updated on March 2020. In carrying out these activities, the Risk Management Department will involve the Information Technology and Security Department in order to receive any considerations.
Among the main project initiatives planned by the Function for 2024 are:

- production the new rating and IFRS9 models, which were also developed as a result of the suggestions arising from the supervisory audit activities carried out over the past two years, for the completion of the Credit Risk Model Roadmap project;
- the integration of new components within the scope of second-level controls on credit risk, as well as the updating of the related operational procedures, checklists for single name controls in the area of classification, and the integration of ESG components into the massive control models in the area of new concessions and classification.

As part of the monitoring of other vertical risks, the following initiatives are planned in addition to ordinary activities:

- o development of the climate risk reporting of the property portfolio and the reporting framework Fundamental Review of the Trading BooK starting in 2025;
- o implementation of a new method for calculating the capital requirement for Operational risk and improved reporting to include climate risk;
- o methodological evolution to progress from a qualitative ICT and security risk assessment to a quantitative measurement methodology, consistent also with the project to comply with the Digital Operational Resilience Act;

As far as strategic processes are concerned, the Management intends to continue with activities aimed at monitoring the level of the Group’s capital adequacy, as well as the Risk Appetite Framework through the production of adequate reporting, and the development of EN tools, in line with the increasingly high expectations of the Supervisory Authority; the necessary support will also be provided for the development of the Basel IV worksite;

In the area of data *governance*, the Department will continue its activities to streamline and optimise the flows used internally to date, consistent with the BCBS239 provisions.
In cooperation with the other Parent Company structures, the Department will be engaged in activities relating to the one-off climate risk scenario analysis exercise(Fit-for- 55 climate risk scenario analysis), in work on the areas of the Climate Letter received at the end of 2023, and in projects in the area of recovery and resolution. The Risk Management Department will also be involved in the on-site inspection of the IRRBB and CSRBB, which is expected to start in September.
The Function’s planning shows a preponderant commitment to activities related to the Group’s strategic processes with a transversal impact on all risks. In the area of activities with a direct impact on risks, the effort is concentrated on controlling the core risks of the banking group’s business.

The Department's Regulation, in order to monitor the composition of the function and its evolution over time, defines the assessment elements of the Internal Representatives in terms of hierarchical-functional position, separateness and independence, as well as support for the outsourced FAC. The roles and responsibilities of the Representatives are also defined, in accordance with the provisions of the Agreement on the Outsourcing of the Function, the relevant internal regulations and the provisions issued from time to time.

In this regard, the Function acknowledged the resolution of some cases of incompatibility previously detected in a residual number of Affiliated Banks. In order to ensure adequate risk control, the Risk Management Department has set a minimum effort, in terms of FTEs, that each Representative must guarantee. The assessment of this effort is supplemented by the measurement of the actual contribution made, taking into account the size of the reference entity and the level of risk it generates in relation to the overall size of the Group. In view of these elements, in the 2023 Activity Report, the Chief Risk Officer certifies that, although on certain legal entities a level of FTEs of the Representative below the threshold set, the degree of cooperation and the timing of the response to requests from the Management allow to exclude hypotheses of inadequate actual contributions. Moreover, as of September 2023, on the occasion of the release of the "Group Methodology for ICS Evaluation for the purposes of the Risk-Based Model – Risk Management Department" and the "ICS Evaluation Procedure for the purposes of the Risk Based Model – Risk Management Department", the framework for evaluating the Representatives was revisited on the basis of a mapping of all the activities in which they are directly involved, integrating the monitoring of compliance with the assigned timeframes on individual activities with a qualitative assessment of the contributions made. The assessment conducted with the new criteria places all legal entities in the area of compliance. The internal regulations provide that any negative assessment constitutes a finding of the Function with the possible application of penalties for the purposes of the SCI RM assessment, which contributes to the determination of the score governance contemplated by the Risk Based Model.

Also in consideration of the reorganisation of the Risk Management Department, resolved upon by the Board of Directors in December 2023 with a view to continuing to strengthen the organisational structures in charge of Operations, in the first quarter of 2024 the Department launched a project to update the mapping of activities aimed at revaluating the target FTEs of the Representatives.

The Board received assurances with respect to the continuation of the scouting activities for the reinforcement of the Department's staff, destined to the achievement of a target objective defined in consideration of the need to combine the effectiveness of the Function with the effort contextually required for the constant monitoring of ongoing projects and the raising of compliance with the deadlines set for their implementation. The Control Body, on the basis of the results of the current mapping of activities and in consideration of the evidence that will be provided by an audit specifically requested from Internal Audit, will reassess the adequacy of the sizing of the structure and of the methodology for assessing representatives, in consideration of the need to ensure the full effectiveness, over time, of the risk control.

Anti-Money Laundering Department

The Board acknowledged the 2024 Activity Plan and the training plans of the AML Department approved at the meeting of the Board of Directors on 18 April 2024. It also examined and took note of the 2023 Group Consolidated Report and the Report of Cassa Centrale, which, approved by the Board of Directors at the same meeting, also incorporate the results of the annual self-assessment exercise.

The Consolidated Annual Report originates from the funding of the data and information provided by the individual annual reports of the Banks belonging to the Group. In the report, as expressly requested by the Supervisory Authority, the Banks most exposed and the relevant remedial actions included in their respective business plans are highlighted.
The self-assessment exercise, carried out by the individual entities according to the updated methodology in implementation of the remedial plan approved in response to the findings issued by the Bank of Italy in January 2022 as a result of the inspection activities conducted in 2021, returns a low residual risk for 76% of the Group's entities, while the remaining 24%, corresponding to sixteen Banks, record a medium residual risk.
The Group's residual risk, determined as the weighted average of each entity's residual risk, is low.
Although the overall vulnerability calculated by the internal control system was at an "insignificant" level, there remain areas for improvement, which were also noted by Internal Audit, as well as a widespread phenomenon of overdue audits.
The Function is continuously ensuring the necessary effort to comply with the inspection remediation plan and, in the course of 2024, with the implementation, expected by next October, of the integration of machine learning in the production/operations process of unexpected events, it is expected to contribute to the resolution of the evaluation deficiencies that have emerged, considering that the consequent reduction in the production of false positives will allow the focus to be concentrated on the evaluation of the riskiest positions.
In any case, the legal entities that, on the basis of the results of the checks carried out (effectiveness, compliance and investigation), showed the greatest vulnerability received on-site or remote audits and activity plans were defined for them, which will be monitored periodically in the current year with follow-up audits. With the involvement of the Anti-Money Laundering Function, the Parent Company has adopted initiatives, including contingency measures, aimed at facilitating the containment of appropriate overdue verifications, pending the introduction of planned solutions that allow compliance to be carried out remotely.
The Function supports the less virtuous entities also through specific tutoring activities, for the dissemination of the risk culture within the Group to guarantee a further increase in the safeguards achievable, also with the proactive contribution of the Affiliate Banks found to be less virtuous, through appropriate sharing of information among the various legal entities that has led to Group profiling of customers and the tools, more guided, so far issued by the Parent Company in implementation of the above-mentioned remedial plan.
The Function's planning for the year 2024 is focused on the closure of this plan of action, which has so far substantially complied with the planned timetable, and on the projects related to the outcome of the activities to monitor and control the risk of money laundering and terrorist financing of Affiliated Banks and beneficiary companies, in view of the dysfunctions that have been ascertained.
In particular, it envisages, with specific and graduated declination on the individual entities of the Group, the continuation of the action of settlement of the backlog in terms of the collection of the appropriate verifications and missing beneficial owners, renewal of the appropriate expired verifications and the formal and substantive EPAs, name match, PEP authorisations and GPM management process on the light of audit findings.
The Board of Statutory Auditors, continuing to constantly monitor the implementation of the inspection remediation plan, has repeatedly discussed with the Function the

various initiatives undertaken and planned, recommending the execution of specific checks on the fulfilment of adequate verifications with the option for the so-called "agile solution" that can be adopted, under specific conditions, in the contingency phase, only for customers with a low or insignificant risk profile, and constantly monitors the evolution of the stock of adequate overdue verifications. It also urged the Function with respect to the need to identify possible more incisive initiatives to ensure an increasingly adequate risk control in cases where vulnerabilities also appear to be due to the need to strengthen the work of Internal Representatives.

The Group's consolidated Suspicious Transaction Reporting Service issued a report containing statistical analyses of the reports made as well as a brief summary of some recurring or peculiar cases.

In terms of statistical analysis, there was a decrease in the number of suspicious transaction reports compared to last year; on the other hand, there was a gradual increase in the percentage of reports in the medium-high and high risk bands. The contraction in reporting is consistent with what has also occurred at system level, with a greater impact on the banking sector, as reported in the most recent reports made available by the Supervisory Authority.

At the same time, the report notes a progressive improvement in the quality, completeness and timeliness of reports.

The Function, which ensures the identification of the provisions applicable at Group level, the constant monitoring of their updating, as well as the updating of internal processes - in the course of 2023, went in-depth into the contents of the Bank of Italy Provision of 1 August 2023 on Anti-Money Laundering Organisation and Controls. This is for the purpose of issuing the guidelines for the appointment of the AML officer in the Affiliated Banks and Group companies and making all the necessary adjustments to internal regulations and related processes.

It promotes training initiatives for company officers and employees, tailored and articulated according to the responsibilities and roles of the recipients.

Recruitment activities continue to ensure the qualitative and quantitative adequacy of the Function, also in view of the occurrence of internal turnover.

Head of Internal Reporting Systems

In accordance with the relevant legislation and the "Group Whistleblowing Regulations", as updated to take account of the entry into force of the changes introduced by Legislative Decree 24/2023, the Board of Statutory Auditors examined the annual report drafted by the Head of Internal Reporting Systems, which showed that in 2023 no reports were received in relation to Cassa Centrale and that, with reference to the Affiliated Banks and the Subsidiaries, there were no significant reports that gave rise to investigations, in-depth analyses, sanctions and/or serious disciplinary measures.

The report was approved by the Board of Directors and the Board of Statutory Auditors at their meeting on 18 April 2024.

* * *

During the year, the Board of Statutory Auditors interacted with the Control Functions on an ongoing basis; it acquired the reports produced by them and discussed their outcomes and planned remedial actions and their progress in dedicated meetings. It also conducted monitoring activities of several Affiliated Banks, which found critical issues intercepted by the same Functions or detected by the analysis of the replies to the requests circulated to a sample of corresponding Control Bodies. Where deemed necessary, it also coordinated with them to acquire feedback on which to base its assessment.

On the basis of the activities carried out and the opinion expressed by the Group Internal Audit Department, while not excluding possible optimisations of the controls, it believes that the actions taken from time to time by the Parent Company and monitored reasonably allow us to conclude the absence of critical elements such as to affect the efficacy of the overall internal controls and risk management system.
The Board also assesses the information flows addressed by the Control Functions to the Corporate Bodies as adequate and appreciates their progressive refinement.
Lastly, the Board of Statutory Auditors monitored the compliance of the remuneration policies of the Control Functions with supervisory regulations.

10. Monitoring of the major risk management systems

The results of the activities carried out by the Control Functions have highlighted some areas of attention that should direct the action of the structures involved.
Credit risk
In the area of loans processes, compliance with the programme defined in the SREP for the progressive adaptation to LOM, linked to the completion of the PEF project, is fundamental to the achievement of a satisfactory level of uniformity of Group rules and policies. In this context, important steps were taken with the updating of the Group's lending regulations and the release of the Group's credit policy strategies.
The second-level control framework covers the entire development perimeter of the Loans chain with the aim of ascertaining that internal procedures are complied with and suitable to ensure efficient and effective Loans Operations, including the timely identification and classification of anomalous positions and the correct estimation of the degree of risk associated with them. Critical issues or areas of concern detected, which are in any case limited to a limited number of legal entities, are subject to enhanced monitoring, also through the issuance of binding directives. In a context characterised by the ongoing consolidation of certain processes, risk control is on the whole adequate.
Market risk
In the area of market risk, the Group pursues a prudent approach aimed at maintaining low levels of exposure, understanding the trading book as primarily intended for the allocation of financial instruments held for the purpose of dealing with customers and derivatives for hedging risks, rather than for investment purposes.

Risk limits, market risk indicators and capital absorption for counterparty risk and CVA do not reveal any situations to watch out for. The verification activities carried out led to a medium-low assessment of the residual risk, with no particular findings. There is a need to strengthen the *ex-ante* monitoring process on compliance with the guidelines for the composition and movement of the Group's securities portfolio, as well as for greater detail in the analyses and assessments carried out for the purpose of defining strategies.

Interest rate risk of the banking book
The consolidated level of capital absorption for interest rate risk changed as a result of the increase in the sensitivity of loans generated by the fall in market curves on medium/long-term maturities. The prospective one-year net interest income on 31/12/2023 shows a reduction mainly due to the contraction of the securities portfolio and the lowering of market curves, which lead to lower profitability of variable-rate loans. Net interest income sensitivity increased slightly at the end of the year, mainly due to the repayment of TLTRO auctions.
Internal Audit's audit of the banking interest rate risk measurement model – pre-payment model revealed a situation of substantial adequacy.

Liquidity and funding risk

The Group pursues a prudent approach intended to ensure an adequate level of liquidity to address expected and unexpected payment commitments, so as to guarantee: *i)* banking operations over time, under normal and stress conditions; *ii)* a balance in terms of structural liquidity, which makes it possible to minimise stress scenarios on medium/long-term sources of funding.

The liquidity situation as at 31 December 2023 showed no particular critical issues. In this sense, the operational maturity ladder also indicated a time-to-survival period of over 2 years.

In the context of stress scenarios, there were no situations of liquidity shortage.

Operational risk

The audit conducted by Internal Audit on the operational risk management framework confirmed the completion of almost all the corrective actions taken in response to the findings of the previous audit and highlighted the need to integrate the materiality analyses of climate and environmental risks for operational risk, providing a methodological approach in line with supervisory expectations.

The controls performed on the Affiliated Banks (general accounting and financial statements, data quality of supervisory reporting, branches, the collection and payment process, entity treasury management, SCV reporting) outlined for nearly all cases a situation of substantial adequacy, not showing particular critical issues. Overall, the Group recorded an amount of actual operating losses at December 31, 2023 of approximately EUR 26 million, of which about 50% was attributable to Event Type 4 "Customers, products and professional practices", representing provisions related to potential repayments of charges related to the early repayment of CCD loans, which arose as a result of sentence no. 263/2022 of the Constitutional Court; followed by Event Type 7 "Execution, Delivery and Operations" for an amount corresponding to approximately 35% of the total and Event Type 5 "Damage to Tangible Assets" for an amount of approximately EUR 1.6 million, of which EUR 1.1 million attributable to the damages arising from the floods that hit Emilia Romagna in May 2023. As for reputational risk, during 2023 a total of 1088 complaints were detected at Group level that did not result in thresholds being exceeded. Moreover, there were three sanctions from the Bank of Italy for negotiation of cheques without a transferability clause and delayed reporting of counterfeit banknotes. Neither ICT incidents classified as "serious IT security incidents" nor data breaches reported to the Italian Data Protection Authority were detected.

ICT and security risk

The 40th update of Circular 285/2013 introduced the concept of ICT and security risk, namely "the risk of incurring losses due to a breach of confidentiality, lack of integrity of the systems and data, inadequacy or unavailability of the systems and data or inability to replace the information technology (IT) within a reasonable time and cost limits, in case of changes to the requirements of the external environment or activity (agility), as well as security risks arising from inadequate or incorrect internal processes or external events, including cyber attacks or a level of inadequate physical security. In the integrated representation of business risks for prudential purposes (ICAAP), this type of risk is considered, according to specific aspects, among operational, reputational and strategic risks". The renewed provisions also introduced the provision of a new second-level Control Function, which for the Group was identified within the Compliance and Risk Management Functions, in relation to the roles, responsibilities and competences of each Function, ensuring the proper performance of tasks, the effectiveness of controls and the necessary technical skills.

As a result of the assessment conducted by the Risk Management Function with the aim of representing the level of ICT and security risk to which the Group is subject, with reference mainly to the use of the EN Services provided by the Group's EN Service Centre in the person of Allitude S.p.A., and to the ICT Services managed internally by a sample of Banks and Group Companies, the following emerged

- a medium to high level of actual residual risk for an ICT Service in Perimeter but planned to be discontinued by 31.12.2024;
- a low-to-medium level of actual residual risk for the remaining four ICT Services in the Perimeter, which does not exceed the threshold for the acceptance of IT risk defined at Group level and included in the Risk Appetite Framework and in the "Group IT Risk Management Regulation".
- The ICT and security risk analysis and management activities on a perimeter of needs identified in relation to the criteria set out in the "Group Methodology for ICT and Security Risk Management for Needs" did not reveal a level of risk higher than the established target. Ongoing projects are intended to extend activities also to the new needs that first emerged in the 2024 Operational Plan.

In 2023, the Compliance Function and the Risk Management Function launched a working table with the aim of more effectively monitoring ICT and Security risk and providing an integrated representation of it. The audit activities carried out in the area of ICT Compliance (information security) on seven Affiliated Banks by the Compliance Function did not reveal any significant deficiencies.

The audits conducted by the Internal Audit Department on the Parent Company, Allitude, NEAM and Affiliated Banks revealed an overall adequate control of this risk, although suggestions were made to further strengthen the processes examined.

Governance risk

The verification activities carried out revealed a risk control assessed as adequate on the whole: the Group's corporate regulations were substantially adopted by all the Affiliated Banks; the organisational and control safeguards, defined – both at centralised and decentralised level – to intercept any incorrect application of the regulations, were found to be generally effective, with reference to the second and third lines of defence.

The audit carried out on the Compliance Function revealed a framework of adequacy, although there are areas for improvement relating to the fine-tuning of corporate regulations and information flows and the development of operational tools and safeguards to support activities.

The ICAAP/ILAAP report gives evidence of more than adequate capital and liquidity profiles even in the event of an adverse scenario.

The audits conducted on the Group's BCBS 239 initiatives, on the other hand, revealed certain problems that have not yet been overcome, as the full strengthening of the risk data aggregation capacity (RDAAR) requires the completion of multi-year projects.

With reference to the Affiliated Banks, there was room for improvement in the functioning mechanisms of the Corporate Bodies and internal organisation.

ESG risk

With regard to ESG risks, an identification of their relevance was conducted, as determining factors for all risk categories to which the Group is exposed, with particular reference to credit, operational and liquidity risks.

The analysis showed that the CCB Group has moderate or insignificant exposure to C&E risks. They confirm the presence of a limited impact due to a concentration of exposure on sectors that are not sensitive to transition and physical risk and towards SME Corporate and SME Retail portfolios. Group assets impaired by ESG risks are limited

to loans and deposits to and from non-financial companies, real estate collateral covering loans, and furniture and real estate.
However, it appears necessary: *i)* to continue to strengthen the 2023-2026 Sustainability Plan; *ii)* to refine materiality analyses of exposure to C&E risk factors in line with projects in the area of data, evolution of risk management systems and skills. However, the audits conducted have shown that the structures concerned have done so and that the related activities should be completed by the end of 2024.
Risk of money laundering and financing of terrorism
The gradual implementation of the plan for remedial measures against money laundering and the financing of terrorism, in compliance with the planned timetable, contributes to raising the control of the related risks, making it possible to pursue objectives of greater operational homogeneity at Group level, extension of anti-money laundering controls to areas not previously regulated, and implementation, also through IT implementations, of more effective monitoring and compliance with the relevant regulatory obligations.
In 2023, the Anti-Money Laundering Function, through the AML Control and Monitoring Service, also carried out checks aimed at assessing the adequacy and effectiveness of the anti-money laundering controls adopted by the Banks in the Group, as well as, through the company's Anti-Money Laundering Representative, periodic checks aimed at assessing the efficiency of anti-money laundering processes and monitoring customer operations. The evidence of the control system – which has been refined and consolidated over time in structural and methodological terms –, the audits conducted and the self-assessment revealed areas of improvement in relation to the following aspects: i) collection and updating of data on the adequate verification and constant monitoring; ii) completeness and depth of analysis in the evaluations pertaining to the process of the adequate verification; iii) promptness, depth and completeness of the evaluations in the management processes for unexpected events and also for the purposes of active collaboration.
In view of the adequacy of the safeguards in place, the completion of the remedial plan, with the integration of machine learning in Operations, and the accompanying and monitoring initiatives planned by the Anti-Money Laundering Function for legal entities that still have elements of weakness, are assessed to contribute to their awareness for a further strengthening of safeguards throughout the Group.
The main risk indicators contributing to the Risk Appetite Framework were updated, defined, in cooperation with the Risk Management Function, to allow Banks to have leverage to recover from any overrun situations. At present, the AML Function is able to highlight to the Banks the occurrence of specific combinations of indicators and support the Risk Management Function in determining the actions to be taken to fall within the risk appetite limits defined by the Group.
In carrying out its review of the adequacy and effectiveness of the initiatives set out in the "Plan of Actions in the Anti-Money Laundering field", the Internal Audit Department found a progressive improvement in the effective application of the processes by the Affiliated Banks, which should be further consolidated, also taking into account the need for a reasonable period of time for full assimilation. In fact, there remain areas for improvement, particularly with regard to the quality of analyses and assessments by operators during adequate verification, the management of exceptions and exceptions to the activation of unexpected transaction monitoring (EPA), and the operations of non-performing Loans - NPLs, to be overcome by providing for further awareness and control activities aimed at strengthening the risk culture.

With regard to Affiliated Banks, the Internal Audit Function's audits ended with mostly positive summary assessments.

11. Supervisory activities in relation to the statutory audit pursuant to Articles 16 and 19 of Legislative Decree no. 39/2010

The separate and consolidated financial statements are externally audited by the independent auditors Deloitte & Touche S.p.A. ("Deloitte") pursuant to Legislative Decree 39/2010, with mandate for the statutory audit of financial years 2021-2029 granted by the Shareholders' Meeting of 16 June 2021.

Pursuant to Article 19 of Legislative Decree 39/2010, throughout 2023 and until the date of this Report, the Board of Statutory Auditors carried out intense monitoring of the auditing activities of the Separate Financial Statements and the Consolidated Financial Statements of the Cassa Centrale Group through constant dialogue and periodic meetings with the persons in charge of auditing, and has not detected any critical aspects. In this regard, it is acknowledged that on 24 April 2024, the Independent Auditors issued its annual confirmation of independence pursuant to Article 6 of Regulation (EU) No. 537/2014, from which no situations emerged that could compromise its independence.

During 2023, the Board of Statutory Auditors monitored, pursuant to Article 19 of Legislative Decree 39/2010 and the "Group Policy for conferring tasks upon the person responsible for the external audit and/or other companies belonging to the reference network", the independence of the auditor, particularly in reference to the adequacy of the provision of services other than auditing pursuant to Article 14 of Legislative Decree 39/2010, where allowed insofar as they are not incompatible, provided by the Independent Auditors or by other entities belonging to its network.

Based on the final figures for 2023, the value of the services provided to the Parent Company by the auditor amounted to approximately EUR 314,000 and almost exclusively related to attestation engagements, which can be assimilated to an extension of auditing activities; consequently, they do not compromise the auditor's independence and are not counted for the purpose of determining *the fee cap* rule under Article 4.2 of the aforementioned European Regulation.

The main issues examined and discussed with the auditors concerned:

- the planning and the progress of the limited audit of the consolidated financial statements at 30 June 2023, as well as the main accounting issues relating to the aforementioned financial reporting and any difficulties encountered;
- the strategy and planning for the external audit of the Separate and Consolidated Financial Statements as at 31 December 2023 with an indication of the subsidiaries included in the scope of consolidation and audited by other independent auditors;
- the status of the preliminary intervention of the audit activity and in particular the analysis of the internal control system that oversees the preparation of financial information for the purposes of assessing audit risk;
- the audit approach to the potential risk of fraud;
- key aspects of the audit, namely the classification and measurement of loans to customers for loans measured at amortised cost;
- the outcome of checks on the proper keeping of accounts and the correct recording of management events on accounting records;
- planning and carrying out the limited review of the Consolidated Non-Financial Statement;

- the acquisition of the audit and the confirmation of the key aspects identified in the planning that the auditor considers to be most relevant to the presentation of his/her audit opinion;
- analysis of the contents of the Additional Report.

In the course of the meetings held, the Board of Statutory Auditors updated the persons responsible for auditing in relation to the supervisory activities carried out and the related outcomes, in addition to the relevant and significant events involving Cassa Centrale.

In its Reports on the audit of the Separate and Consolidated Financial Statements issued on 24 April 2024, the Independent Auditors expressed an opinion stating that:

- the Separate and Consolidated Financial Statements provide a true and fair view of the equity and financial position of Cassa Centrale Banca - Credito Cooperativo Italiano S.p.A. and of the Cassa Centrale Cooperative Banking Group as at 31 December 2023, as well as the results of operations and cash flows for the year ended on that date in accordance with the International Financial Reporting Standards adopted by the European Union and with the measures issued in implementation of Articles 9 of Legislative Decree no. 38/05 and 43 of Legislative Decree no. 136/15;
- the Reports on Operations, which are the responsibility of the Directors, i) are consistent with the Separate and Consolidated Financial Statements of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. and the Cassa Centrale Cooperative Banking Group as at 31 December 2023; ii) are prepared in accordance with the law; iii) provide the information required by Article 123-bis, paragraph 2, letter b) of Legislative Decree 58/98.

In its Reports on the Audit of the Separate and Consolidated Financial Statements, it also certified:

- to have nothing to report, based on the knowledge and understanding of the company and of the related context acquired during the audit activity, with reference to the declaration referred to in Article 14, paragraph 2, letter e) of Legislative Decree no. 39/10 on significant errors in the Reports on Operations accompanying the Financial Statements;
- that it has verified the Directors' approval of the Consolidated Non-Financial Statement.

The Independent Auditors also submitted to the Board of Statutory Auditors the Additional Report required by Article 11 of Regulation (EU) no. 537/2014, which does not reveal any weaknesses in the internal control system inherent in the financial reporting process, nor any circumstances to be reported as a result of the checks carried out on the regular keeping of the Company's accounts and the correct recording of operations in the accounting records.

Lastly, the Board of Statutory Auditors has acquired the Transparency Report for the year ended 31 May 2023, available on the Deloitte & Touche S.p.A. website which contains the information required by Article 13, paragraph 2, letters d), g) and h) of European Regulation no. 537/2014 on the internal control and quality system, compliance with independence requirements and continuous training of the Independent Auditors.

12. Monitoring of the administrative and accounting system and the financial reporting process

For the purposes of supervising the adequacy of the administrative and accounting system and the financial reporting process, the Board of Statutory Auditors, also acts as the Internal Control and Audit Committee pursuant to Article 19, paragraph 2, letter c., of Legislative Decree No. 39/2010, in addition to the aforementioned in-depth examinations carried out with the Independent Auditors, from which no significant critical aspects of the Internal Control System inherent to the financial reporting process emerged, carried out the scheduled and periodic meetings with the Head of Administration and Financial Statements Department and the competent structures of the Risk Management Department, according to their respective areas of activity.

The administrative and accounting procedures for the formation of the Separate and Consolidated Financial Statements, as with any other financial communication, were prepared under the responsibility of the Head of Administration and Financial Statements department, who oversees a structured process including controls focused on the Affiliated Banks and Subsidiaries, suitable for providing reasonable certainty on the reliability of the financial information. The consolidation process is governed by the "Group Consolidated Financial Statements and Accounting-derived Statistical and Financial Reporting Regulations", approved by CCB's Board of Directors on 25 May 2023, which is operationally embodied in specific procedures approved by the Administration and Tax Department on 26 June 2023.

In 2023, the Control Body took note of: *i)* the issuance of internal regulations governing the framework of line controls inherent to the financial reporting process; *ii)* the audit conducted by the Internal Audit Department on the process of generating the CCB Group's consolidated accounting data and related financial statement schedules, which confirmed the overall adequacy of the internal regulatory framework and operational tools adopted, as well as the effectiveness of the controls implemented by the Parent Company.

In light of the information received and the analyses performed, the Board of Auditors has no observations to make on the adequacy of the administrative-accounting system and its reliability in correctly representing Operations.

In addition to the aforementioned in-depth examinations carried out with the Bank's structures and with the Independent Auditors, the Board of Statutory Auditors proceeded to verify and examine the process for the preparation of the separate and consolidated financial statements for the year 2023, as well as its compliance with the laws and regulations in force and its consistency with the resolutions adopted by the Board of Directors, also taking into account the indications formulated by the Supervisory Authorities, referring in particular to the recommendations provided by ESMA, most recently, in its communication of 25 October 2023 entitled "European common enforcement priorities for 2023 annual financial reports".

In 2023, there were aspects of uncertainty due to the continuation of the Russian/Ukrainian conflict, the acquired awareness of climate risk and related containment measures launched at international level, the related consequences for the macroeconomic environment, already impacted by a swift inflationary upturn and a significant increase in market interest rates.

Taking this context into account, the Board of Statutory Auditors analysed the methods and results of the assessment of the main items subject to accounting estimates influenced by the aforesaid events, including those related to writedowns on loans, the fair value of financial instruments, income tax, goodwill and intangible assets. The Board of Statutory Auditors oversaw the control process of the credit risk measurement and prevention systems, discussing them systematically with the functions in charge of monitoring and with the Independent Auditors, from which it received no reports of anomalies.

In order to determine the IFRS9 Value adjustments on the customer loan portfolio as at 31 December 2023, the Board of Directors adopted conservative criteria, reflecting in the Loans valuations the prospective impacts of the above-mentioned events, through the use of three scenarios (mild, baseline and adverse) and appropriately averaging their contributions. Additional corrective measures were introduced on PD and LGD parameters, with the intention to incorporate into the model the initial impacts related to climate and environmental risks and, in a more extensive approach, the main ESG factors.

The macroeconomic uncertainties resulted in the identification of some areas of intervention considered worthy of further actions to increase coverage levels, in line with the strict requirements defined by the Group policies and with the recommendations of the Supervisory Authority.

In this context, in 2023 the Group maintained the existing system of minimum provisioning at geo-sectoral level, introduced in 2022, on the performing positions considered more risky since they fall into the economic sectors most vulnerable to the indirect effects of the Russia/Ukraine conflict. Furthermore, in order to prevent negative impacts on credit risk associated with the increase in interest rates, the Group introduced another mechanism to determine appropriate levels of additional coverage to the exposure of variable rate mortgage loans in stage 2.

At the same time, in its meeting of 25 May 2023, the Parent Company's Board of Directors, in consideration of the overcoming of the pandemic emergency and comforted by the re-establishment of the ordinary amortisation conditions of the loans subject to the previous moratorium, approved, for all Group entities, the removal of the minimum provisioning levels in place for the ex-moratorium Covid 19 portfolio, as of the balance sheet date of 30 June 2023.

A further area of intervention concerned positions in stage 3 defined as sub-threshold, in accordance with the Group internal regulations. In line with the approach adopted in the financial statements as at 31 December 2021, minimum coverage has been set for these positions in order to align the coverage with the average Group coverage assessed on an analytical basis.

The Board of Statutory Auditors monitored the impairment process of equity investments and goodwill. The goodwill impairment process, updated as at 31 December 2023 during preparation of the draft separate and consolidated financial statements, was examined and discussed at specific meetings with the Administration and Financial Statements Department and with the Independent Auditors, requesting a closer look at the results of the valuation analyses and related sensitivity. The Board of Statutory Auditors noted the impairment of CCB's Equity investments in Casse Rurali Raiffeisen Finanziaria S.p.A. for EUR 2.1 million, in Cabel Holding S.p.A. for EUR 78 thousand and in Allitude S.p.A. for EUR 2.4 million; in view of the essentially captive nature of Allitude, which generates most of its Revenues through the provision of services to Group companies, the directors decided to write down the investment in order to align its value to the pro-rata share of the subsidiary's Equity investments and to write off the value of the customer relationship previously recorded for EUR 14.6 million.

The Cassa Centrale Group's securities portfolio at fair value mainly consists of listed government securities with fair value level 1 that do not give rise to valuation issues.

Deferred tax assets are recognised against adjustments to loans, goodwill and intangible assets: the tax rules relating to the convertibility of these into tax credits give "certainty" to the recovery of qualified DTAs, automatically fulfilling the probability test contemplated by IAS 12.

Article 26 of Decree-Law No. 104 of 10 August 2023, converted, with amendments, by Law No. 136 of 9 October 2023, setting forth "Urgent provisions for the protection of users, concerning economic and financial activities and strategic investments", introduced for the year 2023 an extraordinary tax calculated on the increase in net interest income for Banks pursuant to Article 1 of Legislative Decree No. 385/1993. Paragraph 5-*bis* of the same decree, however, allows Banks, in lieu of payment of the tax, to allocate, at the time of approval of the draft financial statements for the financial year prior to the financial year current on 1 January 2024, an amount not less than two and a half times the tax to a non-distributable reserve identified for this purpose.

On 8 February 2024, the Board of Directors accordingly resolved to propose to the Shareholders' Meeting that will approve CCB's draft separate financial statements as at 31 December 2023 not to pay the extraordinary tax and to allocate part of the profit to the above-mentioned non-distributable reserve.

In light of the above, the information received and the analyses carried out, the administrative and accounting structure appears adequately defined and suitable for addressing the company requirements expressed during the year and, on the whole, adequate for the provisions of the current regulations of reference.

As anticipated, the appointed Independent Auditors did not report any deficiencies in the administrative-accounting internal control system during their periodic meetings with the Board of Statutory Auditors and in the Additional Report issued pursuant to Article 11 of Regulation (EU) no. 537/2014. They also verified the correctness of the measurements in the operations in the accounting records, in addition to the completeness of the information and the measurement criteria for preparing the Separate Financial Statements and the Consolidated Financial Statements, with no findings and/or comments.

Though the external audit pursuant to Legislative Decree 39/2010 is not part of the duties of the Board of Statutory Auditors and is allocated to the Independent Auditors, on the basis of the information received from the latter, from the Head of the Administration and Financial Statements Department and the checks envisaged by Article 2403 et seq. of the Civil Code, the Control Body believes that the administrative and accounting system is adequate and reliable on the whole and that operations are reported correctly and in due time.

13. Remuneration policies

The Board of Statutory Auditors noted that, on 7 March 2024, the Board of Directors approved the document "Remuneration and Incentive Policies of the Cassa Centrale Banca Group 2024", which defines the principles and standards used to outline, implement and monitor the Group's remuneration systems, to be submitted for approval to the Shareholders' Meeting called for 7 June next.

The annual review of the Policies took place in the context of a regulatory environment that was largely unchanged from last year, except for the update of the Guidelines issued by ESMA on certain aspects of MiFID II remuneration requirements.

On 3 April 2023, ESMA published the "Guidelines on Certain Aspects of MiFID II Remuneration Requirements", which constitutes a comprehensive revision of the "Guidelines on Remuneration Policies and Practices" issued in June 2013 pursuant to Directive 2004/39/EC (so-called "MiFID"). For intermediaries that are also recipients of the prudential provisions on remuneration and incentives issued by the Bank of Italy pursuant to Art. 53, letter a of the Consolidated Law on Banking (TUB, from the Italian *Testo Unico Bancario*) or Art. 6, paragraph 1, letter *c-bis*) of the Consolidated Law on Finance (TUF, from the Italian *Testo Unico della Finanza*), the change to the ESMA Guidelines is carried out as part of the requirements of such provisions. In addition to

31

the regulatory adjustments required by the new ESMA Guidelines, the main changes that affected the Policies concerned:

- the inclusion of ESG objectives within the MBO incentive system for the Group's most Relevant Personnel, with the provision of a macro-indicator, which was assigned a weight of 15% in the evaluation forms, divided into sub-objectives, relating to the procurement of an increasing percentage of electricity from certified renewable sources in Italy, the implementation of the 2024 milestones of the Operational Risk Strategic Plan for the management of climate and environmental risks, and the execution of ESG training plans for Corporate Bodies and employees of all Group Companies;
- the adaptation of the paragraph on severance, by formalising the involvement of the Corporate Control Functions (Risk and Compliance) in the relevant determination process, also in order to implement a specific recommendation of the Supervisory Authority.

It was also emphasised that the Cassa Centrale Group adopts concrete practices in the area of diversity, equity and inclusion: one of the first steps in this direction was the Parent Company's recent obtainment of UNI PDR 125:2022 certification. The Group confirms its commitment to ensuring that its remuneration policies are gender-neutral and that, for equal work, staff have equal levels of remuneration. The Board of Auditors also examined:

- the report of the Internal Audit Function that accounts for the results of the audits conducted by the same during 2023 on the implementation of the Group's remuneration system, as a result of which it was ascertained that the initiatives taken on staff remuneration were consistent with the principles and rules set forth in the internal and external reference regulations, and that the process followed for the definition of the 2023 Policies was adequate;
- the prior opinion of the Compliance Function on the compliance of the Group's Remuneration Policy 2024 with the relevant regulations.

The Board of Statutory Auditors monitored the remuneration aspects concerning the Group through the participation of the Controlling Body in the Remuneration Committee meetings, taking note of the activities carried out.

Finally, at the meeting on 7 March 2024, the Board of Directors approved the "Annual Incentive Plan (MBO 2024) for Key Personnel of the Parent Company", which defines, for the current year, the performance targets to be met in order to activate the Plan.

14. Preparation of opinions and reports

As part of the supervisory activities carried out during the financial year ended as at 31 December 2023, the Board of Statutory Auditors:

- in accordance with the Bank of Italy requirements, issued its opinion on the progress as at 31 December 2022 of the ongoing and planned initiatives of the Parent Company in its role of direction and coordination of the Group's Anti-Money Laundering activities;
- issued the Report on Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) reports, submitted to the Board of Directors;
- commented on the Internal Audit Department's Report on Outsourced Essential or Important Functions, pursuant to Bank of Italy Circular no. 285/2013, Part III, Chapter 6, Section II, para.2;
- approved the Consolidated Report on Internal Whistleblowing Systems as required by Bank of Italy Circular no. 285/2013, Part I, Title IV, Chapter 3, Section VIII;

- expressed a favourable opinion on the update of: *i)* the Group Regulation of the Risk Management Function; *ii*) the Group Regulation of the Compliance Function; *iii)* the Group Model for the optimal qualitative and quantitative composition of the Corporate Bodies and Management of the Affiliated Banks;
- expressed a favourable opinion on the appointment first of the interim Chief Compliance Officer and then of the new one;
- expressed a favourable opinion on the integration of the fees to be paid to Deloitte & Touche S.p.A. relating to the engagement for the statutory audit and the engagement for the limited review of the Consolidated Non-Financial Statement;
- taking account of the provisions of the "Group Policy for conferring tasks upon the person responsible for the external audit and/or other companies belonging to the reference network" reviewed the documentation and approved the tasks for audit-related and non-audit-related services, following assessment of the potential risks for the independence of the Independent Auditors identified by Article 10 of Legislative Decree 39/2010.

15. Sustainability and Consolidated Non-Financial Statement

Cassa Centrale is required to draw up the Consolidated Non-Financial Statement (NFS) in compliance with Article 3 of Legislative Decree No. 254/2016 and Article 5 of the "Regulation on the disclosure of non-financial information" adopted by Consob with resolution No. 20267 of 18 January 2018.
The document for the 2023 financial year, which was submitted to the Board of Directors at its meeting of 28 March 2024 and presented as a separate document from the Management Reports to the Consolidated and Individual Financial Statements as at 31 December 2023, was made available to the Control Bodies within the terms of the law and will be disclosed to the public in accordance with the relevant regulations.
The Board of Statutory Auditors, as part of the performance of its duties, monitored compliance with the provisions of Legislative Decree no. 254/2016 and of the Consob Regulations, with particular reference to the drafting process and the contents of the NFS through meetings with the appointed function and with the appointed Auditing Firm. The latter, on 24 April 2024, certified that no evidence had come to its attention that would suggest that the Consolidated Non-Financial Statement of the Cassa Centrale Group relating to the financial year ended 31 December 2023 had not been drafted in compliance with the requirements of Articles 3 and 4 of the Decree and the Global Reporting Initiative Sustainability Reporting Standards. The auditors' opinion does not extend to the information required by Article 8 of the European Regulation 2020/852 included in the paragraph "Information and Mandatory Disclosure on the EU Taxonomy Regulation", as well as to the process of determining "financial materiality" and related outputs, carried out in anticipation of the requirements of the Corporate Sustainability Reporting Directive (CSRD) and reported in the paragraph "The evolution of materiality analysis – first approach to dual materiality", as the second exercise of application of the dual materiality concept.
On the basis of the information obtained, the Board of Auditors certifies that no elements of non-compliance and/or violation of the relevant regulatory provisions have come to its attention.
The Control Body also noted the Group's progressive and growing focus on ESG issues, which cut across all areas of the Bank, identified as enabling factors in the 2023-2026

Strategic Plan, constituting one of the ten strategic initiatives aimed at defining a sustainable growth path for the Group.
On 23 November 2023, the Board of Directors approved the Sustainability Plan 2023-2026, strengthened through a clearer disclosure of the strategic guidelines in terms of the ESG objectives to be pursued, as well as a more complete setting of the qualitative/quantitative targets for monitoring the Plan itself.
Acknowledging that the path undertaken by the Bank starting from 2021, aimed at a greater integration of the various sustainability profiles in the Group's business strategies, has gradually strengthened, the Control Body points out that it cannot be considered complete, also in light of the contents of the ECB's "Decision on the risk identification process for climate and environmental risks", of the recent verification activities conducted by the Audit Function on the matter, of regulatory developments, of market opportunities and of the complexity connected to a full integration of ESG factors in all the Bank's processes.
With regard to the progressive implementation of the project initiatives outlined in this framework, the Board of Statutory Auditors:

i) acknowledged the completed and/or ongoing activities included in the 2023-2026 Sustainability Plan, noting that a common, conscious and proactive commitment is required, spread from top management to all levels of the company, for an effective response to the expectations not only of the Supervisory Authority but, above all, of the market and all stakeholders;
ii) renewed the recommendation to promote all necessary initiatives (including training and information) to increase the sensitivity of each actor in the business processes to ESG issues;
iii) noted the strengthening of safeguards to ensure the reliability of data, including through the formalisation of the first-level controls carried out on Affiliated Banks;
iv) recommended an acceleration towards the completion of the internal regulatory framework and the strengthening of the control system, also in terms of disclosure, in view of the implementation of the CSRD and the related EFRAG (European Financial Reporting Advisory) sustainability standards, starting with the 2024 budget.

16. Significant events occurring after the end of the financial year

In the Report on Operations accompanying the Financial Statements, the Directors stated that after the end of the financial year, until the date of its approval by the Board of Directors, no events had occurred that were likely to have a material impact on the financial position and results of operations for the year ended 31 December 2023.

17. Conclusions

Dear Shareholders,
the separate Financial Statements of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. as at 31 December 2023 closed with a net profit of € 31,122,736 and equity of € 1,187,345,366.
The Board of Statutory Auditors, considering the supervisory activities carried out and the opinions expressed in the Audit Reports by the Independent Auditors, did not observe any reasons impeding the approval of the draft Separate Financial Statements as at 31 December 2023 accompanied by the Report on Operations and

the approval of the proposal for the allocation of the net profit for the year formulated by the directors.

Trento, 24 April 2024

Pierpaolo Singer — Chairperson of the Board of Statutory Auditors

Lara Castelli — Standing Auditor

Mariella Rutigliano — Standing Auditor

35

Independent Auditors' Report on the financial statements of Cassa Centrale Banca

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: +39 02 83322111
Fax: +39 02 83322112
www.deloitte.it

INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. (the "Bank"), which comprise the balance sheet as at December 31, 2023, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended, and the explanatory notes, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and to art. 43 of Italian Legislative Decree no. 136/15.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Classification and valuation of loans to customers for financing measured at amortised cost

Description of the key audit matter

As indicated in the explanatory notes “Part B - Information on the balance sheet – Section 4 of Assets” and in the report on operations in the Chapter “Operating performance of Cassa Centrale Banca” – paragraph “Credit Quality”, the gross amount of loans to customers for financing measured at amortised cost as at December 31, 2023 is equal to Euro 2,529.6 milion (of which Euro 26.9 milion of non-performing loans) reduced by adjustment provisions of Euro 55.3 milion (of which Euro 21.3 milion related to non-performing loans), resulting in a net amount of Euro 2,474.3 milion (of which Euro 5.6 milion of non-performing loans).

Furthermore, the report on operations shows that the coverage ratio of the aforementioned loans to customers as at December 31, 2023 is equal to 2.2%. More specifically, in accordance with the allocation required by IFRS 9 “Financial Instruments”, the coverage ratio of performing exposures, classified in “First Stage” and “Second Stage”, is equal to 1.4%, while the coverage ratio of non-performing exposures, classified in “Third Stage”, is equal to 79.0%.

The explanatory notes “Part A – Accounting Policies” and “Part E – Information on Risks and Related Hedging Policies” describe:

- the processes and the classification criteria of credit exposures adopted by the Bank in compliance with the current provisions of the Supervisory Authorities and in accordance with the applicable accounting standards;

- the measurement criteria of loans to customers for financing measured at amortised cost as well as the estimate methods of the expected credit losses and for determining the consequent loan loss provisions based on the allocation of credit exposures among the three reference stages.

Furthermore, the credit monitoring and valuation processes and controls adopted by the Bank, as part of its policies for managing loans to customers, provide, moreover, a more structured segmentation into homogeneous risk clusters. In this regard, in particular, the uncertainties arising from the current macroeconomic context were taken into account.

In 2023, in fact, geopolitical uncertainties were worsened by the continuation of the Russia-Ukraine conflict and the onset of new tensions with potential influences on the European economy. In addition to these conditions of possible instability, during 2023 there was also a significant increase in interest rates intended to contain inflation.

Considering the significance of the amount of loans to customers for financing measured at amortised cost recorded in the financial statements, the complexity of the monitoring process of the credit quality and of the estimation process of the expected credit losses adopted by the Bank, which also took into account, in the current macroeconomic context, the

	application of certain fine tuning to the IFRS 9 Impairment model, and the relevance of the discretionary components inherent in such processes, we considered the classification and valuation of loans to customers for financing measured at amortised cost as a key audit matter of the financial statements of the Bank as at December 31, 2023.
Audit procedures performed	The main audit procedures performed, also supported by specialists of the Deloitte Network, were as follows: • analysis of the lending process with particular reference to the recognition and understanding of the organizational and procedural controls set up by the Bank to ensure the monitoring of credit quality and the correct classification and measurement of the credit exposures in accordance with the regulatory framework, the internal policies and applicable accounting standards; • check the implementation and operating effectiveness of the relevant controls identified in relation to the classification and valuation processes of loans to customers for financing measured at amortised cost; • analysis and understanding of the main valuation models adopted by the Bank for the determination of the additional loan loss provisions relating to performing loans, and the related fine tuning in order to also reflect the uncertainties arising from the current macroeconomic context, as well as check of the reasonableness of the parameters subject to estimation; • check, on a sample basis, the classification of performing loans to customers for financing measured at amortised cost in accordance with the regulatory framework, the Bank's internal policies and applicable accounting standards, with focused analysis on performing loans category known as "bonis sotto osservazione"; • check, on a sample basis, of the classification and measurement of non-performing loans to customers for financing measured at amortised cost in accordance with the regulatory framework, the Bank's internal policies and applicable accounting standards; • comparative and trend analysis, as well as comparison with sector data, of loans to customers for financing measured at amortised cost and of related loan loss provisions, also through examination of the monitoring reports provided by the Bank and discussion of the related results with the functions involved; • analysis of subsequent events occurring after the reference date of the financial statements;

- check the completeness and the compliance of the disclosures provided in the financial statements in accordance with the regulatory framework and applicable accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and to art. 43 of Italian Legislative Decree no. 136/15 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Bank’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Bank or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Bank’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. has appointed us on June 16, 2021 as auditors of the Bank for the years from December 31, 2021 to December 31, 2029.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Bank in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and to art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. are responsible for the preparation of the report on operations and the specific information required by art. 123-bis, paragraph 2 (b), of Legislative Decree 39/10 included in the section related to the report on corporate governance and ownership structure of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. as at December 31, 2023, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the section related to the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. as at December 31, 2023 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations and the above-mentioned specific information required by art. 123-bis, paragraph 2 (b), of Legislative Decree 39/10 contained in the section therein related to the report on corporate governance and ownership structure are consistent with the financial statements of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. as at December 31, 2023 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Enrico Gazzaniga
Partner

Milan, Italy
April 24, 2024

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Separate Financial Statements of Cassa Centrale Banca

2023 Financial Year

Balance Sheet

Balance Sheet – Assets

	ASSETS	31/12/2023	31/12/2022
10.	Cash and cash equivalents	264,171,742	293,887,117
20.	Financial assets measured at fair value through profit or loss	317,040,842	377,051,690
	a) financial assets held for trading	78,626,635	108,930,427
	b) financial assets designated at fair value	184,206,935	174,550,654
	c) other financial assets mandatorily measured at fair value	54,207,272	93,570,609
30.	Financial assets measured at fair value through other comprehensive income	943,427,109	1,016,579,662
40.	Financial assets measured at amortised cost	16,320,273,888	21,253,305,610
	A) loans to banks	11,871,356,553	16,943,958,491
	b) loans to customers	4,448,917,335	4,309,347,119
50.	Hedging derivatives	-	-
60.	Fair value change of financial assets in hedged portfolios (+/-)	-	-
70.	Equity investments	255,647,077	242,488,974
80.	Tangible assets	25,835,216	22,422,281
90.	Intangible assets	136,640	334,211
	of which:		
	- goodwill	-	-
100.	Tax assets	35,961,649	30,312,533
	a) current	11,298,324	25,124
	b) deferred	24,663,325	30,287,409
110.	Non-current assets and groups of assets held for disposal	-	-
120.	Other assets	443,412,914	477,574,369
	Total assets	**18,605,907,077**	**23,713,956,447**

Balance Sheet – Liabilities

	LIABILITIES AND EQUITY	31/12/2023	31/12/2022
10.	Financial liabilities measured at amortised cost	16,513,450,688	21,540,593,427
	a) due to banks	13,146,935,241	18,752,440,235
	b) due to customers	2,639,279,427	2,585,092,376
	c) debt securities in issue	727,236,020	203,060,816
20.	Financial liabilities held for trading	77,855,870	109,005,966
30.	Financial liabilities designated at fair value	175,647,458	168,922,244
40.	Hedging derivatives	309,524	-
50.	Adjustment of the financial liabilities subject to macro-hedging (+/-)	-	-
60.	Tax liabilities	4,982,181	3,006,035
	a) current	4,646,123	2,608,989
	b) deferred	336,058	397,046
70.	Liabilities associated with assets held for disposal	-	-
80.	Other liabilities	619,656,045	698,200,222
90.	Provision for severance indemnity	1,065,314	1,201,054
100.	Provisions for risks and charges	25,594,631	24,708,981
	a) commitments and guarantees given	5,802,737	6,249,900
	b) post-employment benefits	-	-
	c) other provisions for risks and charges	19,791,894	18,459,081
110.	Valuation reserves	(6,108,030)	(18,453,922)
120.	Repayable shares	-	-
130.	Equity instruments	-	-
140.	Reserves	191,269,818	171,051,187
150.	Share premium	19,029,034	19,029,034
160.	Share Capital	952,031,808	952,031,808
170.	Own shares (-)	-	-
180.	Profit (loss) for the year (+/-)	31,122,736	44,660,411
	Total liabilities and equity	**18,605,907,077**	**23,713,956,447**

Income Statement

	ITEMS	31/12/2023	31/12/2022
10.	Interest income and similar revenues	592,834,144	299,030,986
	of which: interest income calculated with the effective interest method	586,824,572	296,767,494
20.	Interest expenses and similar charges	(534,673,676)	(220,142,742)
30.	**Net interest income**	**58,160,468**	**78,888,244**
40.	Fees and commissions income	227,107,559	202,386,779
50.	Fees and commissions expenses	(127,534,348)	(103,557,435)
60.	**Net fees and commissions**	**99,573,211**	**98,829,344**
70.	Dividend and similar income	39,148,049	45,258,650
80.	Net result from trading	1,398,473	5,360,995
90.	Net result from hedging	(22,255)	-
100.	Profit (Loss) from disposal/repurchase of:	3,712,300	9,970,622
	a) financial assets measured at amortised cost	2,336,390	5,861,356
	b) financial assets measured at fair value through other comprehensive income	1,375,910	4,109,266
	c) financial liabilities	-	-
110.	Net result on other financial assets and liabilities measured at fair value through profit or loss	(2,794,987)	(10,071,357)
	a) financial assets and liabilities designated at fair value	(4,726,787)	(2,279,174)
	b) other financial assets mandatorily measured at fair value	1,931,800	(7,792,183)
120.	**Net interest and other banking income**	**199,175,259**	**228,236,498**
130.	Net value adjustments/write-backs due to credit risk of:	18,571,957	1,691,110
	a) financial assets measured at amortised cost	18,677,513	1,877,271
	b) financial assets measured at fair value through other comprehensive income	(105,556)	(186,161)
140.	Profit (Loss) from contractual changes without derecognitions	(21,371)	17,782
150.	**Net income from financial activies**	**217,725,845**	**229,945,390**
160.	Administrative expenses:	(222,378,232)	(197,912,877)
	a) staff expenses	(71,535,126)	(62,666,973)
	b) other administrative expenses	(150,843,106)	(135,245,904)

	ITEMS	31/12/2023	31/12/2022
170.	Net allocations to provisions for risks and expenses	1,242,483	(617,465)
	a) commitments and guarantees given	370,295	(1,291,989)
	b) other net allocations	872,188	674,524
180.	Net value adjustments/write-backs to tangible assets	(3,152,334)	(3,011,868)
190.	Net value adjustments/write-backs to intangible assets	(210,838)	(708,259)
200.	Other operating expenses/income	41,407,702	40,652,187
210.	**Operating costs**	**(183,091,218)**	**(161,598,281)**
220.	Profit (loss) on equity investments	(4,975,731)	(17,800,000)
230.	Net result of fair value measurement of tangible and intangible assets	-	-
240.	Value adjustments to goodwill	-	-
250.	Profit (loss) from disposal of investments	5,850	6,485
260.	**Profit (loss) before tax from current operating activities**	**29,664,745**	**50,553,594**
270.	Income taxes for the year on current operating activities	1,457,991	(5,893,182)
280.	**Profit (loss) after tax from current operating activities**	**31,122,736**	**44,660,411**
290.	Profit (loss) after tax from discontinued operations	-	-
300.	**Profit (loss) for the year**	**31,122,736**	**44,660,411**

Statement of Comprehensive Income

	ITEMS	31/12/2023	31/12/2022
10.	**Profit (loss) for the year**	**31,122,736**	**44,660,411**
	Other post-tax components of income without reversal to the income statement	**3,234,469**	**33,548,176**
20.	Equities measured at fair value through other comprehensive income	3,371,672	33,439,293
30.	Financial liabilities designated at fair value through profit or loss (changes in credit rating)	-	-
40.	Hedging of equities measured at fair value through other comprehensive income	-	-
50.	Tangible assets	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	(137,203)	108,884
80.	Non-current assets and groups of assets held for disposal	-	-
90.	Quota of reserves from the valuation of shareholdings measured with the equity method	-	-
	Other post-tax components of income with reversal to the income statement	**9,111,423**	**(19,235,242)**
100.	Hedging of foreign investments	-	-
110.	Exchange rate differences	-	-
120.	Cash flow hedging	-	-
130.	Hedging instruments (undesignated elements)	-	-
140.	Financial assets (other than equities) measured at fair value through other comprehensive income	9,111,423	(19,235,242)
150.	Non-current assets and groups of assets held for disposal	-	-
160.	Quota of reserves from the valuation of shareholdings measured with the equity method	-	-
170.	**Total other post-tax components of income**	**12,345,892**	**14,312,935**
180.	**Comprehensive income (Item 10+170)**	**43,468,628**	**58,973,346**

Statement of changes in equity as at 31/12/2023

	Balance as at 31/12/2022	Adjustment to opening balances	Balance as at 01/01/2023	Allocation of result from previous year		Changes during the year								Equity as at 31/12/2023
							Equity transactions							
				Reserves	Dividends and other allocations	Changes to reserves	Issue of new shares	Purchase of own shares	Distribution of extraordinary dividends	Change in equity instruments	Derivatives on own shares	Stock Options	Comprehensive income for 2023	
Share capital:														
a) ordinary shares	944,231,808	X	944,231,808	-	X	X	-	-	X	X	X	X	X	944,231,808
b) other shares	7,800,000	X	7,800,000	-	X	X	-	-	X	X	X	X	X	7,800,000
Share premium	19,029,034	X	19,029,034	-	X	-	-	-	X	X	X	X	X	19,029,034
Reserves:														
a) profit	171,032,903	-	171,032,903	20,195,616	X	23,015	-	-	-	X	X	X	X	191,251,534
b) other	18,284	-	18,284	-	X	-	-	X	-	X	-	-	X	18,284
Valuation reserves	(18,453,922)	-	(18,453,922)	X	X	-	X	X	X	X	X	X	12,345,892	(6,108,030)
Equity instruments	-	X	-	X	X	X	X	X	X	-	X	X	X	-
Own shares	-	X	-	X	X	X	-	-	X	X	X	X	X	-
Profit (loss) for the year	44,660,411	-	44,660,411	(20,195,616)	(24,464,795)	X	X	X	X	X	X	X	31,122,736	31,122,736
Equity	**1,168,318,518**	**-**	**1,168,318,518**	**-**	**(24,464,795)**	**23,015**	**-**	**-**	**-**	**-**	**-**	**-**	**43,468,628**	**1,187,345,366**

Statement of changes in equity as at 31/12/2022

	Balance as at 31/12/2021	Adjustment to opening balances	Balance as at 01/01/2022	Allocation of result from previous year		Changes during the year								Equity as at 31/12/2022
							Equity transactions							
				Reserves	Dividends and other allocations	Changes to reserves	Issue of new shares	Purchase of own shares	Distribution of extraordinary dividends	Change in equity instruments	Derivatives on own shares	Stock Options	Comprehensive income for 2022	
Share capital:														
a) ordinary shares	944,231,808	X	944,231,808	-	X	X	-	-	X	X	X	X	X	944,231,808
b) other shares	7,800,000	X	7,800,000	-	X	X	-	-	X	X	X	X	X	7,800,000
Share premium	19,029,034	X	19,029,034	-	X	-	-	-	X	X	X	X	X	19,029,034
Reserves:														
a) profit	158,960,909	-	158,960,909	21,579,575	X	(9,507,581)	-	-	-	X	X	X	X	171,032,903
b) other	18,284	-	18,284	-	X	-	-	X	-	X	-	-	X	18,284
Valuation reserves	(32,766,857)	-	(32,766,857)	X	X	-	X	X	X	X	X	X	14,312,935	(18,453,922)
Equity instruments	-	X	-	X	X	X	X	X	X	-	X	X	X	-
Own shares	-	X	-	X	X	X	-	-	X	X	X	X	X	-
Profit (loss) for the year	46,064,270	-	46,064,270	(21,579,575)	(24,484,695)	X	X	X	X	X	X	X	44,660,411	44,660,411
Equity	**1,143,337,447**	**-**	**1,143,337,447**	**-**	**(24,484,695)**	**(9,507,581)**	**-**	**-**	**-**	**-**	**-**	**-**	**58,973,346**	**1,168,318,518**

Cash Flow Statement

Indirect method

	Amount	
	31/12/2023	31/12/2022
A. OPERATING ACTIVITIES		
1. Operations	**(4,720,626)**	**37,573,425**
- income for the year (+/-)	31,122,736	44,660,412
- gains/losses on financial assets held for trading and other financial assets/liabilities measured at fair value through profit or loss (-/+)	4,196,442	10,344,713
- gains/losses on hedging activities (-/+)	22,255	-
- net value adjustments/write-backs due to credit risk (+/-)	(14,480,780)	(1,691,107)
- net value adjustments/write-backs to tangible and intangible assets (+/-)	3,363,172	3,720,127
- net allocations to provisions for risks and expenses and other costs/revenues (+/-)	(1,242,482)	617,465
- taxes, duties and tax credits not settled (+/-)	(1,457,991)	5,893,182
- net value adjustments/write-backs from discontinued operations net of tax (+/-)	-	-
- other adjustments (+/-)	(26,243,978)	(25,971,367)
2. Cash flows generated/used by the financial assets	**5,132,608,426**	**2,113,536,241**
- financial assets held for trading	30,453,071	(84,037,774)
- financial assets designated at fair value	(5,782,851)	12,319,516
- other financial assets mandatorily measured at fair value	39,951,977	3,693,641
- financial assets measured at fair value through other comprehensive income	90,255,113	24,126,774
- financial assets measured at amortised cost	4,949,218,778	2,372,299,699
- other assets	28,512,338	(214,865,615)
3. Cash flows generated/used by the financial liabilities	**(5,149,745,493)**	**(2,159,073,005)**
- financial liabilities measured at amortised cost	(5,030,481,797)	(2,566,938,261)
- financial liabilities held for trading	(31,150,096)	87,776,379
- financial liabilities designated at fair value	(2,082,578)	(8,075,918)
- other liabilities	(86,031,022)	328,164,795
Net cash flow generated/used by operating activities	**(21,857,694)**	**(7,963,339)**

	Amount	
	31/12/2023	31/12/2022
B. INVESTMENT ACTIVITIES		
1. Cash flows generated by	**38,333,394**	**45,628,506**
- sales of equity investments	107,882	-
- dividends collected on equity investments	38,125,707	45,258,434
- sales of tangible assets	12,082	370,072
- sales of intangible assets	87,723	-
- sales of subsidiaries and business units	-	-
2. Cash flows used by	**(21,726,280)**	**(8,157,246)**
- equity investment acquisitions	(18,241,715)	(5,185,000)
- tangible asset acquisitions	(3,383,574)	(2,925,751)
- intangible asset acquisitions	(100,991)	(46,495)
- purchases of business units	-	-
Net cash flow generated/used by investment activities	**16,607,114**	**37,471,260**
C. FUNDING ACTIVITIES		
- issues/purchases of own shares	-	-
- issues/purchases of equity instruments	-	-
- dividend distribution and other	(24,464,795)	(24,484,695)
Net cash flow generated/used by funding activities	**(24,464,795)**	**(24,484,695)**
NET CASH FLOWS GENERATED/USED DURING THE YEAR	**(29,715,375)**	**5,023,226**

KEY:

(+) generated

(-) absorbed

Reconciliation

ITEMS	Amount	
	31/12/2023	31/12/2022
Cash and cash equivalents at the beginning of the year	293,887,117	288,863,891
Total net cash flows generated/used during the year	(29,715,375)	5,023,226
Cash and cash equivalents: impact of exchange differences	-	-
Cash and cash equivalents at year-end	264,171,742	293,887,117

Separate Financial Statements of Cassa Centrale Banca

EXPLANATORY NOTES

PART A - Accounting policies

A.1 - General Section

Section 1 - Statement of compliance with international accounting standards

These FINANCIAL STATEMENTS were prepared in compliance with the IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission according to the procedure as per Art. 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, in force at the reporting date of this document, including the interpretative documents of the International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC).

The Bank of Italy defines the formats and rules for the preparation of financial statements in Circular no. 262 of 22 December 2005, including subsequent updates. The eighth update, published on 17 November 2022, is in force.

In interpreting and applying the new international accounting standards, reference was also made to the “Framework for the Preparation and Presentation of Financial Statements” (known as “Conceptual Framework” or the “Framework”), issued by the IASB. In terms of interpretation, also considered were the documents on the application of IAS/IFRS in Italy, prepared by the Italian Accounting Body (OIC) and the Italian Banking Association (ABI).

In the absence of a standard or an interpretation specifically applicable to a particular transaction, the Bank uses the professional judgement of its departments in developing accounting recognition rules which make it possible to provide a reliable financial disclosure, necessary for guaranteeing that the financial statements give a true and fair view of the Bank’s equity and financial position, reflecting the economic substance of the transaction as well as the relevant related aspects.

In formulating these accounting recognition rules, reference was made, as much as possible, to the provisions contained in the international accounting standards and the associated interpretations that address similar cases.

Section 2 - General preparation criteria

The financial statements include the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement (hereinafter also the “financial statements” as a whole), and these explanatory notes, together with the Director’s report on operations and the situation of the Bank.

In addition, IAS 1 “Presentation of financial statements”, requires the representation of a “statement of comprehensive income” also illustrating, among the other income components, the changes in the value of the assets recorded in the period as a contra-entry to equity. In line with the information contained in the aforementioned Bank of Italy Circular no. 262 of 2005 and subsequent updates, the Bank chose, as permitted by the accounting standard in question, to use two statements to provide the statement of comprehensive income: a first statement highlighting the traditional components of the income statement and the relevant result for the year, and a second statement that, based on the latter, shows the other components of the statement of comprehensive income.

In accordance with the provisions of Article 5 of Italian Legislative Decree no. 38/2005, the financial statements are prepared using the euro as the accounting currency. The layouts of these financial statements are drawn up in euro, while the Explanatory Notes are expressed in thousands of euro unless indicated otherwise. Any differences found between the amounts in the Explanatory Notes and the financial statements are attributable to rounding up.

The accounts of the balance sheet and the income statement comprise items, sub-items and additional detailed information. Items not valued either in the current or the previous year are not reported.

In the income statement and the related Explanatory Notes, revenue is recorded without sign, while costs are indicated in brackets. In the statement of comprehensive income, the negative amounts are stated in brackets.

Furthermore, the complementary information deemed suitable to supplement the financial statements data was provided in the Explanatory Notes, including when not specifically required by the legislation.

The Financial Statements as at 31 December 2023 have been prepared with clarity and give a true and fair view of the financial position, economic result for the year, changes in the Bank's equity and generated cash flows.

The financial statements as at 31 December 2023 are prepared on the basis of the going concern assumption of the Bank, as the directors reasonably expect that the Bank will continue operating in the foreseeable future. The situation of the financial markets and the real economy and the still uncertain forecasts made with reference to the short/medium-term require particularly precise valuations to be performed as regards the going concern assumption, since the results history of the Bank and its easy access to financial resources may not be sufficient in the current context. The directors believe that the risks and uncertainties to which the Bank may be subject in the flow of its operations are not significant and therefore do not cast doubt on the company's ability to operate as a going concern, despite considering the current macroeconomic environment characterised by various factors, such as inflation, high interest rates, geopolitical risks related to the Russia-Ukraine conflict and the instability present in the Middle East, as well as related uncertainties affecting future developments.

Estimation processes are based on past experience as well as other factors considered reasonable in the circumstances, and aim to estimate the book value of assets and liabilities that are not readily apparent from other sources. In particular, estimation processes were adopted that support the book value of some of the most important valuation items posted in the accounts, according to reference regulations. These processes are mainly based on estimates of future recoverability of the values in the accounts and were carried out on a going concern basis.

The main cases for which subjective evaluations are required to be made by the Board of Directors include:

- the quantification of expected losses due to the reduction of loan values and, in general, of other financial assets;
- the determination of the fair value of financial instruments, with particular reference to financial assets not listed on the active markets;
- the assessment of congruity in the value of goodwill, other intangible assets and equity investments;
- the measurement of personnel funds and provisions for risks and charges;
- the estimates and assumptions regarding recoverability of deferred tax assets.

The information provided on the accounting policies applied for the main aggregate values of the financial statements includes the necessary details for identifying the main assumptions and subjective evaluations made in preparing the financial statements. For further details on the breakdown and relative carrying amounts of the specific statement captions affected by said estimates, see the relevant sections of these Explanatory Notes. The processes adopted support the carrying amounts on the date of preparing these financial statements. The measurement process, as in the previous year, continues to be complex in consideration of the persisting uncertainty of the macroeconomic and market environment, characterised both by the considerable volatility of the financial parameters determined for the measurement and by a progressive increase in interest rates, despite the fact that in 2023, we are experiencing a slowdown of the inflationary trend and, at present, no significant indicators of impairment in credit quality have yet been found. These parameters and the information used to check the mentioned values are significantly affected by these factors which are out of the Group's control and may undergo rapid and unforeseeable changes. For further details, see paragraph d) of the Section 4 - Other Aspects.

The financial statements also make reference to the general preparation criteria listed below, where applicable:

- principle of clarity, truth, fairness and completeness in the presentation of the balance sheet, income statement and cash flows (true and fair view);
- accrual principle;
- principle of consistent presentation and classification from one year to another (comparability);
- principle of prohibited offsetting of entries, except where expressly permitted;
- principle of prevalence of economic substance over legal form;
- principle of prudence in exercising the necessary judgement to make the estimates required in conditions of uncertainty so that the assets or revenues are not overestimated and the liabilities or costs are not underestimated, without this implying the creation of hidden reserves or excessive allocations;
- principle of neutral nature of information;
- principle of relevance/significance of the information.

Ultimately, with reference to the main implications related to the method of application of the international accounting standards (in particular IFRS 9) in the current macroeconomic environment characterised by geopolitical tensions, please refer to the specific paragraph "d) Risks, uncertainties, impacts and methods of application of the international accounting standards in the current macroeconomic scenario" included in Section 4 – Other Aspects of this Part A.

The 2023 financial year was not characterised by any changes in the estimation criteria already applied for the preparation of the financial statements as at December 2022 except for what is shown in "Other Aspects" in paragraph d in relation to the measurement of loans to customers in the current macroeconomic environment.

Section 3 - Subsequent events

In relation to the provisions of IAS 10, in the period between the reference date of this document and its approval by the Board of Directors on 29 March 2024, no events occurred such as to entail a change in the data presented in the financial statements.

The accounting estimates as at 31 December 2023 were made on the basis of a series of macroeconomic and financial indicators expected at that date. Furthermore, no non-amending events occurred after the end of the year for which information must be provided.

Section 4 - Other aspects

a) IFRS accounting standards, amendments and interpretations applicable from 1 January 2023

The following IFRS accounting standards, amendments and interpretations were applied by the Bank for the first time from 1 January 2023:

- IFRS 17 "Insurance Contracts" (including the amendments published in June 2020): intended to replace IFRS 4 Insurance Contracts;
- amendments to IFRS 17 "Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information";
- amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates. The changes are aimed at improving accounting policy disclosures in order to provide investors and other primary users of the financial statements with more usable information, and to enable companies to distinguish between changes to accounting estimates and changes to accounting policy;
- amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction and standard Pillar II regulations (international tax reform). With Legislative Decree no. 209 of 27 December 2023 – published in Official Gazette General Series no. 301 of 28 December 2023 (Delegated Decree) and entered into force on 29 December 2023 – Italy adopted Directive (EU) 2022/2523, intended to guarantee a global minimum level of taxation for multinational groups of companies and large-scale domestic groups (so-called Global Minimum Tax, or GMT).

  The GMT is intended to limit tax competition through a minimum global tax rate of 15% for each jurisdiction in which the companies of a multinational group operate and, at European level, this includes domestic groups. Taking account of the options exercised by Italy and other countries for the introduction of a domestic minimum tax, the GMT is structured into three different forms of taxation, in a specifically governed coordinated and hierarchical order of application:

  - domestic minimum tax (applicable from financial year 2024);
  - additional minimum tax (applicable from financial year 2024);
  - top-up minimum tax (applicable from financial year 2025).

  The provisions set out by the delegated decree refer to further implementing and coordinating measures for GMT national regulations.

  Notwithstanding the fact that the first obligations met by companies in terms of communications, statements, and payments fall after the year ended as at 31 December 2023, for the purposes of the financial statements at that date, specific reporting obligations governed by IAS 12 apply.

  In this regard, note that with Regulation (EU) 2023/2468, the European Commission adopted the "Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules" published by the IASB in May 2023, which introduced further changes to IAS 12 on the application of the OECD Pillar Two provisions and supplementary financial statement information.

The changes made to IAS 12 involve:

- the introduction of a temporary exemption from reporting obligations on deferred tax assets and liabilities relating to the Pillar Two Model Rules for entities affected by the related “International Tax Reform” immediately after the publication of the amendments by the IASB and retroactively in compliance with IAS 8;
- the obligation to disclose supplementary information starting from the financial statements for years beginning 1 January 2023 or later.

In this last regard in particular, in periods in which the Pillar Two legislation is in place or substantially in force but not yet effective, the entity must provide information that is known or can be reasonably estimated to help financial statement users to understand its exposure to the Pillar Two income tax determined by the aforesaid legislation.

Also in accordance with such provisions, note that the current regulatory framework – pending the aforementioned implementing and/or coordinating measures – is characterised by certain interpretation doubts, including with specific reference to the subjective scope of application in question.

In detail, there are reasonable motivations, subject to ongoing discussions at institutional tables, according to which, for Cooperative Banking Groups – based on the cohesion contract – the Group entities (such as affiliated BCC and related subsidiaries) in which the Parent Company does not hold a controlling equity interest are considered excluded from the subjective scope of the Cooperative Group, and thus from the GMT scope of application, since such investment relationship is a necessary requirement for identifying a Group as well as an essential pre-condition for the applicability and functioning of the GMT.

With effect from 1 January 2024, the Cassa Centrale Group, as defined on the basis of the controlling equity interest mentioned and without taking account of the cohesion contract, as a multinational Group that exceeded the revenue threshold of EUR 750 million, for two of the four previous financial years, falls under the scope of application of the GMT.

On the basis of paragraph 4.A of IAS 12, which, in derogation of the provisions of the Standard, provides for the option not to disclose and communicate information about the deferred tax assets and liabilities relating to Pillar Two income tax, information is not communicated and deferred tax assets and liabilities relating to Pillar Two income tax are not disclosed.

Exposure to Pillar Two income tax, with regard to the Group companies identified on the basis of the controlling equity interest (and any entities under joint control) located in each individual jurisdiction, stems from the level of effective taxation that, for each of such jurisdictions, depends on various factors, including interconnected factors, such as mainly the income produced there, the level of the nominal rate, the tax rules for determining the taxable basis, the provision, form and enjoyment of incentives or other tax benefits.

Therefore, considering the new development and the underlying complexity of determining the level of effective taxation, the Pillar Two legislation provides, for the initial periods of efficacy (so-called transition valid for periods beginning before 31 December 2026 and ending no later than 30 June 2028), for the possibility to apply a simplified regime (so-called transitional safe harbour from country-by-country reporting) based mainly on the accounting information available for each relevant jurisdiction that, in case of passing at least one of three tests, leads to the reduction in compliance expenses and the zeroing out of Pillar Two taxes.

On the basis of the information known or reasonably estimated, the exposure of the Cassa Centrale Group, identified on the basis of the controlling equity interest, to the Pillar Two income tax in the two jurisdictions in which it operates (Italy and Luxembourg) at the closing date of the financial year is assessed to be nil, since, on the basis of an initial estimate, in both jurisdictions, the so-called Simplified ETR Test is passed, applied taking account of the OECD clarifications available to date.

The Group is organising and preparing for the obligations associated with the Pillar Two legislation, including in order to manage its exposure for later periods, through the preparation of adequate systems and procedures intended to:

- identify, locate and characterise, including continuously over time, for the purposes of Pillar Two legislation, all Group companies (or entities under joint control), and
- evaluate the simplified tests (so-called transitional safe harbours from country-by-country reporting) for each relevant jurisdiction, in order to enjoy the related benefits in terms of reduction of compliance expenses and zeroing out of Pillar Two taxes, and
- carry out the complete and detailed calculations of the relevant balances as required by Pillar Two legislation for any jurisdictions that do not pass any of the aforementioned tests.

The above amendments did not have an impact on the Bank's financial position and economic results as at 31 December 2023.

b) Approved accounting standards that will enter into force after 31 December 2023

The accounting standards and accounting interpretations or amendments to existing accounting standards that will enter into force after 31 December 2023 are shown below:

- amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback to clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The changes will come into effect on 1 January 2024;
- amendments to IAS 1 Presentation of Financial Statements: Non-current Liabilities with Covenants (Amendments to IAS 1) to clarify how the conditions that an undertaking must satisfy, within twelve months from the end of the financial year, influence the classification of a liability. The changes will come into effect on 1 January 2024.

The option for early application was not exercised for these standards. The directors do not foresee that the adoption of the accounting standards and amendments cited above will have a significant impact on the financial and economic position of the Bank.

c) Accounting standards still not endorsed which will enter into force in the next few years

The following amended accounting principles, instead, have not yet been endorsed by the European Commission:

- amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements to add quantitative and qualitative disclosure obligations related to financing agreements with suppliers;
- amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability. The amendment clarifies when one currency cannot be converted into another, how to estimate the exchange rate, and the information to be provided in the explanatory notes.

The application of such standards by the Bank is subject to their endorsement by the European Union; in any case, the directors do not foresee that the adoption of the accounting standards and amendments cited above will have a significant impact on the financial and economic position of the Bank.

d) Risks, uncertainties, impacts and methods of application of the international accounting standards in the current macroeconomic scenario

This paragraph outlines the main characteristics of the IFRS9 general impairment model, adopted at Cassa Centrale Group level and applicable, where relevant, to the individual entities.

With reference to the guidance and guidelines issued by European regulatory and supervisory bodies, as well as by standard setters, aimed at clarifying the methods of application of international accounting standards with particular reference to IFRS 9 in the context of the COVID-19 pandemic, please refer to the in-depth description in the Annual Financial Report at 31 December 2022 and previous years.

One of the most recent relevant publications is the public statement issued by the ESMA on 23 October 2023 entitled "European Common Enforcement Priorities for 2023 – Annual Financial Reports". Climate-related issues continue to be at the top of the list of priorities for application in ESMA legislation. In particular, the ESMA underlines the need for consistency between financial reports and non-financial information (for example, between the assumptions used in climate-related estimates and measurements). Furthermore, it highlights the importance of understanding the impact of climate risk on allocations for credit losses.

In addition to climate aspects, the ESMA, in the public statement issued last year, had also noted how the current macroeconomic context posed a significant challenge for the calculation models of expected losses used by European financial institutes, due to the difficulty modelling the new and unusual macroeconomic and geopolitical scenarios. Furthermore, it recognised that the same macroeconomic scenarios could impact differently on groups of debtors with different characteristics, requiring that the higher exposure to specific risks of certain economic sectors be taken into consideration in the measurement of expected loss.

During the previous year, aspects of uncertainty were seen due to the end stage of the COVID-19 pandemic and the ongoing Russia/Ukraine conflict. In particular, new elements of uncertainty had emerged that resulted in a revision of forecasts due to the conflict, rendering the risk measurement system particularly complex and characterised by the uncertainties reflected in the markets. These uncertainties are mainly attributable to the increase in the price of energy and food, the interruption in procurement chains, as well as the sudden increase in demand following the reopening of the economic sectors previously hardest hit by the pandemic. In this context, the Cassa Centrale Group implemented a particularly conservative risk management policy, continuing to adopt strengthened measures and processes, as in the previous two years.

In 2023, the geopolitical uncertainties were worsened by the continuation of the Russia/Ukraine conflict and the onset of new tensions with a potential influence on the European economy, such as the Israel/Palestine conflict and the terrorism recorded in the commercial maritime stretches of the Middle East. These conditions of possible instability were also joined in 2023 by a significant increase in the interest rates intended to contain inflation. The restrictive policies enacted by the European Central Bank, with the primary aim of bringing inflation back down to the 2% target, are influencing growth in the Eurozone and Italy with possible direct and indirect impacts on credit risk and on so-called (re)financing.

In this context of particular uncertainty, in 2023 the Group continued to pay particular attention to the onset of potential critical concerns and new vulnerabilities in the context of credit risk, thus launching important activities intended, on the one hand, to identify any direct impacts on the risk factors associated with the exposures and, on the other, to incorporate macroeconomic expectations and the identification of new sector-level vulnerabilities, thanks to the updates introduced within the IFRS 9 model, taking account among other aspects of certain parameters linked to ESG topics, as more widely discussed in the following section.

From a macroeconomic perspective, in 2023, the ECB published decreasingly optimistic GDP growth forecasts for the Eurozone, indicating a growing economic trend of +0.8%, +1.5% and +1.5%, respectively, for the 2024-2026 three-year period compared to the forecast issued in December 2023, which showed an increase of +0.6% for 2024. The growth shown in the forecasts for the three-year period is slower and more modest compared to the projections by the Supervisory Authority published in 2022 and the first part of 2023 as a result of less favourable lending conditions, linked to changes in the interest rates and the high level of uncertainty perceived by consumers in relation to the geopolitical context and the level of inflation, which impacts on the purchasing power of said consumers.

In fact, the GDP forecasts for the Eurozone published in 2022 by the ECB indicated a respective growth of +0.5%, +1.9% and +1.8% in the 2023-2025 three-year period, overall a more sustained trend than shown in the new projections issued in June and December 2023.

Similar trends can be seen across the Italian macroeconomic context. In particular, in December 2023, the Bank of Italy published the GDP forecasts for Italy, which indicated a growth trend of +0.6%, +1.1% and +1.1%, respectively, for the 2024-2026 three-year period and +0.7% for 2023. The latter figure is still higher than the expectations issued in October 2023. Like the Eurozone GDP, this growth is below the forecasts published in 2022 and at the beginning of 2023. The most recent outlook of economic forecasts for the 2023-2025 period issued in December 2022 by the Bank of Italy indicate more pronounced economic growth for the second and third year, at +0.4%, +1.2% and +1.2% respectively.

In terms of preparing the financial statement disclosures as at 31 December 2023, the Group continued to adopt the guidelines and recommendations issued by the European regulatory and Supervisory Authorities, as well as by the standard setters, while taking into account the assessments of the significant business activities and the residual support measures put in place by the Government to support households and businesses.

Lastly, the management of the Cassa Centrale Group placed, as usual, special attention on the causes of uncertainty inherent in the estimates that are part of the quantification process of certain items relating to the financial statement assets and liabilities. Due to the effects of the evolution of the current macroeconomic environment arising from international tensions, the main areas of uncertainty in estimates include those relating to credit losses, the fair value of financial instruments, the fair value of real estate investments (IAS40), income taxes, goodwill, and other intangible assets.

The main areas of the financial statements most affected by the effects of the current macroeconomic environment and the related accounting decisions made by the Bank and the Cassa Centrale Group as at 31 December 2023 are shown below.

Classification and measurement of loans to customers based on the general impairment model IFRS 9

In order to calculate expected loss at 31 December 2023, the Cassa Centrale Group has incorporated into its IFRS 9 impairment model, consistently with the provisions of the standard, macroeconomic scenarios that include the effects of the war in Ukraine and the uncertain evolution of the economic and geopolitical environment, aspects which have a major influence on growth forecasts, the main macroeconomic variables and the financial indicators for 2024-2026, compared to the previous forecasts.

In order to determine the IFRS 9 value adjustments on the customer loan portfolio as at 31 December 2023, conservative criteria – in accordance with the IAS/IFRS accounting standards – were adopted, taking into account the uncertainty arising from the geopolitical context of reference and the significant increase in interest rates, made during 2023 and intended to contain the inflationary spiral. Given the difficulty in estimating their duration and development, the Group incorporated the potential impacts of the aforementioned events — which suggest a possible increase in insolvency rates in the future — into its credit evaluations. The residual support measures introduced by the State, such as those relating to the granting of state guarantees, required a high degree of attention to the management and monitoring mechanism undertaken by the Group, in order to promptly intercept the possible effects of deterioration of counterparties that still remain unclear.

These uncertainties resulted in the identification of some areas of intervention considered worthy of further incisive actions to increase coverage, in line with the strict requirements envisaged by the Group policies and with the recommendations of the Supervisory Authority.

In this context, in 2023 the Group maintained the existing system of minimum provisioning at geo-sectoral level, introduced in 2022, on the performing positions considered at-risk since they fall into the economic sectors most vulnerable to the indirect effects of the Russia/Ukraine conflict (so-called energy-intensive/gas-intensive sectors). Furthermore, in order to prevent negative impacts on credit risk associated with the increase in interest rates, the Group introduced another mechanism to determine appropriate levels of additional coverage (so-called add-on) to the exposure of variable rate mortgage loans in stage 2.

At the meeting of 25 May 2023, the Parent Company's Board of Directors approved, for all entities of the Group, the removal of the minimum allocation levels on the moratorium pursuant to the COVID-19 portfolio in place, as from the reporting date of 30 June 2023. This decision was supported by the analyses conducted during the first half of 2023 and the positive evaluation of the credit risk framework for the portfolio in question, compared to the current IFRS 9 model, in a deeply different context characterised by overcoming the COVID-19 emergency and which sees the recovery of ordinary amortisation conditions for the loans under previous moratorium.

A further area of intervention concerned positions in Stage 3 defined as sub-threshold, in accordance with the "Group Credit Classification Policy", i.e. with an exposure of less than EUR 100 thousand and for which there is no analytical recovery plan. In line with the approach in December 2022, minimum coverage has been set for these positions with the aim of aligning the coverage to the average Group coverage assessed on an analytical basis.

More generally, in the process of identifying and measuring credit risk, account was also taken of the technical indications and recommendations contained in the communication of 4 December 2020 of the European Central Bank "Identification and measurement of credit risk in the context of the coronavirus (COVID-19) pandemic", which were still deemed valid in view of the geopolitical uncertainty and new economic framework associated with the sudden increase in interest rates.

For the purposes of calculating the expected loss as at 31 December 2023, the Cassa Centrale Group has used the three scenarios (mild, baseline, adverse), appropriately averaging their contributions, in accordance with the assessment of macroeconomic projections that expect continued high variability in the future. The scenarios used were those provided by the info-provider Prometeia, in accordance with a scenario generation system that considers publications from leading forecasting bodies, as well as publications issued by the Supervisory Authorities, with no corrections. The historical series used to calibrate all parameters of the IFRS 9 model (PD, LGD, EAD and SICR) were updated to the most recent series available at June 2023. Despite the confirmed growth trend for the 2024-2026 three-year period, the update of the macroeconomic scenarios continues to impact negatively on the medium/long-term forecasts of the Group's risk factors, albeit less severely compared to previous projections.

After over two years, the COVID-19 pandemic has entered into a more structured and ordinary management of healthcare. Therefore, several prudential measures that were previously introduced in 2021 in the IFRS9 model have been revised. Several methodological adjustments were introduced, with particular reference to the PD, LGD and SICR parameters, from a more evolved perspective in line with market best practices. In the final quarter of 2023, the macroeconomic models (so-called PD satellite models) were also replaced, aimed at transferring the macroeconomic forecasts into the Group's primary risk factors and into the staging allocation, with a new version that was more methodologically advanced. This update is consistent with the framework of the EBA stress test, based on more up-to-date data, which takes account of a geo-sectoral diversification. Finally, additional corrective measures were introduced on PD and LGD parameters, with the intention to incorporate into the model and, therefore, influence the provisions relating to loans to customers, the initial impacts related to climate and environmental risks and, in a more extensive approach, the main ESG factors.

In order to reflect the uncertainty in the outlook for certain segments of the economy and in line with ECB regulations, PD curves were kept differentiated by sector, a component calibrated using the Group's internal data and refined in the fourth quarter of 2023. This all had an effect on the staging and the calculation of expected losses, several economic sectors, and geographic areas measured as most at risk.

Access to support measures was treated from a particularly conservative approach: in particular, for government guarantees given as part of newly originated loans or existing exposures, a specific LGD has been consistently factored into the expected loss calculation that also reflects the collection capacity of the same guarantees.

With reference to the stage classification process of the performing portfolio, as in the previous year, the effects of the prudential backstop of 300% of the SICR continued to manifest as the maximum threshold of variation between lifetime PD at the reporting date and that defined at the origination date on each relationship.

With reference to the aforesaid approach and the staging allocation criteria in place at 31 December 2023, a suitable and appropriate criteria was identified for collective stage 2 classification was identified to integrate the individual SICR approach. In this way, homogeneous clusters of credit exposures were determined in terms of geographic area, economic activity, and counterparty rating, which, given the risk level, are classified as stage 2 with a forward-looking approach.

Furthermore, with reference to the EAD parameter, for the purposes of determining the expected loss lifetime and the staging allocation, in the absence of a contractual maturity, on the basis of the provisions of the "CRR - Capital Requirements Regulation" on maturity of AIRB (Advanced Internal Rating Based) models, a behavioural maturity of 30 months is assigned, instead of the 12 months defined previously.

The interventions outlined above, guided primarily by a conservative approach, in accordance with the IAS/IFRS accounting standards, and in any case improved and finalised during previous years, made it possible to limit potential future "cliff effects" as well as identify the economic sectors at greatest risk in the current environment. At the same time, this also ensured the reduction of potentially distorted elements in the estimates.

During the first quarter of 2023, the Group NPL Service and the Risk Management Department formally concluded their monitoring of the correct classification of loan positions, with reference to the evolution of credit risk of counterparties who, at the time, benefited from COVID-19 support measures, while ordinary monitoring cycles were carried out throughout 2023 on exposures to unlikely to pay and customers with positions in stage 2.

The Risk Management Department also carried out in-depth analysis on classification, provisioning and forbearance detection, aimed at verifying the overall compliance of the associated banks, as part of the granting processes in the current post-pandemic environment, with regard to the identifying conditions of financial difficulty of the counterparty before becoming forborne.

Therefore, the above activities had a significant impact, all other conditions being equal, on the level of conservatism of net value adjustments to loans for the year.

Measurement of securities at fair value

The Bank's securities portfolio at fair value mainly consists of listed government securities with fair value level 1 that do not give rise to valuation issues arising from the effects of the pandemic crisis.

The remaining investments in unlisted non-controlling interests and recognised in the portfolio of financial assets measured at fair value through other comprehensive income, exceeding certain thresholds, provided for by the Group's fair value Policy were measured as at 31 December 2023. Considering that, for these securities, the prevailing valuation methods are those of the market (market approach), it is believed that they incorporate the current market context. In this regard, in order to reflect the turbulence seen on the financial markets it was deemed appropriate to adopt a limited observation horizon of the market capitalisations of comparable listed companies. Specifically, reference was made to the precise observations as at the date the parameters were updated and, limited to the application of the regression methodology, also to the average of the six-month observations.

Impairment test of equity investments

As provided for by IAS 36 “Impairment of Assets” and by the IAS/IFRS standards, the Bank subjected several significant controlling equity investments to impairment testing.

In particular Allitude S.p.A., which, as it is now a company that generates the majority of its revenues through the provision of services to the banks belonging to the CCB Group, the value was brought into line with the pro-rata equity of that company, accounting for a write-down of EUR 2,406 thousand; Casse Rurali Raiffeisen Finanziaria S.p.A., for which the carrying amount was aligned to the prospective equity estimated at the presumed date of liquidation, accounting for a write-down of EUR 2,100 thousand.

With reference to the equity investment held by Cassa Centrale in Cassa Rurale Raiffesein Finanziaria S.p.A., at 31 December 2023, given the continuation of the liquidation procedure beyond the time frames originally envisaged, a write-down in that equity investment was accounted for amounting to EUR 2.1 million, aligning the carrying amount to the prospective equity estimated at the presumed date of liquidation.

e) Disclosure regarding Targeted Longer-Term Refinancing Operations (TLTRO-III).

At the date of these financial statements, the Bank had outstanding refinancing operations through the Eurosystem forming part of the TLTRO-III programme for a book value of approximately EUR 9 billion. The outstanding transactions at the beginning of the year resulted in a negative contribution to interest margin of about EUR 298 million as at 31 December 2023.

The Bank has assessed that the transactions of the TLTRO-III programme cannot be assimilated to loans at an interest rate lower than the market rate, as:

- there is no reference market where financing transactions with comparable characteristics can be negotiated;
- the European Central Bank defines the economic conditions applied to the refinancing operations in order to achieve monetary policy objectives for the benefit of the entire economic system of the Eurozone.

At the end of this reporting period, both monitoring time windows for the achievement of performance targets for loan disbursements envisaged by the TLTRO-III programme had been completed. The result obtained was also confirmed by the Bank of Italy.

Consequently, the method used to apply the interest rate to existing TLTRO-III operations considered the following hypotheses:

- incorporation of reference rates effective until the date of the report and subsequent stability of the reference rates of the European Central Bank until the maturity of the operations;
- maintenance of transactions in place until natural maturity, a provision incorporated within the Strategic Plan approved by the Board of Directors of the Bank. At accounting level, in line with this strategic approach and in continuity with the accounting method applied previously, in the case of changes in the rates in interim periods, the internal rate of return of the loan is determined using the residual value of the same transaction.

f) Statutory Audits

The financial statements are audited by Deloitte & Touche S.p.A., pursuant to the resolution of the Shareholders’ Meeting of 16 June 2021, which appointed Deloitte & Touche S.p.A. to audit the financial statements for the 2021-2029 period.

g) Information pursuant to Annex A of First Part, Title III, Chapter 2 of Bank of Italy Circular no. 285 of 17 December 2013

Government grants received

Note that, in accordance with the provisions of the so-called Annual market and competition law (Law no. 124/2017), that, in 2023, the Bank did not receive the grants from the public administrations tied to the exposure.

h) Tax consolidation option

The "Consolidated Law on Income Tax (TUIR)" provides for the possibility, for companies belonging to the same group, to determine a single overall global income – or a single reportable tax loss – corresponding, in principle, to the algebraic sum of the taxable incomes or tax losses of the individual participant companies (i.e. parent company and companies directly and/or indirectly controlled to an extent greater than 50% according to certain requirements) and, as a result, to determine a single tax debt/credit (so-called national tax consolidation, governed by articles 117-129 of the TUIR).

By virtue of this option, the Parent Company and the subsidiaries Allitude S.p.A., Claris Leasing S.p.A., Prestipay S.p.A., Assicura Agenzia S.r.l., Assicura Broker S.r.l., Centrale Soluzioni Immobiliari S.r.l. and Claris Rent S.p.A., which joined the national tax consolidation exercising according to the law the related option for the 2023-2025 three-year period, determined their tax burden and the corresponding taxable income was transferred to the Parent Company.

i) tax on excess profits pursuant to Art. 26, Decree Law no. 104/2023

It should be noted that Decree Law no. 104 of 10 August 2023, converted with amendments by Law no. 136 of 9 October 2023, contains a provision for an extraordinary tax for banks, determined by applying – to the individual financial statements – a rate of 40% on the amount of the margin of interest included in item 30 of the statement for the year 2023, which exceeds the maximum margin in financial year 2021 by at least 10%. However, the regulation sets a maximum limit of the tax due to 0.26% of the risk-weighted assets.

Banks can decide whether or not to pay the tax theoretically due if, during approval of the 2023 financial statements, the decision is made to allocate an amount equal to 2.5 times the amount theoretically due to a non-distributable reserve.

Therefore, in lieu of the extraordinary tax, the allocation to a specific reserve for tax on eccess profits pursuant to Article 26 of Legislative Decree No. 2024/2023 of an amount equal to EUR 14,149,856, corresponding to more than 2.5 times the tax amount of EUR 5,519,942, will be proposed to the Shareholders' Meeting convened to approve the 2023 Financial Statements.

In view of the above, no obligation to pay the tax therefore arose and therefore no effect on the Bank's balance sheet and profit and loss account as at 31 December 2023 was recognised.

A.2 - Part relating to the main items in the accounts

The accounting standards adopted for the preparation of these separate financial statements are shown below.

1 - Financial assets measured at fair value through profit or loss

Classification criteria

Financial assets measured at fair value through profit or loss include:

- financial assets which, according to the business model of the Bank, are held for trading purposes, i.e. debt and equities and the positive value of derivative contracts held for trading purposes. These assets are included under asset item 20. Financial assets measured at fair value through profit or loss, sub-item "a) financial assets held for trading";
- the financial assets designated at fair value at the moment of initial recognition where the conditions are satisfied (that happens if, and only if, on designation at fair value an accounting asymmetry is eliminated or significantly reduced). These assets are included under asset item 20. Financial assets measured at fair value through profit or loss, sub-item "b) financial assets designated at fair value";
- the financial assets that do not pass the so-called SPPI Test (financial assets whose contractual terms do not make exclusive provision for the repayments of principal and interest payments on the amount of principal to be repaid) or that in any case, are obligatorily measured at fair value. These assets are included under asset item 20. Financial assets measured at fair value through profit or loss, sub-item "c) other financial assets mandatorily measured at fair value".

Therefore, the Bank recognises the following in this item:

- debt securities and loans included in an Other business model (not attributable to Hold to Collect or Hold to Collect and Sell business models) or that do not pass the SPPI Test (including therein UCITS units);
- equity instruments, excluded from those addressed by IFRS 10 and IAS 27 (controlling interests, associates or joint ventures), not measured at fair value through other comprehensive income. In fact, IFRS 9 provides for the possibility of exercising, at the time of initial recognition, the irreversible option (so-called OCI option) to recognise an equity instrument at fair value through other comprehensive income.

This item also includes derivative contracts held for trading that have a positive fair value. The offsetting between the positive and negative present values deriving from transactions with the same counterparty is only possible if there is a legal right to offset the amounts recognised in the accounts and if there is an intention to settle on a net basis the items subject to offsetting.

The reclassification of a financial asset to a different accounting category is permitted only in the event of a change in the business model. Exceptions to this rule are equities for which no reclassification is permitted. More specifically, changes in business model – which in any case should very rarely happen –

must be decided by senior management as a result of external or internal changes, must be relevant to the Bank's operations and must be demonstrable to external parties. A change in business model could, for example, occur in the case of the acquisition, termination or divestment of a business line or branch of business. In the rare cases of changes to the business model, financial assets measured at fair value through profit or loss may be reclassified to financial assets measured at amortised cost or to financial assets measured at fair value through other comprehensive income.

The reclassification is applied prospectively from the date of reclassification, which, in fact, coincides with the first day of the accounting period following the change in business model that led to the reclassification of the financial assets.

In the event of reclassification from this category to the amortised cost category, the fair value at the date of reclassification represents the new gross carrying amount on the basis of which the effective interest rate is determined.

If, on the other hand, the category in question is reclassified to the category of financial assets measured at fair value through other comprehensive income, the fair value at the date of reclassification is the new gross carrying amount and the effective interest rate is determined on the basis of this value at the date of reclassification. In addition, for the purposes of applying the provisions on write-downs from the date of reclassification, the latter is considered to be the date of initial recognition.

Recognition criteria

The initial recognition of financial assets takes place at the settlement date if settled with the time intervals set by market practices (regular way), otherwise at the trade date. In the case of recognising the financial assets at the settlement date, the profits and losses recorded between the trade date and the settlement date are recognised in the income statement. Upon initial recognition the financial assets held for trading are recorded at the fair value; unless otherwise indicated, this is represented by the amount paid for executing the transaction, without considering the costs or income referring to it and attributable to the same instrument, which are recorded directly in the income statement.

Measurement criteria

Following initial recognition, the financial assets measured at fair value through profit or loss are measured at fair value with recognition of the related changes in the income statement. If the fair value of a financial asset becomes negative, this entry is booked as a financial liability. The change in the fair value of derivative contracts with "customers" counterparties takes their credit risk into account.

To calculate the fair value of the financial instruments listed in an active market, the market listings are used. In the absence of an active market, commonly adopted estimation methodologies are used to factor in all relevant risk factors related to the instruments.

For further details on how fair value is determined, please refer to paragraph "A.4 - Information on fair value" of this part A.

Derecognition criteria

The financial assets measured at fair value through profit or loss are derecognised when the contractual rights on the cash flows deriving from the same expire or when the financial asset is sold substantially transferring all the associated risks and rewards.

When it is not possible to ascertain the substantial transfer of the risks and rewards, the financial assets are derecognised from the financial statements unless control of said assets has been maintained. Conversely, if control is maintained, even only partial, it is necessary to retain the assets in the financial statements to the extent of the continuing involvement, measured by the exposure to changes in value of the assets transferred and the changes in their cash flows.

The securities delivered as part of a transaction which contractually envisages their repurchase are not derecognised from the financial statements.

Criteria for the recognition of the income components

The positive income components represented by the interest income on securities and relating similar income, as well as the differentials and margins accrued until the date of the financial statements relating to the derivative contracts classified to the item, but managerially connected to the assets or liabilities measured at fair value (so-called fair value option), are entered in the income statement items relating to interest on an accrual basis. The profits and losses from the disposal or repayment and the profits and losses not realised deriving from the changes in the fair value of the trading book are classified in the income statement under item 80. Net result from trading for instruments held for trading and in item 110. Net result on other financial assets and liabilities measured at fair value through profit or loss for instruments obligatorily measured at fair value and for instruments measured at fair value.

2 - Financial assets measured at fair value through other comprehensive income

Classification criteria

The financial assets recorded under this item include:

- debt securities, loans and receivables for which:
    - the business model associated to financial assets aims at collecting both the cash flows envisaged contractually and the flows deriving from sale (Hold To Collect and Sell business model);
    - the SPPI Test is passed as the contractual terms only provide for repayments of principal and interest payments on the amount of principal to be repaid.
- equities for which the so-called OCI option has been exercised as an irrevocable choice to present subsequent changes in the fair value of these instruments in other components of the comprehensive income statement. In this respect, it should be noted that the exercise of the so-called OCI option:
- shall be made at the time of initial recognition of the instrument;
- must be carried out at the level of the individual financial instrument;
- is irrevocable;
- is not applicable to instruments that are held for trading or represent contingent consideration recognised by a purchaser in a business combination to which IFRS 3 applies.

The reclassification of a financial asset to a different accounting category is permitted only in the event of a change in the business model. Exceptions to this rule are equities for which no reclassification is permitted. More specifically, changes in business model – which in any case should very rarely happen – must be decided by senior management as a result of external or internal changes, must be relevant to the Bank's operations and must be demonstrable to external parties. A change in business model could, for example, occur in the case of the acquisition, termination or divestment of a business line or branch of business. In the rare cases of changes to the business model, financial assets measured at fair value through other comprehensive income may be reclassified to financial assets measured at amortised cost or to financial assets measured at fair value through profit or loss.

The reclassification is applied prospectively from the date of reclassification, which, in fact, coincides with the first day of the accounting period following the change in business model that led to the reclassification of the financial assets.

In the event of reclassification from this category to the amortised cost category, the fair value at the date of reclassification becomes the new gross value for the purposes of amortised cost. The cumulated profits and losses recorded in the OCI reserve are eliminated from equity and adjusted for the fair value of the financial assets at the date of reclassification. Consequently, the financial asset is valued at the date of reclassification as if it had always been measured at amortised cost. The effective interest rate and the valuation of expected losses are not restated following the reclassification.

If, on the other hand, this category is reclassified to the category of financial assets measured at fair value through profit or loss, the fair value at the date of reclassification becomes the new gross Book value. The cumulated profits and losses recognised in the OCI reserve are reclassified to the income statement at the date of reclassification.

Recognition criteria

The initial recognition of financial assets takes place at the settlement date if settled with the time intervals set by market practices (regular way), otherwise at the trade date. In the event of recognising financial assets at the settlement date, the profits and losses recorded between the trade date and the settlement date are recognised in the equity. Upon initial recognition, the financial assets are recognised at fair value; it is represented, unless otherwise indicated, by the amount paid for executing the transaction, including the transaction costs or income directly attributable to the same instrument.

Measurement criteria

Following initial recognition, the debt securities, loans and receivables classified in this item continue to be measured at fair value. For the aforementioned financial assets the following are recognised:

- in the income statement, the interest calculated with the effective interest rate method, which considers the depreciation of both the transaction costs and the differential between the cost and the repayment value;
- in equity, in a specific reserve, changes in fair value (net of tax) until the asset is derecognised. When the instrument is fully or partially disposed, the cumulated profit or loss in the OCI reserve are booked to the Income Statement (so-called recycling).

Equities classified under this item also continue to be measured at fair value after initial recognition. In this case, however, unlike in the case of debt securities, loans and receivables, the cumulated profit or loss included in the OCI reserve must never be reversed to the income statement (in this case there will be no recycling). In fact, in case of transfer, the OCI reserve may be transferred to a specific available equity reserve. For these equities, only the component relating to dividends received is recorded in the income statement.

For further details on how fair value is determined for financial assets, please refer to paragraph “A.4 - Information on fair value” of this part A.

It should also be noted that “Financial assets measured at fair value through other comprehensive income”, both in the form of debt securities, loans and receivables, are subject to impairment in accordance with IFRS 9 in the same way as “Financial assets measured at amortised cost”. Therefore, for the aforementioned instruments, a value adjustment to cover expected losses will be recognised in the income statement. The estimate of the expected loss using the expected credit loss (“ECL”) method is based on the allocation of each position to the three reference stages as explained in more detail in the paragraph “Impairment of financial assets”.

The equity instruments are not subject to the impairment process.

Derecognition criteria

The financial assets measured at fair value through other comprehensive income are derecognised when the contractual rights on the cash flows deriving from the same expire or when the financial asset is sold substantially transferring all the associated risks and rewards.

When it is not possible to ascertain the substantial transfer of the risks and rewards, the financial assets are derecognised from the financial statements unless control of said assets has been maintained. Conversely, if control is maintained, even only partial, it is necessary to retain the assets in the financial statements to the extent of the continuing involvement, measured by the exposure to changes in value of the assets transferred and the changes in their cash flows.

The securities delivered as part of a transaction which contractually envisages their repurchase are not derecognised from the financial statements.

Criteria for the recognition of the income components

Interest income on debt securities, loans and receivables – calculated on the basis of the effective interest rate – is recognised in the income statement on an accruals basis. For these instruments, the effects of impairment and any changes in exchange rates are also recognised in the income statement, while other gains or losses deriving from changes in fair value are recognised in a specific equity reserve. At the moment of full or partial disposal, the cumulated profit or loss in the valuation reserve are reversed, wholly or partly to the income statement (recycling).

With reference to equity instruments, the only component that is recognised in the income statement is dividends. The latter are recognised in the income statement only when (par. 5.7.1A of IFRS 9):

- the right of the entity to receive the dividend payment arises;
- it is likely that the economic benefits from the dividend will flow to the entity; and
- the amount of the dividend may be reliably estimated.

Normally the aforementioned conditions occur at the time of collection of the dividend following the shareholders’ resolution approving the financial statements and distribution of the result for the year by the investee company.

In the case of equities, changes in fair value are recognised as a contra-entry to equity and must not be subsequently transferred to the income statement even if they are realised (“no recycling”).

3 - Financial assets measured at amortised cost

Classification criteria

Financial assets measured at amortised cost include debt securities, loans and receivables that jointly meet the following conditions:

- the business model associated to financial assets aims at collecting the cash flows envisaged contractually (Hold To Collect business model);
- the SPPI Test is passed as the contractual terms only provide for repayments of principal and interest payments on the amount of principal to be repaid.

Therefore, in the presence of the aforementioned conditions, the Bank recognises in this item:

- loans to banks (current accounts, security deposits, debt securities, etc.). This includes operating receivables related to the provision of financial activities and services as defined by the TUB and the TUF (e.g. distribution of financial products). Loans to Central Banks (e.g. compulsory reserve), other than deposits on demand included under item "10. Cash and cash equivalents" are also included;
- loans to customers (mortgages, finance lease transactions, factoring transactions, debt securities, etc.). Also included are loans to post offices and the Cassa Depositi e Prestiti, variation margins with compensation bodies for transactions on derivative contracts and operating receivables related to the provision of financial activities and services as defined by the TUB and the TUF (e.g. servicing activities).

The reclassification of a financial asset to a different accounting category is permitted only in the event of a change in the business model. Exceptions to this rule are equities for which no reclassification is permitted. More specifically, changes in business model – which in any case should very rarely happen – must be decided by senior management as a result of external or internal changes, must be relevant to the Bank's operations and must be demonstrable to external parties. A change in business model could, for example, occur in the case of the acquisition, termination or divestment of a business line or branch of business. In the rare cases of changes to the business model, financial assets measured at amortised cost may be reclassified to financial assets measured at fair value through other comprehensive income or to financial assets measured at fair value through profit or loss.

The reclassification is applied prospectively from the date of reclassification, which, in fact, coincides with the first day of the accounting period following the change in business model that led to the reclassification of the financial assets.

In the event of reclassification from this category to the fair value category through other comprehensive income, any differences between the previous amortised cost and the fair value at the date of reclassification are recognised in the OCI reserve. The effective interest rate and the valuation of expected losses are not restated following the reclassification.

If, on the other hand, the category in question is reclassified to the category of financial assets measured at fair value through profit or loss, any difference between the previous amortised cost and the fair value at the date of reclassification is recognised in the income statement.

Recognition criteria

Financial assets are first recognised on the disbursement date (in the case of loans or receivables) or on the settlement date (in the case of debt securities) based on the fair value of the financial instrument. The fair value is normally equal to the amount disbursed or the subscription price, including income and charges directly attributable to the individual instrument and determinable from the origin of the transaction, even when liquidated at a subsequent time. Excluded are the costs that, though having the above mentioned characteristics, are subject to repayment by the debtor counterparty or can be classified among the normal internal costs of an administrative nature.

In the case of assets for which the net amount of the loan disbursed or the price paid on subscription of the security does not correspond to the fair value of the asset, for example due to the application of an interest rate significantly lower than the market rate, initial recognition is made on the basis of the fair value determined using valuation techniques (e.g. discounting future cash flows at an appropriate market rate).

In some cases, the financial asset is considered impaired upon initial recognition (so-called purchased or originated credit-impaired financial assets), for example because the credit risk is very high and, in the case of acquisition, it is acquired with large discounts. In such cases, at the time of initial recognition, an adjusted effective interest rate is calculated for the receivable which includes, in the cash flow estimates, the expected losses calculated over the life of the receivable. The above rate will be used for the application of the amortised cost criterion and the related calculation of interest to be recognised in the income statement.

Measurement criteria

After initial recognition, financial assets are measured at amortised cost using the effective interest rate method. Amortised cost is the amount at which the financial asset is measured on initial recognition less repayments of principal, plus or minus the cumulated amortisation, according to the effective interest criterion, of any difference between that initial amount and the amount at maturity and, for financial assets, adjusted for any provision to cover losses. The effective interest rate is identified by calculating the rate that equals the current value of the future flows of the asset, for principal and interest, to the disbursed amount including the costs/income attributable to said financial asset.

The exceptions to the application of the amortised cost method concern short-term assets, assets that do not have a defined maturity date and receivables subject to revocation. For the above cases, the application of the amortised cost criterion is considered not significant and the valuation is maintained at cost.

It should also be noted that financial assets measured at amortised cost, both in the form of debt securities and loans and receivables, are subject to impairment in accordance with IFRS 9. Therefore, for the aforementioned instruments, a value adjustment to cover expected losses will be recognised in the income statement. The estimate of the expected loss using the expected credit loss (“ECL”) method is based on the allocation of each position to the three reference stages as explained in more detail in the paragraph “Impairment of financial assets”.

In such cases, for the purpose of calculating amortised cost, the entity is required to include in its cash flow estimates, the expected losses on initial receivables when calculating the credit-adjusted effective interest rate for financial assets that are considered purchased or originated credit- impaired financial assets on initial recognition (IFRS 9 para. B5.4.7).

Derecognition criteria

The financial assets measured at amortised cost are derecognised when the contractual rights on the cash flows deriving from the same expire or when the financial asset is sold by substantially transferring all the risks and rewards connected to it.

When it is not possible to ascertain the substantial transfer of the risks and rewards, the financial assets are derecognised from the financial statements unless control of said assets has been maintained. Conversely, if control is maintained, even only partial, it is necessary to retain the assets in the financial statements to the extent of the continuing involvement, measured by the exposure to changes in value of the assets transferred and the changes in their cash flows.

The securities delivered as part of a transaction which contractually envisages their repurchase are not derecognised from the financial statements.

If the contractual cash flows of a financial asset are subject to renegotiation or, in any case, to an amendment, in accordance with IFRS 9, it is necessary to assess whether or not these amendments have the characteristics to determine the derecognition of the financial asset. More specifically, contractual changes lead to the derecognition of the financial asset and the recognition of a new one when they are considered substantial. In order to assess the substantiality of the change, a qualitative analysis of the reasons why the changes were made is necessary. In regards to this, we wish to distinguish between:

- renegotiations made for commercial purposes with performing customers for reasons other than the economic and financial difficulties of the debtor. These refer to renegotiations which are granted at market conditions, in order to avoid losing customers in cases where they require the cost of the loan to be adjusted to the conditions applied by other banking institutions. These types of contractual changes are considered substantial as they are aimed at avoiding a decrease in future revenues that would occur if the customer decides to turn to another operator. They entail the recognition in the income statement of any differences between the Book value of the derecognised financial asset and the Book value of the newly recognised asset;
- renegotiations due to financial difficulties of the counterparty: this scenario includes concessions made to counterparties in financial difficulty (forbearance measures) that aim to maximise the repayment of the original loan by the customer and thus avoid or contain any future losses, by granting contractual conditions that are potentially more favourable to the counterparty. In these cases, as a rule, the change is closely related to the debtor's inability to repay the cash flows originally established and, therefore, in the absence of other factors, this indicates that there was in substance no extinction of the original cash flows such as to lead to the derecognition of the asset. As a result, the aforementioned renegotiations or contractual amendments qualify as non-substantial. Therefore, they do not generate the derecognition of the financial asset and, according to paragraph 5.4.3 of IFRS 9, involve the recognition in the Income Statement of the difference between the pre-amendment Book value and the value of the financial asset recalculated by discounting the renegotiated or modified cash flows at the original effective interest rate.

In order to assess the substantiality of the contractual amendment, in addition to understanding the reasons underlying the amendment itself, it is necessary to assess the possible presence of elements that alter the original nature of the contract because they introduce new elements of risk or have a significant impact on the original contractual flows of the asset so as to lead to its derecognition and the consequent recognition of a new financial asset. This includes, for example, the introduction of new contractual clauses which change the reference currency of the contract, which allow the credit to be converted/replaced into equity instruments of the debtor or which lead to the failure of the SPPI Test.

Criteria for the recognition of the income components

Interest on loans to banks and customers is classified under item "10. Interest income and similar revenues" and is recorded on an accrual basis, based on the effective interest rate, i.e. applying the latter to the gross book value of the financial asset, except for:

- Purchased or originated credit- impaired financial assets. As noted above, for these financial assets, the effective interest rate adjusted for the receivable at the amortised cost of the financial asset from initial recognition is applied;
- financial assets that are not purchased or originated credit- impaired financial assets but have become impaired financial assets in a second phase. For these financial assets, the effective interest rate is applied to the amortised cost of the financial asset in subsequent years.

If there is an improvement in the credit risk of the financial instrument, as a result of which the financial asset is no longer impaired, and the improvement can be objectively linked to an event occurring after the application of the requirements in point 2 of the above list, interest income shall be calculated in subsequent years by applying the effective interest rate to the gross book value.

It should be noted that the Bank applies the criterion referred to in point 2 of the above list only to impaired assets measured using a specific analytical method. Therefore, stage 3 financial assets valued on a flat-rate analytical basis, for which interest is calculated on the gross value of the exposure, are excluded.

Adjustments and write-backs are recorded at each reporting date in the income statement under item "130. Net value adjustments/write-backs due to credit risk". Profits and losses resulting from the sale of receivables are recorded in the income statement under item "100. Profit (Loss) from disposal/repurchase".

The positive income components represented by the interest income and similar revenues relating to securities are entered on an accrual basis, based on the effective interest rate, in the income statement items relating to interest.

Profit and loss relating to securities are recognised in the income statement under item "100. Profit (Loss) from disposal/repurchase" at the time the assets are sold.

Any impairment of securities is recognised in the income statement under item "130. Net value adjustments/write-backs due to credit risk". If the reasons that led to the evidence of the decline in value are removed, the write-back is included with recognition in the income statement in the same item.

4 - Hedging transactions

With regard to hedging transactions (hedge accounting), the Bank avails itself of the option, provided by the introduction of IFRS 9, to continue to apply IAS 39 in full with regard to both specific hedges and macro hedges.

Classification criteria

This item includes derivative contracts designated as effective hedging instruments. In this regard, hedging transactions are designed to neutralise any losses, that may be incurred on a specific item or group of items, linked to a specific risk should the aforementioned risk actually occur.

The types of hedging provided for by IAS 39 are:

- fair value hedge, aimed at hedging against the exposure to the change in fair value of a financial statement entry (asset or liability) attributable to a particular risk. The objective of macro fair value hedges is to reduce fluctuations in fair value, attributable to interest rate risk, by a monetary amount arising from a portfolio of financial assets or liabilities;
- cash flow hedge, aimed at hedging against the exposure to the change in future cash flows attributable to a particular risk related to a highly probable present or future financial statement entry;
- hedging instruments of a net investment in a foreign company for which the assets were or are managed in a non-euro country or currency.

Recognition criteria

The hedging derivative financial instruments are initially entered at fair value and classified in the balance sheet asset or liability item, depending on whether, as at the end of the reporting period, they show a positive or negative fair value.

The hedging transaction is attributable to a strategy predefined by risk management and must be consistent with the adopted risk management policies; it is designated as a hedge if there is formalised documentation of the relationship between the hedged instrument and the hedging instrument, including high initial and prospective effectiveness throughout its life-cycle.

The effectiveness of the hedge depends on the extent to which the changes in fair value of the hedged instrument or the related expected cash flows are offset by those of the hedging instrument. Thus the effectiveness is measured by comparison between these changes.

The hedging is assumed as highly effective when the expected and effective changes in fair value or the cash flows of the hedging financial instrument neutralise almost completely the changes in the hedged element, within the limits set by the interval 80%-125%.

The assessment of the effectiveness is performed at each year-end and interim period using:

- perspective tests, which justify the application of the hedge accounting, since they show its expected effectiveness;
- retrospective tests, which show the level of effectiveness of the hedging reached in the period they refer to.

If the checks do not confirm that the hedging is highly effective, the accounting of the hedging transactions, according to the above, is interrupted and the hedging derivative contract is reclassified among the trading instruments, while the financial instrument subject to hedging goes back to being measured according to the criterion of the original pertinence class and, in case of cash flow hedge, any reserve is reclassified in the income statement along the residual duration of the instrument.

The hedging links also cease when the derivative expires or is sold or exercised and the hedged element is sold or expires or is repaid.

Measurement criteria

After initial recognition, hedging derivatives are measured at fair value. The calculation of the fair value of the derivatives is based on the prices inferred from regulated markets or supplied by operators, on option measurement models or future cash flow discounting models.

For further details on how fair value is determined, please refer to paragraph "A.4 - Information on fair value" of this part A.

Derecognition criteria

The hedging derivatives are derecognised when the right to receive the cash flows from the asset/liability has expired, or where the derivative is sold, or when the conditions for continuing to book the financial instrument under the hedging derivatives no longer apply.

Criteria for the recognition of the income components

Fair value hedge

In the case of a fair value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. This offsetting actually takes place through the recognition in the income statement of changes in value, referring both to the hedged item and the hedging instrument. Any difference represents the ineffectiveness of the hedge and is reflected in the income statement in terms of net effect. In the case of macro fair value hedges, changes in fair value with reference to the hedged risk of the hedged assets and liabilities are recognised in the balance sheet in item 60. "Fair value change of financial assets in hedged portfolios", or item 50. "Adjustment of the financial liabilities subject to macro-hedging".

If the hedging relationship no longer satisfies the conditions for the application of hedge accounting and the hedging relationship is revoked, the difference between the carrying amount of the hedged element at the time when the hedge ceases and that which would have been its carrying amount if the hedge had never existed, is amortised in the income statement along the residual lifespan of the hedged element based on the effective rate of return in case of instruments entered at amortised cost. In the event that it is excessively costly to recalculate the internal rate of return, it is considered acceptable to amortise the delta fair value relating to the hedged risk over the residual life of the instrument in a linear manner or in relation to the residual portions of capital.

If this difference refers to non-interest bearing financial instruments, it is recorded immediately in the income statement. If the hedged element is sold or repaid, the portion of fair value not yet amortised is recognised immediately in the income statement.

Cash flow hedges and hedging instruments of a net investment in a foreign currency

In the case of cash flow hedges, changes in the fair value of the derivative are recognised, limited to the effective portion of the hedge, in an equity reserve. The above changes are recognised in the income statement only when, with reference to the hedged item, there is a change in the cash flows to be offset or if the hedge is ineffective.

When the hedging relationship no longer meets the conditions for the application of hedge accounting, the relationship is terminated and all losses and gains recognised in the equity reserve up to that date remain suspended within it and reversed to the income statement when the flows relating to the risk originally hedged occur.

5 - Equity investments

Classification criteria

Equity investments means stakes in the capital of other companies, generally represented by shares or holdings and classified as controlling interests, interests carrying significant influence and joint ventures.

The following definitions in particular apply:

- subsidiary: equity investments in companies as well as investments in entities over which the parent company exercises control of the relevant activities in compliance with IFRS 10. More specifically, "an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee". The power requires the investor to have existing rights that give the current ability to direct the activities that significantly affect the investee's returns. Power is based on an ability, whether or not that power is used in practice. Control is analysed on a continuous basis. The investor must redetermine whether it controls an investee when facts or circumstances indicate changes in one or more elements of control;
- associate: equity investments in companies for which, despite the conditions of control not being satisfied, the Bank, directly or indirectly, is able to exercise a significant influence as it has the power to participate in determining the financial and management policies of the investing company. Such influence is presumed (relative presumption) to exist for companies in which the Bank owns at least 20% of the voting rights of the investee company;
- jointly controlled company (joint venture): an equity interest in a company that is achieved through a contractual agreement that collectively grants all parties or a group of parties control of the agreement.

Equity investments that in the separate financial statements of participating entities do not have the characteristics to be considered as investments in subsidiaries or associates, but instead, at a consolidated level, qualify as such, already in the separate financial statements of the individual Group entities, are qualified as equity investments subject to significant influence and are consistently classified in the "Equity investments" item, measuring them accordingly at purchase cost. In such cases, the significant influence is demonstrated by the fact that the equity investment of the individual Affiliated Bank is instrumental in achieving control or connection at Group level.

Recognition criteria

Equity investments are initially entered at cost, including the directly attributable ancillary charges.

Measurement criteria

Equity investments in subsidiaries, associates and jointly controlled companies are measured by using the cost method net of any impairment losses.

If there is objective evidence of impairment, an estimate is made of the recoverable amount of the same investment, considering the current value of the future cash flows the same may generate, including the final disposal value of the investment. If the recoverable amount of the asset is lower than its book value, the impairment loss is recognised in the income statement under item "220. Profit (loss) on equity investments".

Derecognition criteria

Equity investments are derecognised when the right to receive the cash flows from the asset has expired, or where the equity investment is sold by substantially transferring all the risks and benefits connected to it.

Criteria for the recognition of the income components

Dividends from investee companies are recognised under item "70. Dividend and similar income". The latter are recognised in the income statement only when (par. 5.7.1A of IFRS 9):

- the right of the entity to receive the dividend payment arises;
- it is likely that the economic benefits from the dividend will flow to the entity; and
- the amount of the dividend may be reliably estimated.

Normally the aforementioned conditions occur upon the shareholders' resolution approving the financial statements and distribution of the result for the year by the investee company.

Any value adjustments/write-backs connected to the valuation of the equity investments as well as profits or losses deriving from the disposal are recognised under item "220. Profit (loss) on equity investments".

6 - Tangible assets

Classification criteria

This item mainly includes land, properties for business use (IAS 16) and properties held for investment purposes (IAS 40), the plants, vehicles, furniture, furnishings and equipment of any type for long-lasting use.

"Property for business use" is defined as those tangible assets that are functional to the pursuit of the corporate purpose (including those held for use in the provision of services or for administrative purposes). On the other hand, property held for investment purposes includes property held for the purpose of receiving rental fees and/or for the appreciation of the invested capital.

The item also includes tangible assets classified under IAS 2 - Inventories, which refer both to assets arising from the enforcement of guarantees or the purchase at auction that the company intends to sell in the near future, without carrying out major renovation work, and which do not qualify for classification in the previous categories, and to the real estate portfolio including buildable areas of land, properties under construction, completed properties for sale and real estate development initiatives, held with a view to disposal.

Included are rights of use acquired through lease and relating to the use of a tangible asset (for lessees), assets under operating leases (for lessors), and improvements and incremental expenses incurred on third party assets, provided they relate to identifiable and separable tangible assets.

Recognition criteria

The tangible assets are initially entered at purchase or construction cost, including any ancillary charges directly attributable to the purchase and commissioning of the asset.

The unscheduled maintenance expenses and the costs of an increasing nature that imply increased future benefits being generated by the asset, if these can be identified and separated, are attributed to the assets they refer to and depreciated in relation to the residual possibility of using the same. If these improvements cannot be identified and separated, they are entered under "Other Assets" and subsequently depreciated based on the length of the contracts they refer to for the third-party assets, or along the residual life of the asset, if owned.

The expenses for repairs, maintenance or other actions to ensure the ordinary operation of the assets are instead recognised in the income statement of the year when they are incurred.

According to IFRS 16, leases are accounted for on the basis of the "right of use" model for which, at the initial date, the lessee has a financial obligation to make payments due to the lessor to offset its right to use the underlying asset during the lease term. When the asset is made available to the lessee for use (start date), the lessee recognises both the liability and the asset consisting of the right of use.

Measurement criteria

After initial recognition, the tangible assets, including non-instrumental properties, notwithstanding the specifications below, are entered in the accounts at cost, net of accumulated depreciation and any write-downs for the reductions in value, in compliance with the 'cost model'.

Tangible assets are systematically depreciated each year based on their useful life by adopting the straight line method as the depreciation criterion. The following are not subject to depreciation:

- land, whether purchased individually or incorporated in the value of the buildings, since considered to have an undefined useful life. If their value is incorporated in the value of the building, assets which are separate from the building are only the 'free-standing' property assets; the subdivision between the value of the land and a value of the building is based on the appraisal of independent appraisers;
- works of art, the useful life of which may not be estimated, also since their value normally increases over time;
- real estate investments measured at fair value in compliance with accounting standard IAS 40;
- inventories of tangible assets, in accordance with IAS 2;
- tangible assets classified as held for disposal in accordance with IFRS 5.

The depreciation process starts when the asset is available for use. For the assets acquired during the year, the depreciation is calculated on a daily basis starting from the date of using the asset.

A write-down for value impairment is recorded for an amount corresponding to the excess in the book value compared to the recoverable amount. The recoverable amount of an asset is equal to the higher of the fair value, net of any sales costs, and the related value of using the asset, meant as the current value of the future flows originating from the asset. Any adjustments are recognised in the income statement.

If the reasons leading to recording the loss cease to apply, a write-back is accounted for, which may not exceed the value that the asset would have had, net of depreciation calculated in the absence of previous impairment losses.

Tangible assets recognised in accordance with IAS 2 are valued at the lower of cost and net realisable value. Any adjustments are recognised in the income statement.

With reference to the asset consisting of the right of use, accounted for in accordance with IFRS 16, it is measured using the cost model in accordance with IAS 16 Property, plant and equipment; in this case the asset is subsequently depreciated and subject to impairment testing if indicators of impairment emerge.

Derecognition criteria

Tangible assets are eliminated from the balance sheet at the time of disposal or when they are permanently withdrawn from use and, as a consequence, no future economic benefits are expected which derive from their sale or use.

Capital gains and losses deriving from the release or disposal of the tangible assets are determined as the difference between the net sale payment and the Book value of the asset; they are recorded in the income statement at the same date when they are eliminated from the accounts.

Criteria for the recognition of the income components

Depreciation, value adjustments and write-backs of tangible assets are recorded in the income statement, in item 180."Net value adjustments/write-backs to tangible assets".

In the first year the depreciation is recorded proportionally to the effective period of using the asset.

The assets subject to depreciation are adjusted for possible impairment losses each time events or changes in situations indicate that the Book value might not be recoverable. These impairment losses are recognised in the income statement, as are any reversals to be recognised if the reasons for the impairment no longer apply.

In item 250."Profit (loss) from disposal of investments", the positive or negative balance between the profits and losses on investments is recognised.

7 - Intangible assets

Classification criteria

Accounting standard IAS 38 defines intangible assets as non-monetary assets without physical substance owned for use in a multi-year or undefined period, which meet the following characteristics:

- identifiability;
- the company holds the control;
- it is probable that the expected future economic benefits attributable to the asset will flow into the company;
- the cost of the asset may be reliably measured.

In the absence of one of these characteristics, the expense to acquire or generate the same internally is recorded as a cost in the year when it was incurred.

Intangible assets include, in particular, the application software with multi-year use and the other identifiable intangible assets that originate from legal or contractual rights.

Intangible assets also include goodwill, which represents the positive difference between the purchase cost and the fair value of the assets and liabilities of the acquired company.

Recognition criteria

Intangible assets are entered at cost, adjusted for any ancillary costs incurred to arrange the use of the asset, only if it is probable that the future economic benefits attributable to the asset will be realised and if the cost of the same asset may be determined reliably. Otherwise the cost of the tangible asset is recorded in the income statement in the year when it was incurred.

Measurement criteria

After initial recognition, intangible assets with a “definite” useful life are recognised at cost, net of the accumulated amortisation and impairment losses.

The amortisation process starts when the asset is available for use, or when it is in the place and conditions suitable to be able to work in the set manner.

Amortisation is carried out with the straight line method, in a way to reflect the multi-year use of the assets based on the estimated useful life. In the first year the depreciation is recorded proportionally to the effective period of using the asset. Amortisation ends from the date when the asset is eliminated from the accounts.

At each year-end, given the presence of evidence of impairment losses, an estimate is made of the recoverable amount of the asset. The amount of the impairment, recorded in the income statement, is equal to the difference between the Book value of the asset and its recoverable amount.

Derecognition criteria

Intangible assets are eliminated from the balance sheet at the time of their disposal or when future economic benefits are not expected. Capital gains and losses from the release or disposal of an intangible asset are calculated as the difference between the net sale payment and the book value of the asset and entered in the income statement.

Criteria for the recognition of the income components

In the first year the depreciation is recorded proportionally to the effective period of using the asset.

In item 190.“Net value adjustments/write-backs to intangible assets”, the positive or negative balance between the value adjustments, amortisation and write-backs relating to the intangible assets is indicated. In income statement item 250.“Profit (Loss) from disposal of investments”, the positive or negative balance between the profits and losses on investments is recognised.

8 - Non-current assets and groups of assets held for disposal

Classification criteria

This item includes the non-current assets held for sale and the associated groups of assets and liabilities held for disposal, according to the provisions of IFRS 5.

More specifically, assets and groups of assets are classified in this item whose Book value will be mainly recovered with a sale rather than their continuous use.

For the recovery of a non-current asset or a group held for disposal through a sale to materialise, two conditions must be met:

- the asset must be available for immediate sale in its current condition, subject to conditions, which are usual and customary, for the sale of such assets (or groups held for disposal);
- the sale of the non-current asset (or group held for disposal) must be highly probable.

Since the sale is highly probable, Management at a suitable level must be committed to an asset disposal programme, and activities must be started to identify a purchaser and complete the programme. In addition, the asset must be actively exchanged in the market and put up for sale, at a reasonable price compared to its current fair value. The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the sale plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Non-current assets and groups held for disposal and discontinued operations and related liabilities are shown under specific items of assets ("Non-current assets and groups of assets held for disposal") and liabilities ("Liabilities associated with assets held for disposal").

Recognition criteria

The non-current assets and groups of assets held for disposal are initially recognised at the lower between the Book value and the fair value net of costs to sell. With the exception of certain types of assets (e.g. financial assets falling within the scope of IFRS 9), IFRS 5 specifically provides that the measurement criteria of the relevant accounting standard must be applied.

Measurement criteria

In the measurements subsequent to initial recognition, non-current assets and groups of non-current assets held for disposal continue to be valued at the lower of their book value and their fair value net of costs to sell, with the exception of certain types of assets (e.g. financial assets falling within the scope of IFRS 9) for which IFRS 5 specifically provides that the measurement criteria of the relevant accounting standard must be applied.

In cases where assets held for disposal are depreciable, the depreciation process is interrupted from the time when classification as non-current assets held for disposal takes place.

Derecognition criteria

The non-current assets and groups of assets held for disposal are eliminated from the balance sheet at the time of disposal.

If an asset (or group held for disposal) classified as held for sale loses the criteria for inclusion in accordance with accounting standard IFRS 5, the asset (or group held for disposal) must no longer be classified as held for sale.

It is necessary to assess a non-current asset that ceases to be classified as held for sale (or ceases to be part of a group held for disposal and classified as held for sale) at the lower between:

- the accounting value before the asset (or group held for disposal) was classified as held for sale, adjusted for all the amortisation, write-downs or write-backs that would have otherwise been recorded if the asset (or group held for disposal) had not been classified as held for sale;
- its recoverable amount at the date of the subsequent decision to not sell.

The items include the current and deferred tax assets and current and deferred tax liabilities recognised in application of IAS 12.

Income taxes relating to discontinued operations are calculated in compliance with current taxation regulations and are recognised in the income statement on an accrual basis, in line with the recognition in the accounts of the costs and revenues that generated them, except for those relating to the entries charged or credited directly in the equity, for which the recognition of the related taxation takes place, for consistency, in the equity.

Criteria for the recognition of the income components

Income and expenses (net of the tax effect) attributable to groups of assets held for disposal or recognised as such during the year are shown in the relevant income statement item "290. Profit (loss) after tax from discontinued operations".

9 - Current and deferred taxes

Current taxes

Current tax assets and liabilities are recorded at the value due or recoverable against the tax profit (loss) by applying the rates and the current taxation regulations. Current taxes that are entirely or partially unpaid at the reference date are posted under "Current tax liabilities" of the consolidated balance sheet.

In the event of overpayment, which gave rise to a recoverable receivable, this is accounted for among the "Current tax assets" of the balance sheet.

In accordance with IAS 12, the Bank compensates current tax assets and liabilities if, and only if, it:

- has an enforceable right to offset the amounts recognised;
- intends to settle for the net residual, or realise the asset and simultaneously settle the liability.

Deferred taxes

Deferred tax assets and liabilities are booked by using the balance sheet liability method, taking into account the temporary differences between the carrying amount of an asset or a liability and its value recognised for tax purposes. They are calculated using the applicable tax rates according to current laws, in the year when the deferred tax asset will be realised or the deferred tax liability will be settled.

Tax assets are recorded only if it is deemed probable that in the future a taxable income will be realised, against which this asset may be used.

In particular, tax regulations may lead to differences between taxable income and statutory income that, if temporary, only cause a temporal mismatch that implies the advance or deferment of the time of taxation compared to the period of accrual, thus determining a difference between the carrying amount of an asset or a liability in the balance sheet and its value recognised for tax purposes. These differences are distinguished between "Deductible temporary differences" and "Taxable temporary differences".

Deferred tax assets

"Deductible temporary differences" indicate a future reduction in taxation, against a prepayment of tax compared to the economic-statutory accrual. They generate deferred tax assets since they will determine a lower tax burden in the future, on the condition that in the following years, taxable profits are realised in a sufficient measure to cover the realisation of the taxes paid in advance.

"Deferred tax assets" are recorded for all the deductible temporary differences if it is probable that a taxable income will be realised against which the deductible temporary differences may be used. However the probability of recovering advance taxes relative to goodwill, other intangible assets and adjustments to receivables is to be considered automatically fulfilled pursuant to the provisions of the law that provide for their transformation into a tax credit in the event of a statutory and/or tax loss.

The transformation enters into effect from the date of the approval of the shareholders' meeting of the separate financial statements in which the loss is recognised.

The origin of the difference between the higher fiscal income and the statutory one is mainly due to negative income components fiscally deductible in years that are subsequent to those of recognition in the financial statements.

Deferred tax liabilities

"Taxable temporary differences" indicate a future increase in taxation and consequently generate "Deferred tax liabilities", since these differences give rise to taxable amounts in the years following those when they are attributed to the statutory income statement, determining a deferment of the taxation compared to the economic-statutory accrual.

"Deferred tax liabilities" are recorded for all the taxable temporary differences with the exception of the deferred tax reserves since transactions that determine the taxation are not envisaged.

The origin of the difference between the lower fiscal income and the statutory one is due to:

- positive income components taxable in years after those when they were entered in the accounts;
- deductible negative income components in years prior to the one when they will be entered in the accounts according to statutory criteria.

Assets and liabilities entered for advance and deferred taxes are systematically measured to take into account any amendments taking place in the regulations or in the rates.

Advance taxes and deferred taxes are accounted for at capital level with open balances and without offsetting in item 100. "Tax assets b) deferred" and in item 60. "Tax liabilities b) deferred".

If the deferred tax assets and liabilities refer to components which concerned the income statement, the contra-entry is represented by income tax. In case the advance and deferred taxes concern transactions which directly regard the equity without influencing the income statement (such as the valuation of financial instruments measured at fair value through other comprehensive income), they are recorded as a contra-entry to equity, affecting the specific reserve when applicable.

Global Minimum Tax (Legislative Decree no. 209 of 27 December 2023)

The changes made to IAS 12 involve:

- the introduction of a temporary exemption from reporting obligations on deferred tax assets and liabilities relating to the Pillar Two Model Rules for entities affected by the related "International Tax Reform" immediately after the publication of the amendments by the IASB and retroactively in compliance with IAS 8;
- the obligation to disclose supplementary information starting from the financial statements for years beginning 1 January 2023 or later.

In this last regard in particular, in periods in which the "Pillar Two" legislation is in place or substantially in force but not yet effective, the entity must provide information that is known or can be reasonably estimated to help financial statement users to understand its exposure to the Pillar Two income tax determined by the aforesaid legislation.

10 - Provisions for risks and charges

Classification criteria

In compliance with the provisions of IAS 37, the provisions for risks and charges include the provisions relating to current (legal or implicit) obligations originating from a past event, for which the use of economic resources is probable to fulfil the same obligation, as long as a reliable estimate of the related amount can be made.

Recognition criteria

Therefore, this item includes the following:

- "Provision for credit risk relative to commitments and financial guarantees given": the value of the total provisions for credit risk is recognised in respect of the commitments to disburse funds and financial guarantees given which are subject to the impairment rules of IFRS 9 (see paragraph 2.1, letter e); paragraph 5.5; appendix A), including therein the financial guarantees given and the commitments to disburse funds which are measured at the first-time recognition value, net of the total revenues booked in compliance with IFRS 15;
- "Provision for other commitments and guarantees given": the value of the total provisions in respect of other commitments and other guarantees given which are not subject to the impairment rules of IFRS 9 is recognised (see IFRS 9, paragraph 2.1, letters e) and g));
- "Provisions for post-employment benefits" includes the provisions in respect of benefits provided to the employee after terminating the employment relationship in the form of defined contribution plans or defined benefit plans;
- "Other provisions for risks and charges": these include other provisions for risks and charges established in compliance with the provisions of the international accounting standards (e.g. personnel expenses, tax disputes).

Measurement criteria

The amount recorded as allocation represents the best estimate possible of the charge requested to fulfil the existing obligation at the reference date.

Where the time element is significant, the provisions are discounted by using current market rates.

The allocated funds are periodically reviewed and adjusted, if necessary, to reflect the best current estimate. If, following the review, the charge becomes unlikely to be incurred, the provision is cancelled. With regard to provisions for employee benefits, please refer to paragraph "15.2 - Provision for severance indemnity and seniority bonuses" below.

Derecognition criteria

If it is unlikely that the use of resources to produce economic benefits to fulfil the obligation will be necessary, the provision must be cancelled. A provision must be used only for those expenses for which it was originally entered.

Criteria for the recognition of the income components

The provision is recognised in the income statement in item 170. "Net allocations to provisions for risks and expenses".

The item includes the positive or negative balance between the allocations and any re-attributions to the income statement of funds deemed redundant.

The net allocations also include the decreases in funds for the discounting effect as well as the corresponding increases due to the passing of time (accrual of the interest implicit in discounting).

11- Financial liabilities measured at amortised cost

Classification criteria

Financial liabilities measured at amortised cost include amounts due to banks and customers, whatever their technical form (deposits, current accounts, loans, leases), other than "Financial liabilities held for trading" and "Financial liabilities designated at fair value".

This item also includes securities issued for funding purposes (e.g. certificates of deposit, bonds) measured at amortised cost. Securities that, as at the reference date, are expired but still not repaid are included.

Recognition criteria

The initial recognition of these financial liabilities takes place upon receiving the sums collected or issuing the debt securities. The value at which they are entered corresponds to the related fair value, normally equal to the amount collected or the issue price, increased by any additional costs/income directly attributable to the individual funding or issue transaction and not repaid by the creditor counterparty. Internal costs of an administrative nature are excluded.

The fair value of the financial liabilities, possibly issued at different conditions from market conditions, is subject to a suitable estimate and the difference compared to the amount collected is, where appropriate, directly recognised in the income statement.

Measurement criteria

Following initial recognition, carried out at fair value, on the date of signing of the contract, the financial liabilities are measured at the amortised cost, using the effective interest rate method.

Excluded are the short-term liabilities, where the time factor is negligible, which remain recorded at their collected value, and whose costs and income directly attributable to the transaction are entered in the relevant items of the income statement.

Derecognition criteria

The financial liabilities are derecognised from the financial statements when settled or expired, or when securities issued by the Group are reacquired, with a consequent redefinition of the debt entered for debt securities in issue.

Criteria for the recognition of the income components

The negative income components represented by the interest expense are entered on an accrual basis in the items in the income statement relating to interest.

Any difference between the value of repurchasing own securities and the corresponding carrying amount of the liability is entered in the income statement under item 100. "Profit (loss) from disposal/repurchase of: c) Financial liabilities".

12 - Financial liabilities held for trading

Classification criteria

Subject to recognition in this item are the financial liabilities, whatever their technical form (debt securities, loans, etc.) classified in the trading book.

The item includes, where present, the negative value of the trading derivative contracts. Derivatives connected to the fair value option are also included in this category (as defined in IFRS 9, section 4.2.2) which are operationally related to the assets and liabilities measured at fair value which on the reporting date have a negative fair value, except for derivatives which are designated as effective hedging instruments and recognised in a separate liability item in the balance sheet. If the fair value of a derivative subsequently becomes positive, it shall be recognised among financial assets measured at fair value through profit or loss.

Recognition criteria

The derivative financial instruments are entered at the subscription date and measured at fair value through profit or loss.

Measurement criteria

Subsequently to the initial recognition, the financial liabilities are measured at fair value through profit or loss.

For details on how fair value is determined, please refer to the following paragraph "A.4 - Information on fair value" of this part A.

Derecognition criteria

Financial liabilities held for trading are derecognised from the financial statements when the contractual rights to the relevant cash flows expire or when the financial liability is transferred with the substantial transfer of all the risks and rewards deriving from its ownership.

Criteria for the recognition of the income components

Profits and losses deriving from changes in fair value and/or from the disposal of financial liabilities held for trading are recognised in the income statement under item "80. Net result from trading".

13 - Financial liabilities designated at fair value

Classification criteria

Classified in this item are those financial liabilities designated at fair value with valuation results entered in the income statement as a result of the exercise of the fair value option provided by IFRS 9, i.e. when:

- an inconsistency in the valuation or recognition is eliminated or significantly reduced (sometimes defined as an accounting mismatch), which would otherwise result from the measurement of assets or liabilities or the recognition of the associated profits and losses on a different basis;
- there is an implicit derivative;
- a group of financial liabilities or financial assets and liabilities is managed and its return is designated at fair value according to a documented risk management or investment strategy and the information relating to the group is provided internally on said basis to executives with strategic responsibilities.

Recognition criteria

Financial liabilities designated at fair value are initially recognised at fair value on the issue date, which normally corresponds to the amount collected without considering the transaction costs or income directly attributable to the same instrument, which are instead attributed to the income statement.

Measurement criteria

Liabilities are designated at fair value. The income components are reported according to the provisions of IFRS 9, as set out below:

- changes in fair value attributable to the change of its creditworthiness are stated in the appropriate equity reserve (statement of consolidated comprehensive income);
- the remaining changes in fair value are recognised in the income statement, under item "110. Net result on other financial assets and liabilities measured at fair value through profit or loss".

For details on how fair value is determined, please refer to the following paragraph "A.4 - Information on fair value" of this Part A.

Derecognition criteria

The financial liabilities designated at fair value are derecognised from the financial statements when they have expired or are extinct.

Derecognition also takes place in case of repurchasing previously issued securities. The difference between the Book value of the liability and the amount paid to purchase is recorded in the income statement.

The re-placement on the market of own securities subsequently to their repurchase is considered as a new issue with entry of the new placement price, without effects on the income statement.

Criteria for the recognition of the income components

The cost for interest on debt instruments is classified among the "Interest expense and similar charges" of the income statement.

The income components relating to this financial statements item are reported according to the provisions of IFRS 9, as below:

- changes in fair value attributable to the change of its creditworthiness are stated in the appropriate equity reserve (statement of consolidated comprehensive income);
- the remaining changes in fair value are recognised in the income statement, under item "110. Net result on other financial assets and liabilities measured at fair value through profit or loss".

14 - Foreign exchange transactions

Classification criteria

Among the assets and liabilities in foreign currencies, in addition to those explicitly expressed in a currency other than the Euro, are also those to which financial indexing clauses apply, connected to the Euro exchange rate with a certain currency or a given basket of currencies.

For the purpose of the conversion method to be used, the assets and liabilities in foreign currencies are subdivided into monetary items (classified among the current items) and non-monetary items (classified among the non-current items).

The monetary elements consist of cash at hand and in the assets and liabilities to be received or paid, in cash amounts that are fixed or to be determined. In non-monetary elements, the right to receive or the obligation to deliver a cash amount that is fixed or to be determined is absent.

Recognition criteria

Transactions in foreign currencies are recorded, at the time of initial recognition, in a currency account, by applying the exchange rate in force at the transaction date to the amount in a foreign currency.

Measurement criteria

At the time of closing the financial statements or the interim period, the elements originally denominated in foreign currencies are valued as follows:

- the monetary items are converted at the exchange rate at year-end;
- the non-monetary items measured at the historical cost are converted at the exchange rate in force at the transaction date;
- the non-monetary items carried at fair value are converted at the spot exchange rate at year-end.

Criteria for the recognition of the income components

The exchange rate differences found between the transaction date and the related payment date, on the monetary elements, are booked in the income statement in the year when they arise, together with those which derive from the conversion of monetary elements at different rates from the initial conversion rates or the conversion at the previous year-end.

When a profit or loss relating to a non-monetary element is recorded in the Equity, the exchange rate difference relating to this element is also recorded in the Equity.

When a profit or loss is recorded in the income statement, the related exchange rate difference is also recorded in the income statement.

15 - Other information

15.1 SALES AND REPURCHASE CONTRACTS (REPOS)

Securities sold and subject to a repurchase agreement are classified as committed financial instruments when the purchaser has the right to resell or commit the underlying asset by contract or agreement; the liability of the counterparty is included in the liabilities to other banks, other deposits or customer deposits.

The securities purchased in relation to a resale contract are accounted for as loans or advances to other banks or customers.

The difference between the sales price and the purchase price is booked as interest and recorded on an accrual basis along the lifespan of the transaction.

15.2 PROVISION FOR SEVERANCE INDEMNITY AND SENIORITY BONUSES

Provision for severance indemnity (TFR) is similar to a “post-employment benefit” of the “defined benefit plan” type for which, according to IAS 19, its value must be determined using actuarial methods.

Consequently, the valuation at the end of the year is made on the basis of the benefits accrued using the projected unit credit method.

This method provides for a projection of future outflows based on historical, statistical and probability analysis as well as by virtue of adopting the appropriate basic demographic techniques.

It makes it possible to calculate the severance indemnity accrued on a certain date in actuarial terms, distributing the expense for all the years of expected residual permanence of the existing employees and no longer as an expense to be settled in the event that the company ceases its operations on the reference date.

The valuation of the employee severance indemnity is carried out by an independent actuary pursuant to the method indicated above.

Following the entry into effect of the supplementary pension reform, pursuant to Legislative Decree no. 252/2005, the portions of the provision for severance indemnity accrued to 31 December 2006 will remain in the company, while the portions that accrue from 1 January 2007 have been, at the option of the employee, applied to supplementary pension plans or the INPS fund.

The latter were therefore recognised in the income statement based on the contributions due in each year; the obligation to the supplementary fund or INPS has not been discounted, due to a maturity of less than 12 months.

Based on IAS 19, the severance indemnity paid to the Pension Fund Treasury (INPS) is considered as a defined contribution plan, as is the amount paid into the supplementary fund.

The portions accrued and paid into the supplementary pension funds are recognised in the income statement sub-item “160. a) Staff expenses”.

These portions are configured as a defined contribution plan since the obligation of the company towards the employee ends with the payment of the accrued amounts. Therefore, for these cases, only the portion of the debt can be recorded under the liabilities (among “Other liabilities”) for payments still to be made to the INPS or the supplementary funds, on the reference date.

IAS 19 requires all actuarial gains and losses accrued on the reference date to be immediately recognised in the “statement of comprehensive income”.

The “Other long-term benefits” described by IAS 19 include the seniority bonuses to employees. These benefits must be valued, in compliance with IAS 19, with the same methodology used to determine the provision for severance indemnity, as these are compatible.

The liability for the seniority bonus is recorded under the provisions for risks and charges of the balance sheet.

The allocation, as the reattribution to the income statement of any excesses of the specific fund (due for example to changes to the actuarial assumptions) are recognised in the income statement among the “Staff expenses”.

15.3 RECOGNITION OF REVENUES AND COSTS

Revenues are recognised when control of the goods or services is transferred to the customer at an amount that represents the amount of the consideration to which the customer is deemed to be entitled.

Revenues are recorded through a process of analysis that involves the following steps:

- identification of the contract, defined as an agreement in which the parties have undertaken to fulfil their respective obligations;
- identification of the individual performance obligations contained in the contract;
- determination of the transaction price, i.e. the expected consideration for the transfer of the goods or services to the customer;
- allocation of the transaction price to each performance obligation, based on the sales prices of the individual obligation;
- recognition of revenues when (or as) the performance obligation is fulfilled by transferring the promised good or service to the customer.

That said, the recognition of revenues may occur:

a. at a given time, when the entity meets its performance obligation by transferring the promised good or service to the customer or

b. over a period of time, as the entity meets its performance obligation by transferring the promised good or service to the customer.

With reference to point b) above, a "performance obligation" is satisfied over a period of time if at least one of the following conditions is met:

- the customer controls the asset involved in the contract at the moment in which it is created or enhanced;
- the customer simultaneously receives or consumes the benefits provided by the entity's performance as the entity performs;
- the company's performance creates a personalised asset for the customer and the company has a payment right for the services completed at the date of transfer of the asset.

If none of the above criteria are met, then the revenue is recognised at a given moment.

The indicators of the transfer of control are i) the payment obligation; ii) the legal title to the right for the consideration accrued; iii) the physical possession of the asset; iv) the transfer of the risks and benefits connected with ownership; v) acceptance of the asset.

With regards to revenues realised over a period of time, the Bank adopts a time-based accounting method. In relation to the above, the main approaches adopted by the Bank are summarised below:

- the interest is recognised on a temporal basis, based on the contractual interest rate or the effective rate in the case of applying the amortised cost;
- the overdue interest, possibly set contractually, is booked in the income statement only at the time of its actual collection;
- the dividends are recorded in the income statement in the period in which their distribution is resolved;
- the fees and commissions for revenue from services are entered, based on the existence of contractual agreements, in the period when the same services were rendered.

The revenues from the sale of non-financial assets are recorded at the time of finalising the sale, unless most of the risks and benefits associated with the asset have been maintained.

The costs are booked to the income statement according to the accrual principle; the costs relating to obtaining and fulfilling of the contracts with the customer are recognised in the income statement in the periods in which the associated revenues are recognised.

15.4 IMPROVEMENTS TO THIRD-PARTY ASSETS

The restoration costs on third party properties are capitalised in consideration of the fact that, throughout the duration of the lease, the using company has the control of the goods and may gain future economic benefits from them. The aforementioned costs are classified among the “Other assets” and are amortised for a period not exceeding the duration of the lease.

15.5 METHODS OF RECOGNITION OF IMPAIRMENT LOSSES

Impairment of financial assets

Financial assets other than those measured at fair value through profit or loss, in accordance with IFRS 9, are subject to an assessment – to be carried out at the end of each reporting period – to verify whether there are any indicators that these assets may be impaired (known as impairment indicators).

If the above indicators exist, the financial assets in question are considered impaired (stage 3) and value adjustments equal to the expected losses over their entire residual life must be recorded against them.

For financial assets for which there are no impairment indicators (stage 1 and stage 2), it is necessary to verify whether there are indicators such that the credit risk of the individual transaction is significantly increased compared to the time of initial recognition and apply, consequently, the criteria underlying the IFRS 9 impairment model.

The IFRS 9 impairment model

The impairment model adopted by the Bank is consistent with the one adopted by the entire Group.

The scope of application of the IFRS 9 impairment model adopted by the Bank, on which the requirements for the calculation of allocations are based, includes financial instruments such as debt securities, loans, trade receivables, assets deriving from contracts and receivables originating from lease transactions, measured at amortised cost or fair value through other comprehensive income, as well as off-balance sheet exposures (financial guarantees and commitments to disburse funds).

The aforementioned impairment model is characterised by a forward looking approach and in given circumstances, may require the immediate recognition of all expected losses over the life of a loan. This estimate will also need to be continuously adjusted to take account of the credit risk of the counterparty. In order to prepare this estimate, the impairment model must not only consider past and present data, but also information relating to future events.

For credit exposures falling within the scope of application of the impairment model, the accounting standard provides for the allocation of the individual positions in one of the three stages listed below:

- in stage 1, positions that do not present, at the valuation date, a significant increase in credit risk or which can be identified as ‘low credit risk’;
- in stage 2, positions that, at the reference date, present a significant increase or that do not present the characteristics to be identified as ‘low credit risk’;
- in stage 3, non-performing positions.

More specifically, the Bank made provision for the allocation of the individual credit, on-balance and off-balance sheet positions, in one of the three stages listed below, based on the following criteria:

- in stage 1, positions with generation date of less than three months from the measurement date or that do not present any of the characteristics described in the following point;
- in stage 2, the positions, which at the reference date, showed a significant increase in credit risk:
    - positions belonging to certain particularly risky geo-sectoral clusters, identified by an IFRS 9 PD higher than 20% on average, or identified “collectively” as at risk;
    - positions which, at the valuation date, are classified to ‘watch list’, i.e. ‘performing under observation’;
    - positions which, as at the valuation date, show an increase in PD compared to that at origination, which exceeds certain thresholds calculated using quantile regression methods;
    - presence of a ‘forborne performing’ attribute;
    - presence of past due amounts and/or overrun by more than 30 days;
    - positions (without ‘lifetime PD’ at the disbursement date) that, at the measurement date, do not present the characteristics to be identified as ‘low credit risk’ (as described below);
    - counterparty positions classified as performing and identified on the basis of the Group policy as POCI (Purchased or Originated Credit Impaired);
- in stage 3, non-performing loans. These concern individual positions relating to counterparties classified in one of the impaired loan categories set forth by Bank of Italy Circular no. 272/2008 and subsequent updates. Falling into this category are impaired past due and/or overrun, ‘unlikely to pay’ and impaired exposures.

Performing positions that possess the following characteristics at the measurement date are considered ‘low credit risk’:

- absence of “lifetime PD” at the disbursement date;
- Low risk class (class 5 for the Private segment, class 3 for Small Economic Operators and class 4 for Small Businesses and Companies).

Positions are allocated automatically to the stages set out in IFRS 9 according to the criteria defined above.

The estimate of expected loss using the Expected Credit Loss (ECL) methodology, for the classes defined above, takes place on the basis of the allocation of each position into the three reference stages, as detailed below:

- stage 1, expected loss is calculated on a time horizon of one year;

- stage 2, the expected loss is calculated by considering all the losses that it is presumed will be incurred during the entire life of the financial asset ("lifetime expected loss");
- stage 3, the expected loss must be calculated from a lifetime perspective, but unlike the positions in stage 2, the calculation of lifetime expected loss will be analytical. In addition, where appropriate, forward looking elements will be introduced to the measurement of the aforementioned positions represented, in particular, by the inclusion of different scenarios (e.g. sale), weighted for the relevant probability of occurrence. More specifically, as part of the estimate of the recovery value of the positions (in particular those classified as non-performing), the inclusion of a transfer scenario, as an alternative to the internal management scenario, normally involves the recognition of greater value adjustments connected with the application of weighted sale prices for the relative probability of occurrence of the transfer scenario.

With specific reference to loans to banks, the Bank has adopted a model for determining the significant increase in credit risk that differs slightly from that applied to loans to customers, although the stage allocation logic adopted for loans to banks have been defined as consistently as possible with those implemented for loans to customers.

More specifically, with reference to loans to banks, the low credit risk ratios are performing ratios which at the valuation date have the following characteristics:

- absence of "lifetime PD" at the disbursement date;
- PD Point in Time lower than 0.3%.

Interbank positions are allocated automatically to the stages set out in IFRS 9 according to the criteria defined above. Now, therefore, for loans to banks, the Bank adopts the IFRS 9 impairment model developed on an ad hoc basis for the specific counterparty type and, therefore, different from the model used for loans to customers.

Also for loans to banks, the estimate of expected loss using the Expected Credit Loss (ECL) methodology, for the classes defined above, takes place on the basis of the allocation of each position into the three reference stages, as detailed below:

- stage 1: expected loss is calculated on a time horizon of 12 months;
- stage 2: expected loss is calculated on a time period that incorporates the entire duration of the position until maturity (so-called LEL, Lifetime Expected Loss);
- stage 3, expected loss must be calculated from a lifetime perspective, but unlike the positions in stage 2, the calculation of lifetime expected loss is analytical.

The probability of default and exposure at default (hereinafter also PD and EAD) risk parameters are calculated by the impairment model.

The loss given default (hereinafter also "LGD") parameter is prudentially set at the regulatory level of 45% valid in the IRB Foundation model, for portfolios composed of risk assets other than subordinated and guaranteed instruments.

With reference to the portfolio of securities, the use of the approach for loans is confirmed, i.e. allocation of securities into one of the three stages set forth by IFRS 9, which correspond to the three different expected loss calculation methodologies.

In stage 1, expected loss is measured within a time horizon of one year, therefore with a probability of default at 12 months.

In the stage 1 of creditworthiness, securities were placed:

- at the moment of purchase, regardless of their risk;
- which, at the measurement date, have not experienced a significant increase in credit risk with respect to the moment of purchase;
- which have experienced a significant decrease in credit risk.

In stage 2, the ECL is calculated by using the probability of lifetime default. This stage will include those securities that possess the following characteristics:

- at the measurement date, the instrument presents an increase in credit risk with respect to the purchase date as such to request the recognition of an expected loss until maturity;
- instruments that fall under stage 3 on the basis of a significant decrease in risk.

The third and final stage includes exposures for which the ECL is calculated using a probability of default of 100%.

The decision to place instruments in stage 1 or in stage 2 is connected with the quantification of the thresholds that identify a significant increase in the credit risk of the individual tranche subject to valuation. These thresholds are calculated from the characteristics of the portfolio. As regards stage 3, an analysis is conducted as to whether the increase in risk was high enough, from the moment of initial recognition, to consider the assets “impaired”, i.e. whether events were verified as such to negatively impact future cash flows. As outlined previously, an incremental loss must be recognised from stage 1 to stage 3. In more detail:

- the 12-month ECL represents the expected value of the loss estimated on an annual basis;
- the lifetime ECL is the estimate of expected loss until maturity of the security;
- the estimate parameters of the ECL are the probability of default, the Loss Given Default and the Exposure at Default of the individual tranche (PD, LGD, EAD).

Analytical impairment of receivables in stage 3

With reference to the analytical valuation of loans, the model used by the Bank to determine allocations for impaired loans (stage 3) measured at amortised cost or at fair value through other comprehensive income requires, depending on their characteristics, the use of a specific analytical valuation or a flat-rate analytical valuation.

The specific analytical valuation method is designed to determine the correct quantification of the allocations for each position, considering both the characteristics of the individual position being valued and the characteristics of the counterparty to which the same is registered.

The purpose of the flat-rate analytical valuation is to determine the correct quantification of allocations for each position and is carried out by estimating risk parameters defined by a statistical model, in line with the provisions for the collective assessment of performing exposures with reference to stage 2 credit exposures.

The flat-rate analytical valuation shall apply to credit exposures with the following characteristics:

- impaired past due and/or overrun exposures;

- impaired off-balance sheet exposures (e.g. endorsement exposures, available margins on credit);
- On-balance exposures classified as unlikely to pay that do not exceed an amount threshold defined at the individual debtor level (so-called size threshold);
- On-balance exposures classified as non-performing that do not exceed the size threshold.

The specific analytical valuation applies to credit exposures that have the following characteristics:

- On-balance exposures classified as unlikely to pay that exceed the size threshold;
- On-balance exposures classified as non-performing that exceed the size threshold.

For the purposes of applying the size threshold, the overall credit exposure is taken as a reference at the level of the individual debtor, thus determining, alternatively, a flat-rate or specific analytical valuation for all cash relationships in the name of the same debtor. The size threshold for counterparties classified as unlikely to pay and non-performing is EUR 100,000.

The assessment of expected losses, in particular with regard to non-performing exposures, shall be carried out taking into account the probability that different credit realisation scenarios will occur, such as the assignment of the exposure or, conversely, internal management.

With regard to the specific analytical valuation of recoverable amount (valuation component), the Bank adopts two alternative approaches that reflect the characteristics and riskiness of individual credit exposures:

- "going concern" approach, which applies only to business counterparties, operating in sectors other than real estate, that have objective prospects of going concern that are assumed when:
    - the debtor's future operating cash flows are pertinent and can be reliably estimated from documentable sources, such as:
        - updated, complete and regular official financial statements;
        - the business plan, the use of which for estimating cash flows is subject to (i) verification of the reliability and feasibility of the assumptions underlying the plan and (ii) full compliance with the plan, if it is already in progress;
        - the plan provided for in relation to agreements pursuant to the Bankruptcy Law such as, for example, pursuant to Article 67 letter d), Article 182 bis and septies, Article 186 bis, Article 160 et seq., it being understood that as long as the plans have only been submitted and not sworn in by the external professional appointed, the participating banks must carry out the same checks as those provided for with reference to the business plans;
    - the debtor's future operating cash flows are adequate to repay the financial debt to all creditors;
- "gone concern" approach, which applies obligatorily to credit exposures in the name of individuals and for companies with a view to business cessation or where it is not possible to estimate operating cash flows.

The discounting of the recoverable amount (financial component), applied for non-performing loans and unlikely to pay, is based on the determination of the discount rate and the recovery time.

Impairment of equity investments

At each reporting date, investments in associates or jointly controlled companies are subject to an impairment test to verify whether there is objective evidence that the Book value of the assets in question is not fully recoverable.

The presence of impairment indicators (such as the presence of lower than expected economic performance of the investee company, significant changes in the environment or in the market where the company operates or in market interest rates, etc.) leads to the recognition of an impairment loss to the extent that the recoverable amount of the investment is lower than its carrying amount.

The recoverable amount is represented by the higher of the fair value, net of costs to sell and the value in use of the equity investment. As a consequence, the need to estimate both values does not apply if one of them has been valued above the Book value.

For the valuation methods used to determine fair value, reference should be made to paragraph “A.4 - Information on fair value” of this Part A.

The value in use of the investment is the present value of the expected cash flows from the asset. This quantity responds to a general logic according to which the value of an asset is a direct expression of the cash flows it is able to generate over the period of its use. The determination of value in use therefore presupposes the estimate of the cash flows expected from the use of the assets or their final disposal expressed in terms of present value through the use of appropriate discount rates.

When an equity investment does not generate cash flows that are largely independent from other assets, it is subject to an impairment test not independently, but at the level of the CGU. Therefore, when assets attributable to a subsidiary are included in a CGU larger than the investment itself, the impairment test can only be carried out at the latter level and not at the level of the individual investee company for which a value in use cannot be correctly estimated.

If the outcome of the impairment shows that the recoverable amount is higher than the book value of the equity investment, no value adjustment is recognised; otherwise, an impairment loss is recognised in income statement item “220. Profit (loss) on equity investments”.

Should the recoverable amount subsequently be higher than the new Book value because it can be demonstrated that the elements that led to the write-down are no longer present, a write-back is permitted up to the amount of the previously recorded adjustment.

Impairment of other fixed assets

Tangible assets

IAS 36 establishes that, at least once a year, the company must verify whether the tangible assets held show one or more indicators of impairment. If such indicators are found, the enterprise must carry out a valuation (impairment test) in order to detect any impairment loss.

The impairment test does not apply to the tangible assets that constitute:

- real estate investments measured at FV (IAS 40);
- inventories (IAS 2);
- assets within the scope of IFRS 5.

The impairment indicators to be considered are those defined by paragraph 12 of IAS 36. In this regard, impairment indicators specific to tangible assets may occur, for example, in the presence of obsolescence that prevents normal use of the same such as fire, collapse, unusability and other structural defects.

Although IAS 36 is applicable to individual assets, it is often very difficult or, in some cases, impossible to calculate the value in use of an individual tangible asset. For example, it is not always possible to attribute specific incoming or outgoing cash flows to a property that hosts the Management (so-called corporate asset) or to a plant or machinery. In these cases, IAS 36 states that the CGU, i.e. the smallest grouping of assets that generates independent cash flows, must be identified and tested at this higher level (rather than on the individual asset). This is precisely because it is often a group of assets – and not a single asset – that generates cash flow and for this reason it is not possible to calculate the value in use of the individual asset.

Without prejudice to the above, the impairment test involves the need to compare the recoverable amount (which in turn is the higher of value in use and fair value net of costs to sell) of the tangible asset or the CGU with the relative Book value.

If and only if the recoverable amount of an asset or of the CGU is lower than its Book value, the latter must be reduced to the recoverable amount, configuring an impairment loss.

Intangible assets

Pursuant to IAS 36, the Bank is required to perform an impairment test at least once a year, irrespective of the presence of impairment indicators, on the following assets:

- intangible assets with an indefinite useful life (including goodwill);
- intangible assets not yet available for use (including those in progress).

Other intangible assets (e.g. those with a defined useful life such as core deposits acquired in a business combination) must be subject to an impairment test only if there is an indicator of impairment.

In this regard, the impairment indicators to be considered for intangible assets are those defined by paragraph 12 of IAS 36. Specific impairment indicators for intangible assets (and in particular for goodwill) may occur, for example, in the event of actual results significantly below budget forecasts (which suggests a downward revision of the projections used for the test) or in the event of an increase in the discount rate or a reduction in the long-term growth rate.

Intangible assets with a definite useful life, such as any value of the asset management portfolio acquired as part of business combinations, in the presence of impairment indicators are subject to a new assessment process to verify the recoverability of the values recorded in the financial statements. The recoverable amount is determined on the basis of the value in use, i.e. the present value, estimated using a rate representative of the time value of money and the risks specific to the asset, the profit margins generated by the relationships existing at the date of the valuation over a time horizon expressing the expected residual duration of the same.

Intangible assets with an indefinite useful life, represented mainly by goodwill, as mentioned above, are tested annually for impairment. As there are no independent cash flows, the impairment test is carried out for the above mentioned assets with reference to the Cash Generating Unit (CGU) to which the values have been attributed.

The CGU represents the smallest identifiable group of assets generating cash inflows (revenues) that are largely independent of the flows generated by other assets or groups of assets. It identifies the lowest possible level of aggregation of assets provided that it is, at that level, possible to identify cash inflows that are objectively independent and autonomous from other assets.

Once the CGUs have been identified, it is necessary to determine their recoverable amount, which will be compared with their Book value in order to quantify any impairment. The recoverable amount is defined as the greater of:

- value in use;
- the fair value less costs to sell.

IAS 36 at para. 19 states that if one of the two values (value in use or fair value less costs to sell) is higher than the Book value of the CGU, it is not necessary to estimate the other.

Value in use represents the present value of future cash flows expected to arise from a CGU. The value in use, therefore, responds to a general logic according to which the value of an asset is a direct expression of the cash flows it is able to generate over the period of its use. The determination of value in use requires an estimate of the expected cash inflows and outflows from the CGU and the appropriate discount rate depending on the level of risk of these flows.

Fair value is the amount obtainable from the sale of an asset or Cash Generating Unit in a free transaction between knowledgeable and independent counterparties. Costs to sell include those directly associated with the potential sale (e.g. legal fees).

A "CGU" is written down when its book value is higher than its recoverable amount. In essence, an asset or CGU needs to be written down because it is impaired, either because the cash flows that will be generated from the use of the asset are not sufficient to recover the book value of the asset, or because the asset would be sold for less than its book value.

15.6 BUSINESS COMBINATIONS

A business combination consists of the bringing together of companies or company activities into a single entity required to prepare financial statements.

A business combination may give rise to an investment link between the parent company (acquirer) and subsidiary (acquiree). A business combination may also make provision for the purchase of the net assets of another company, including any goodwill, or the acquisition of the capital of another company (mergers and contributions).

Based on the provisions of IFRS 3, business combinations must be accounted for by applying the purchase method which envisages the following phases:

- identification of the purchaser;
- determination of the cost of the business combination;
- allocation, at the acquisition date, of the cost of the business combination to the assets acquired and liabilities assumed, including therein any contingent liabilities.

In particular, the cost of a business combination is determined as the sum of the fair value, at the date of the exchange, of the assets transferred, the liabilities incurred or assumed and the equity instruments issued, in exchange for control of the acquiree augmented by any cost directly attributable to the business combination.

The acquisition date is the date on which control of the business acquired is effectively obtained. When the acquisition is carried out via a single exchange, the exchange date coincides with the acquisition date.

When the business combination is achieved through several exchange transactions:

- the cost of the combination is the total cost of the individual transactions;
- the exchange date is the date of each exchange transaction (i.e. the date on which each investment is recognised in the financial statements of the acquiring company), while the acquisition date is the date on which control of the business acquired is obtained.

The cost of a business combination is allocated by recognising the identifiable assets, liabilities and contingent liabilities of the acquiree at the associated fair values at the acquisition date.

The identifiable assets, liabilities and contingent liabilities of the acquiree are recognised separately at the acquisition date only if, at said date, they satisfy the following criteria:

- in the event of an asset other than an intangible asset, it is likely that any future related economic benefits flow to the purchaser and it is possible to reliably measure its fair value;
- in the event of a liability other than a contingent liability, it is likely that, to extinguish the obligation, the use of resources aimed at generating economic benefits will be necessary and it is possible to reliably measure its fair value;
- in the event of an intangible asset or a contingent liability, the relevant fair value can be reliably measured.

The positive difference between the cost of the business aggregation and the purchaser's interest at the net fair value of the identifiable assets, liabilities and contingent liabilities must be accounted for as goodwill.

Following initial recognition, the goodwill acquired in a business combination is measured at the relevant cost, and is subject to an impairment test at least annually. In the event of a negative difference, a new measurement is performed. This negative difference, if confirmed, is booked immediately as revenue in the income statement.

15.7 ACCRUALS AND DEFERRALS

Accruals and deferrals that include expenses and income pertaining to the period accrued on assets and liabilities are booked to the financial statements as an adjustment to the assets and liabilities to which they refer.

15.8 OWN SHARES

Any own shares held are deducted from equity. Similarly, the original cost of the same and the profits or losses arising from their subsequent sale are recognised as movements in equity.

15.9 PAYMENTS BASED ON SHARES

This case does not apply to the Bank, as it does not have a "stock option plan" in place on bank-issued shares.

15.10 TRANSFER OF THE "TAX BONUS" TAX CREDIT - LAW NO. 77 OF 17 JULY 2020

As known, Law no. 77 of 17 July 2020, converting, with amendments, to the Relaunch Decree law, has strengthened tax deductions for seismic and energy upgrade interventions on national real estate assets, granting taxpayers the possibility of opting for the conversion of the tax deduction into a tax credit that can be transferred to third parties, mainly to credit institutions and suppliers.

Since the conversion into law of the Relaunch Decree, the tax deductions arising from construction works have undergone significant changes, both in terms of the procedure for exercising the option of sale or discount on the invoice as well as in terms of the time period within which the expenses are incurred.

With the recent conversion into law of Decree Law no. 11 of 16 February 2023 which, with a view to combating fraud in the construction sector, abolished the possibility granted to the taxpayer to transfer the credit to third parties, there will be a progressive reduction of transfers to credit institutions and suppliers, which will remain limited to exceptions of specific cases provided for by regulations.

In relation to the accounting classification to be adopted in the financial statements of the assignee, there is no single reference framework for the particular and new characteristic of the instrument in question. In particular, the present case:

- does not fall within the scope of IAS 12 "Income taxes" as it cannot be assimilated to taxes that affect the ability of the company to produce income;
- does not fall within the scope of the definition of government grants according to IAS 20 "Accounting for government grants and disclosure of government assistance" as the ownership of the receivable from the tax authorities arises only after payment of a consideration to the transferor;
- is not attributable to the provisions of IFRS 9 "Financial instruments" as the tax credits purchased do not originate from a contract between the assignee and the Italian State;
- is not attributable to IAS 38 "Intangible assets", as the tax credits in question can be considered monetary assets, allowing the payment of tax payables usually settled in cash.

The tax credit in question therefore represents a case not explicitly dealt with by an IAS/IFRS accounting standard, and as such requires reference to the provisions of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and in particular the need for the reporting entity to define an accounting treatment that reflects the economic substance and not merely the form of the transaction and that is neutral, prudent and complete.

The approach followed, with particular reference to the application of the accounting standard IFRS9, is the one identified both by the Italian Accounting Body (OIC) and by the Bank of Italy/CONSOB/IVASS Document no. 9 ("Accounting treatment of tax credits related to the 'Cura Italia' and 'Rilancio' Decree Laws acquired following their transfer by direct beneficiaries or previous purchasers"). Tax credits are, in fact, substantially similar to a financial asset in that they can be used to offset a debt usually paid in cash (tax debts), as well as being exchanged for other financial assets. The condition to be met is that the same tax credits may be framed in a business model of the entity. In this specific case, the Bank includes tax credits in the hold-to-collect business model, as the intention is to hold these receivables until maturity.

In this sense, the following can be established:

- at the time of initial recognition, the fair value of the tax credit is equal to the purchase price of the receivables included in the transaction;
- in the fair value hierarchy envisaged by IFRS 13, the fair value level is similar to level 3, as there are currently no active markets or comparable transactions;
- the purchase price of tax receivables is affected by both the time value of money and the ability to use it within the relative time limit;
- the subsequent accounting of financial assets takes place at amortised cost, through the use of an effective interest rate determined at the origin, so that the discounted cash flows associated with the expected future offsetting, estimated over the expected duration of the receivable tax, equal the purchase price of the same receivables;
- using the amortised cost method, the cash flow estimates are periodically reviewed and the gross book value of the financial asset is adjusted to reflect the actual and restated cash flows. In making these adjustments, the new cash flows are discounted at the original effective interest rate. This accounting therefore makes it possible to recognise the income during the life of said tax credit, as well as to immediately recognise any losses of the transaction;
- if the estimates regarding the use of the tax credit are revised through offsetting, the gross book value of the tax credit is adjusted to reflect the estimated, actual and restated uses. This also includes the breakdown into ten annual instalments of the residual credits arising from the transfer or invoice discount relating to the deductions due for certain building works;
- SPPI Test: the mechanism of compensation in annual portions ensures that the test is passed because each portion offset is assimilated to a constant cash flow, which includes a principal and an implicit interest rate (French amortisation), where the interest rate is determined on the basis of an internal rate of return of the transaction determined at the origin and no longer modified;
- taking into account the special characteristics of these tax credits, held with the aim of using them until they are completely offset, within the time period allowed, with the payments of debts payable through F24, as mentioned above, the Bank attributes the tax credits to the Hold to Collect (HTC) business model.

A.3 - Information on transfers between portfolios of financial assets

The Bank has not performed any transfer between the portfolios of the financial instruments during the current year. Thus, the compilation of the envisaged tables is omitted.

A.3.1 RECLASSIFIED FINANCIAL ASSETS: CHANGE IN BUSINESS MODEL, CARRYING AMOUNT AND INTEREST INCOME

The Bank has nothing to report for the year covered by these financial statements.

A.3.2 RECLASSIFIED FINANCIAL ASSETS: CHANGE IN BUSINESS MODEL, FAIR VALUE AND EFFECTS ON COMPREHENSIVE INCOME

The Bank has nothing to report for the year covered by these financial statements.

A.3.3 RECLASSIFIED FINANCIAL ASSETS: CHANGE IN BUSINESS MODEL AND EFFECTIVE INTEREST RATE

The Bank did not make any changes to the business model and effective interest rate during 2023.

A.4 – Information on fair value

The accounting standard IFRS 13 defines fair value as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value policy of the Cassa Centrale Group has defined the principles and methods for determining the fair value of financial instruments and the criteria for determining the so-called "fair value hierarchy".

A fair value measurement assumes that the sale of the asset or the transfer of the liability takes place:

- in the main market for the asset or liability;
- in the absence of a main market, in the most advantageous market for the asset or liability.

In the absence of a main market, all reasonably available information is taken into consideration in order to identify an active market among the available markets where the fair value of an asset/liability can be measured: in general, a market is active in relation to the number of contributors and the type of the same (dealer, market maker), the frequency of price updating and deviation, the presence of an acceptable bid-offer spread. These prices are immediately executable and binding and express the actual and regular levels of exchange on the valuation date.

In order to identify these markets, the Bank has equipped itself with tools to monitor whether or not a market can be considered active, in particular with regard to bonds, shares and funds.

In this respect, in general, a financial instrument is considered to be quoted on an active market if prices are readily and regularly available, are immediately executable and binding and represent actual market transactions that occur regularly in normal trading on a regulated market or Multilateral Trading Facilities (MTFs).

The presence of official prices in an active market is the best evidence of fair value; these prices therefore represent the prices to be used in priority for fair value measurements.

In the absence of an active market, fair value is determined using prices recorded on non-active markets, valuations provided by info providers or techniques based on internal valuation models which are described in the Group's internal regulations.

When using such models, the use of relevant observable inputs shall be maximised where possible and the use of non-observable inputs shall be minimised. Observable inputs refer to prices formed within a market and used by market participants in determining the exchange price of the financial instrument being valued. This includes prices of the same asset/liability in a non-active market, parameters supported and confirmed by market data and valuation estimates based on daily observable inputs.

The non-observable inputs, on the other hand, are those not available on the market, processed on the basis of assumptions that the operators/assessors would use in determining the fair value for the same instrument or similar instruments of the same type.

IFRS 13 defines a fair value hierarchy that classifies the inputs of the valuation techniques adopted to measure fair value into three distinct levels. In particular, there are three levels of fair value:

- Level 1: fair value is determined on the basis of quoted prices observed on active markets. The Bank has equipped itself with tools to identify and monitor whether or not a market can be considered active with regard to bonds, shares and funds. A financial instrument is considered to be listed on an active market if prices are readily and regularly available, are immediately executable and binding and represent actual market transactions that occur regularly in normal trading on a regulated market or Multilateral Trading Facilities (MTF). For example, the following are classified at this level of fair value:

  - bonds listed on Bloomberg MTF and valued with composite prices or, limited to Italian government securities, with MOT reference price;
  - shares and ETFs listed on markets where in the last five sessions the volumes traded are not zero and the prices recorded are not identical;
  - UCITS mutual funds, i.e. undertakings for collective investment in transferable securities.

- Level 2: fair value is determined on the basis of valuation techniques that envisage:

  - reference to market values that do not reflect the stringent active market requirements envisaged for Level 1;
  - valuation models using inputs observable on active markets. More specifically, with regard to financial instruments for which it is not possible to identify a fair value in active markets, the Bank refers to prices in markets where the stringent requirements of the active market are not met or to valuation models – also developed by info providers – aimed at estimating the price at which a regular sale or transfer of a liability between market participants would take place on the valuation date. These models for determining fair value (e.g. discounting cash flow model, option pricing models) include the representative risk factors that condition the valuation of a financial instrument (cost of money, credit risk, volatility, exchange rates, etc.) and that are observed in active markets such as:
    - the prices of similar financial assets/liabilities;
    - interest rates and yield curves observable at commonly quoted intervals;
    - implied volatility;
    - credit spread;
    - inputs corroborated by the market based on observable market data.

  The fair value thus determined is assigned a level of 2. Some examples of securities classified at this level are:

  - non-governmental bonds for which a price is available on a non-active market;
  - securities for which the valuation is provided by a third party provider using inputs observable on active markets;
  - securities for which valuation is provided using internal models based on inputs observable on active markets (e.g. bonds measured at fair value option);
  - shares that are not listed on an active market;
  - OTC (Over the counter) financial derivatives concluded with institutional counterparties measured mainly through observable market data.

- Level 3: the estimate of fair value is carried out using valuation techniques that make significant use of inputs that are not observable on the market and assumptions made by operators using historical evidence or statistical assumptions. Where present, as examples, the following are classified at this level:

- unlisted minority equity investments;
- insurance investment products;
- unlisted non-UCITS funds;
- junior securitisation securities;
- unlisted Additional Tier 1 bonds.

The classification of fair value is a figure that may vary over the life of a financial instrument. Consequently, it is necessary to verify on an ongoing basis the significance and observability of market data in order to proceed with any change in the level of fair value attributed to an instrument.

Information of a qualitative nature

A.4.1 FAIR VALUE LEVELS 2 AND 3: VALUATION TECHNIQUES AND INPUTS USED

In the absence of an active market, fair value is determined using valuation techniques appropriate to the circumstances. Below is an illustration of the main valuation techniques adopted for each type of financial instrument, where an internal valuation model is used to determine fair value.

The internal valuation models are reviewed periodically to ensure their full and constant reliability and are updated to the most up-to-date techniques used on the market.

Unlisted bonds not contributed by info providers issued by Italian banks

The procedure for estimating the fair value of bonds is based on a discounted cash flow model.

The yield curve used in the discounting is constructed from liquid bonds, with the same seniority and currency of the instrument being valued, issued by companies belonging to the same sector and with a similar rating class.

As part of the fair value measurement of bonds issued by the issuer, the estimate of fair value takes into account changes in the issuer's creditworthiness. In particular, for securities issued by Affiliated Banks of the Italian Cooperative Banking Group or other Cooperative Credit Banks, the rating class is determined on the basis of the rating assigned to the senior unsecured/senior preferred liabilities of the related Parent Company. Changes in the rating may also lead to changes in the fair value calculated according to the characteristics of the security and the discount curve used based on the level of seniority of the bond.

Given the predominant use of observable inputs, the fair value is classified at level 2, expect in some cases where the fair value is set at level 3 since the inputs used are not observable due to the special characteristics of the issue (senior non-preferred or Tier 2 subordinate securities exchanged between companies of the Cooperative Banking Group, for example).

Derivatives

The fair value of OTC derivatives, for which there is no price quoted on regulated markets, is determined using different quantitative models depending on the type of instrument. In detail, for non-optional instruments the valuation techniques adopted belong to the discount cash flow model category (e.g. interest rate swaps, FX swaps). For instruments of an optional rate nature, the Black model is used.

The models are supplied using market-observable inputs such as rate curves, exchange rates and volatility.

With regards to the determination of the fair value of OTC derivatives in balance sheet assets, IFRS 13 confirmed the rule of applying the credit valuation adjustment - CVA. With regard to financial liabilities represented by OTC derivatives, IFRS 13 introduces a debt valuation adjustment (DVA), i.e. a fair value adjustment to reflect its own default risk on such instruments.

The Bank therefore considered it reasonable not to recognise a correction in the fair value of derivatives for CVA and DVA in the cases in which agreements had been made and remained operative for collateralisation of the positions in derivatives with the following characteristics:

- a bilateral exchange of guarantees with a high frequency (daily or at the most weekly);
- the type of guarantee provided in cash or highly liquid government securities with a high credit rating, subject to an appropriate spread;
- absence of a threshold of the fair value of the derivative under which an exchange of guarantees is not required or setting the level to such a threshold which is adequate to allow for effective and significant mitigation of the counterparty risk;
- MTA – minimum transfer amount (that is the difference between the fair value of the contract and the value of the guarantee) – under which there is no adjustment of the collateralisation of the positions, identified contractually at a level that allows for essential mitigation of the counterparty risk.

Unlisted minority equity investments

The main valuation methods adopted by the Bank, in accordance with the provisions of IFRS 13, in the valuation of unlisted minority equity investments are set out below:

- market methodologies (market approach): these are based on the idea of comparability with other market participants assuming that the value of an asset can be determined by comparing it to similar assets for which market prices are available. In particular, in practice, two reference sources of market prices are taken into account: stock market prices in active markets and observable information from merger transactions, acquisition or sale of share packages (direct transaction method, transaction multiples, market multiples);
- income approach: these are based on the assumption that future cash flows (e.g. cash flows or dividends) are convertible into a single (discounted) current value. In particular, the main methodologies that fall into this category include i) discounted cash flow (DCF); ii) dividend discount model (DDM); iii) appraisal value;
- adjusted net asset value or ANAV: this method is based on the principle of expressing, at current values, the individual elements of the assets (represented, essentially, by equity investments, whether controlling or not) and liabilities with the emergence also of any items not recorded in the financial statements. This method is normally used to determine the economic value of holding companies and investment companies whose value is closely related to the portfolio of equity investments held.

In accordance with the provisions of IFRS 13, the Bank verifies, depending on the specific case, whether it is necessary to apply certain adjustments to the economic value resulting from the application of the aforementioned valuation methods to determine the fair value of the investment under analysis (e.g. liquidity discount, control premium, minority discount).

The choice of valuation approach is left to the judgement of the valuer as long as it favours, compatibly with the available information, methodologies that maximise the use of observable inputs on the market and minimise the use of non-observable inputs.

Lastly, it should be noted that the Bank uses the net asset value or cost method (as a proxy for fair value) for minority interests below certain materiality thresholds for which no fair value measurement based on the aforementioned methods is available, based on specific parameters defined within the "Fair value policy" approved by the Board of Directors.

Unlisted mutual investment funds

Mutual investment funds such as unlisted real estate funds, private equity funds and alternative investment funds (hereinafter also referred to as 'AIFs') are characterised by a portfolio of assets generally valued with subjective inputs and provide for the redemption of the subscribed portion only at a certain maturity.

These funds are measured using the net asset value (NAV) corrected, where necessary, by a discount factor associated with a "liquidity premium" determined using an internal model.

For the above reasons, the net asset value (NAV) determined in this way and used as a fair value estimation technique is considered to be level 3.

Insurance investment products

The valuation of these assets provides for the discounting of expected future cash flows from the investment. In this regard, the estimate of cash flows is based on the use of risk-free financial scenarios in which a Monte-Carlo simulative approach is used for the projection of future returns from the separate holding. The input data of the functional model for the estimation of flows consist of:

- historical information on the performance of the separate holdings involved;
- risk-free rates;
- the average asset allocation of the Italian separate holdings taken from market data (source: ANIA) at the last available survey compared to the valuation date.

Cash flow projections are made using a financial-actuarial model that incorporates the data of the policyholder, the financial structure of the insurance investment product (minimum guaranteed rates, management fees), demographic assumptions and financial data in order to consider the value of the financial options included in the insurance investment product. These cash flows are finally discounted using the same risk-free curve specific to the individual scenario.

Loans and receivables

The fair value measurement of loans mainly takes place in cases where the relationship fails the SPPI Test (as set forth in IFRS 9) or in cases of hedge accounting or application of the fair value option.

The valuation method consists of discounting the contractual cash flows net of the expected loss calculated in accordance with the provisions of the IFRS 9 model used to estimate value adjustments.

With reference to loans to customers and banks, recorded under financial assets measured at amortised cost, the fair value of which is provided for disclosure purposes, it should be noted that the fair value of short-term or revocable loans has been conventionally assumed to be equal to the carrying amount.

With regard to non-performing positions - except for situations in which, given the presence of objective elements deriving from valuations on portfolios and/or specific positions expressed by third parties, the values deriving from such valuations are used - the book value has been assumed as an approximation of fair value.

Unlisted Additional Tier 1 (AT1) subordinated bank securities issued by Affiliated Banks

The procedure for estimating the fair value of Additional Tier 1 securities is based on a discounted cash flow model. The yield curve used in discounting is constructed from liquid bonds, taking into account the seniority of the instrument, the sector and the rating class of the issuer. Taking into account the presence, within the model, of assumptions on the evolution of future cash flows, the fair value thus determined is classified at level 3.

A.4.2 PROCESSES AND SENSITIVITIES OF THE VALUATIONS

The Bank generally carries out a sensitivity analysis of non-observable inputs, through a stress test on non-observable inputs that are significant for the evaluation of the different types of financial instruments belonging to level 3 of the fair value hierarchy.

On the basis of this analysis, potential changes in fair value are determined, by type of instrument, attributable to plausible changes in non-observable inputs. The sensitivity analysis was developed for the financial instruments for which the valuation techniques adopted made it possible to carry out this exercise.

With reference to insurance investment products, as highlighted above, these are valued on the basis of a calculation model that provides for the discounting of future cash flows expected from the same investment, taking into account financial, demographic and contractual assumptions.

For the above instruments, considering that the financial and demographic assumptions are derived from observable market data (e.g. Italian risk-free interest rate maturity structure with volatility adjustment, ISTAT mortality table, etc.), the sensitivity analysis was carried out with reference to the non-observable inputs underlying the contractual assumptions (relatively less relevant for valuation purposes).

In particular, the sensitivity analysis concerned the spread (obtained by weighting the historical yields of the reference separate holding) added to the Euroswap rate in order to determine the functional capitalisation rate to calculate, starting from the last insured capital communicated by the insurance companies, the insured capital at the valuation date. The above analysis was carried out by the Parent Company on a sample of instruments of this type and showed little significant effects on the fair value of the insurance investments resulting from the change in the non-observable inputs under examination, also due to the aforementioned circumstance that the non-observable inputs underlying the contractual assumptions are in relative terms less relevant for valuation purposes.

With reference to the other fair value level 3 instruments, the sensitivity analysis is not produced because the effects deriving from the change in the non-observable inputs are considered not relevant.

A.4.3 FAIR VALUE HIERARCHY

For a description of the fair value hierarchy levels envisaged by the Bank, please refer to paragraph "A.4 - Information on fair value".

With reference to assets and liabilities measured at fair value, classification at the correct level is carried out with reference to the rules and methods set out in internal regulations.

Any transfers to a different level of hierarchy are identified on a monthly basis. The transition from level 3 to level 2 occurs when the relevant parameters used as input to the valuation technique are, at the reference date, observable on the market. The transition from level 2 to level 1 takes place when the presence of an active market, as defined by IFRS 13, has been successfully verified. The transition from level 2 to level 3 occurs when, at the reference date, several of the significant parameters in determining fair value are not directly observable on the market.

A.4.4 OTHER INFORMATION

The Bank does not hold groups of financial assets and liabilities based on its net exposure to market risks or credit risk.

The Bank, with reference to derivatives concluded with financial counterparties with which it stipulated framework netting agreements, availed itself of the possibility to measure the fair value at overall portfolio exposure level in order to take account of the offsetting of counterparty risk.

Information of a quantitative nature

A.4.5 FAIR VALUE HIERARCHY

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value levels

	31/12/2023			31/12/2022		
FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss	192,971	78,627	45,443	226,233	108,930	41,889
a) financial assets held for trading	-	78,627	-	-	108,930	-
b) financial assets designated at fair value	164,861	-	19,346	158,773	-	15,778
c) other financial assets mandatorily measured at fair value	28,110	-	26,097	67,460	-	26,111
2. Financial assets measured at fair value through other comprehensive income	923,875	-	19,552	1,003,094	-	13,485
3. Hedging derivatives	-	-	-	-	-	-
4. Tangible assets	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**1,116,846**	**78,627**	**64,995**	**1,229,327**	**108,930**	**55,374**
1. Financial liabilities held for trading	-	77,856	-	-	109,006	-
2. Financial liabilities designated at fair value	-	-	175,647	-	-	168,922
3. Hedging derivatives	-	310	-	-	-	-
Total	**-**	**78,165**	**175,647**	**-**	**109,006**	**168,922**

KEY:
L1 = Level 1
L2 = Level 2
L3 = Level 3

During the year, there were no significant transfers of assets and liabilities between level 1 and level 2 as defined by IFRS 13, para. 93, letter c).

A.4.5.2 Annual changes in assets measured at fair value on a recurring basis (level 3)

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Tangible assets	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily measured at fair value				
1. OPENING BALANCES	**41,889**	**-**	**15,778**	**26,111**	**13,485**	**-**	**-**	**-**
2. INCREASES	**7,780**	**-**	**3,568**	**4,213**	**6,179**	**-**	**-**	**-**
2.1. Purchases	3,500	-	-	3,500	2,500	-	-	-
2.2. Profit attributed to:	4,185	-	3,568	617	3,667	-	-	-
2.2.1. Income Statement	4,185	-	3,568	617	-	-	-	-
- of which capital gains	4,153	-	3,568	585	-	-	-	-
2.2.2. Equity	-	X	X	X	3,667	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	96	-	-	96	12	-	-	-
3. DECREASES	**4,226**	**-**	**-**	**4,226**	**112**	**-**	**-**	**-**
3.1. Sales	-	-	-	-	50	-	-	-
3.2. Repayments	3,956	-	-	3,956	-	-	-	-
3.3. Losses attributed to:	270	-	-	270	62	-	-	-
3.3.1. Income Statement	270	-	-	270	-	-	-	-
- of which capital losses	267	-	-	267	-	-	-	-
3.3.2. Equity	-	X	X	X	62	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	-	-	-	-	-	-	-	-
4. CLOSING BALANCES	**45,443**	**-**	**19,346**	**26,097**	**19,552**	**-**	**-**	**-**

A.4.5.3 Annual changes in liabilities measured at fair value on a recurring basis (level 3)

	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivatives
1. OPENING BALANCES	**-**	**168,922**	**-**
2. INCREASES	**-**	**8,808**	**-**
2.1 Emissions	-	-	-
2.2. Losses attributed to:	-	8,808	-
2.2.1. Income Statement	-	8,808	-
- of which capital losses	-	8,808	-
2.2.2. Equity	X	-	-
2.3. Transfers from other levels	-	-	-
2.4. Other increases	-	-	-
3. DECREASES	**-**	**2,083**	**-**
3.1. Repayments	-	2,083	-
3.2. Repurchases	-	-	-
3.3. Profit attributed to:	-	-	-
3.3.1. Income Statement	-	-	-
- of which capital gains	-	-	-
3.3.2. Equity	X	-	-
3.4. Transfers to other levels	-	-	-
3.5. Other decreases	-	-	-
4. CLOSING BALANCES	**-**	**175,647**	**-**

At the end of the reporting period, the Bank does not hold any liabilities measured at fair value on a recurring basis (Level 3) relating to the funding from the Affiliated Banks of readily available financial funds to establish the “ex ante portion” of the cross-guarantee, as illustrated in Annex A to these Explanatory Notes.

A.4.5.4 Assets and liabilities which are not measured at fair value or which are measured at fair value on non-recurring basis: breakdown by fair value levels

ASSETS AND LIABILITIES WHICH ARE NOT MEASURED AT FAIR VALUE OR WHICH ARE MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	31/12/2023				31/12/2022			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	16,320,274	2,130,964	109,090	14,012,903	21,253,306	2,240,393	230,121	18,669,719
2. Tangible assets held for investment purposes								
3. Non-current assets and groups of assets held for disposal								
Total	**16,320,274**	**2,130,964**	**109,090**	**14,012,903**	**21,253,306**	**2,240,393**	**230,121**	**18,669,719**
1. Financial liabilities measured at amortised cost	16,513,451	544,366	203,103	15,786,215	21,540,593			21,540,593
2. Liabilities associated with assets held for disposal								
Total	**16,513,451**	**544,366**	**203,103**	**15,786,215**	**21,540,593**	**-**	**-**	**21,540,593**

KEY:

BV = Book value

L1 = Level 1

L2 = Level 2

L3 = Level 3

For more information about the valuation techniques and inputs used, refer to the wider discussion in the qualitative part of this section.

A.5 - INFORMATION ON "DAY ONE PROFIT/LOSS"

A.5 - Information on "day one profit/loss"

DAY ONE PROFIT/LOSS	
1. OPENING BALANCES	**1,079**
2. INCREASES	**-**
2.1 New operations	-
3. DECREASES	**-**
3.1 Income statement releases	-
4. CLOSING BALANCES	**1,079**

In accordance with IFRS 9, the initial recognition of the financial instruments must be at fair value. Normally, the fair value of a financial instrument at initial recognition coincides with the “transaction price”, which in turn is equal to the amount paid for financial assets or the amount received for financial liabilities.

In residual cases where the fair value of a financial instrument does not coincide with the transaction price, it is necessary to estimate the fair value through the use of valuation techniques. The “day one profit/loss” disclosure included in this section refers to any differences between the transaction price and the fair value obtained by using valuation techniques, which emerge at the moment of first-time recognition of a financial instrument and are not immediately booked to the income statement, based on the provisions of paragraph B5.1.2 A of IFRS 9.

With regard to the above, pursuant to IFRS 7 paragraph 28, the Bank does not recognise a profit or loss on initial recognition of the financial asset or financial liability because the fair value is not evidenced by a listed price in an active market for an identical asset or liability (i.e. a Level 1 input) nor is it based on a valuation technique that uses only observable market data (see paragraph B5.1.2 A of IFRS 9).

The difference between the fair value at the time of initial recognition and the transaction price reflects a change in the factors (including time) that market participants would take into account in determining the price of the asset or liability (see paragraph B5.1.2 A, letter b) of IFRS 9).

Cassa Centrale only presents one day one loss originating from the T2 subordinated bond issued by the subsidiary Cassa Padana during 2020.

The issue has a fair value level of 3, since the valuation model for this financial instrument does not exclusively use inputs that can be observed on the market. At 31 December 2022, day one loss amounted to EUR 1,079,568. Unlike previous financial years, in 2023 there was no day one loss absorption: this dynamic is attributable to the change in the discount curve, linked to market dynamics and the upgrade in the Group’s rating during the year. Day one loss absorption will take place over the residual life of the bond.

PART B - Information on the Balance sheet

Assets

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

	Total 31/12/2023	Total 31/12/2022
a) Cash	214,085	197,277
b) Current accounts and demand deposits at central banks	3,500	5,135
c) Current accounts and demand deposits at banks	46,587	91,475
Total	**264,172**	**293,887**

The sub-item "Cash" includes foreign currencies for a value equal to EUR 7,491 thousand.

The sub-item "Deposits on demand at central banks" includes liquidity – constituting part of the "ex ante portion" of the cross-guarantee – deposited on the dedicated Bank of Italy account.

For further details, please refer to the Annex "Report on the Guarantee Scheme" as at 31 December 2023.

Section 2 - Financial assets measured at fair value through profit or loss - Item 20

2.1 Financial assets held for trading: breakdown by category

ITEMS/VALUES	Total 31/12/2023			Total 31/12/2022		
	L1	L2	L3	L1	L2	L3
A. CASH ASSETS						
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equities	-	-	-	-	-	-
3. UCITS units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repos	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**
B. DERIVATIVE INSTRUMENTS						
1. Financial derivatives	-	78,627	-	-	108,930	-
1.1 trading	-	78,627	-	-	108,930	-
1.2 connected to the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.2 connected to the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	**-**	**78,627**	**-**	**-**	**108,930**	**-**
Total (A+B)	**-**	**78,627**	**-**	**-**	**108,930**	**-**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

Item "B. Derivative instruments - 1. Financial derivatives - 1.1 for trading" includes interest rate swaps and forwards vis-à-vis primary market institutions and balanced with specular but opposite transactions with Affiliated Banks.

The change in the value compared to the previous year mainly derives from the decrease in the mark to market.

2.2 Financial assets held for trading: breakdown by debtors/issuers/counterparties

ITEMS/VALUES	Total 31/12/2023	Total 31/12/2022
A. CASH ASSETS		
1. Debt securities	**-**	**-**
a) Central Banks	-	-
b) General Governments	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations	-	-
2. Equities	**-**	**-**
a) Banks	-	-
b) Other financial corporations	-	-
of which: insurance companies	-	-
c) Non-financial corporations	-	-
d) Other issuers	-	-
3. UCITS units	**-**	**-**
4. Loans	**-**	**-**
a) Central Banks	-	-
b) General Governments	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations	-	-
f) Households	-	-
Total (A)	**-**	**-**
B. DERIVATIVE INSTRUMENTS	**-**	**-**
a) Central counterparties	-	-
b) Other	78,627	108,930
Total (B)	**78,627**	**108,930**
Total (A+B)	**78,627**	**108,930**

2.3 Financial assets designated at fair value: breakdown by category

ITEMS/VALUES	Total 31/12/2023			Total 31/12/2022		
	L1	L2	L3	L1	L2	L3
1. DEBT SECURITIES	**164,861**	**-**	**19,346**	**158,773**	**-**	**15,778**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	164,861	-	19,346	158,773	-	15,778
2. LOANS	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Structured	-	-	-	-	-	-
2.2 Other	-	-	-	-	-	-
Total	**164,861**	**-**	**19,346**	**158,773**	**-**	**15,778**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

The item “1. Debt securities - Other debt securities” includes the investments constituting part of the “ex ante portion” of the cross-guarantee: the composition of the investments of the “ex ante portion” established through the loan for as at 31 December 2023 is shown below:

- Italian government securities of EUR 164,861 thousand;
- Subordinated debt securities deriving from support interventions of EUR 19,346 thousand;

For further details, please refer to the Annex “Report on the Guarantee Scheme” as at 31 December 2023.

2.4 Financial assets designated at fair value: breakdown by debtors/issuers

ITEMS/VALUES	Total 31/12/2023	Total 31/12/2022
1. DEBT SECURITIES	**184,207**	**174,551**
a) Central Banks	-	-
b) General Governments	164,861	158,773
c) Banks	19,346	15,778
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations	-	-
2. LOANS	**-**	**-**
a) Central Banks	-	-
b) General Governments	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations	-	-
f) Households	-	-
Total	**184,207**	**174,551**

2.5 Other financial assets mandatorily measured at fair value: breakdown by category

ITEMS/VALUES	Total 31/12/2023			Total 31/12/2022		
	L1	L2	L3	L1	L2	L3
1. DEBT SECURITIES	-	-	23	-	-	34
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	23	-	-	34
2. EQUITIES	-	-	-	-	-	-
3. UCITS UNITS	28,110	-	693	67,460	-	525
4. LOANS	-	-	25,381	-	-	25,551
4.1 Repos	-	-	-	-	-	-
4.2 Other	-	-	25,381	-	-	25,551
Total	**28,110**	**-**	**26,097**	**67,460**	**-**	**26,111**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

The sub-item "1.2. Other debt securities" includes the following securities related to securitisation transactions:

- mezzanine totalling EUR 10 thousand;
- junior totalling EUR 13 thousand.

Loans include those obligatorily measured at fair value following the failure of the SPPI Test.

2.6 Other financial assets mandatorily measured at fair value: breakdown by debtors/issuers

	Total 31/12/2023	Total 31/12/2022
1. EQUITIES	**-**	**-**
of which: banks	-	-
of which: other financial corporations	-	-
of which: non-financial corporations	-	-
2. DEBT SECURITIES	**23**	**34**
a) Central Banks	-	-
b) General Governments	-	-
c) Banks	-	-
d) Other financial corporations	23	34
of which: insurance companies	-	-
e) Non-financial corporations	-	-
3. UCITS UNITS	**28,803**	**67,985**
4. LOANS	**25,381**	**25,551**
a) Central Banks	-	-
b) General Governments	-	-
c) Banks	-	-
d) Other financial corporations	15,086	15,096
of which: insurance companies	-	-
e) Non-financial corporations	10,227	10,371
f) Households	68	84
Total	**54,207**	**93,571**

The item "UCITS units" is composed of the following main categories of funds:

- bonds totalling EUR 28,110 thousand;
- stocks totalling EUR 693 thousand.

The decrease compared to the previous year is an expression of the sales carried out in 2023.

Section 3 - Financial assets measured at fair value through profit or loss - Item 30

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

ITEMS/VALUES	Total 31/12/2023			Total 31/12/2022		
	L1	L2	L3	L1	L2	L3
1. DEBT SECURITIES	**923,297**	**-**	**-**	**1,002,520**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	923,297	-	-	1,002,520	-	-
2. EQUITIES	**578**	**-**	**19,552**	**575**	**-**	**13,485**
3. LOANS	**-**	**-**	**-**	**-**	**-**	**-**
Total	**923,875**	**-**	**19,552**	**1,003,094**	**-**	**13,485**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

3.2. Financial assets measured at fair value through other comprehensive income: breakdown by debtors/issuers

ITEMS/VALUES	Total 31/12/2023	Total 31/12/2022
1. DEBT SECURITIES	**923,297**	**1,002,520**
a) Central Banks	-	-
b) General Governments	906,579	987,230
c) Banks	2,321	1,373
d) Other financial corporations	5,037	4,944
of which: insurance companies	-	-
e) Non-financial corporations	9,361	8,972
2. EQUITIES	**20,130**	**14,060**
a) Banks	7,904	7,345
b) Other issuers:	12,226	6,715
- other financial corporations	7,376	1,499
of which: insurance companies	2,500	-
- non-financial corporations	4,850	5,216
- other	-	-
3. LOANS	**-**	**-**
a) Central Banks	-	-
b) General Governments	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations	-	-
f) Households	-	-
Total	**943,427**	**1,016,580**

3.3 Financial assets measured at fair value through other comprehensive income: gross value and writedowns

	Gross value					Writedowns				Total partial write-offs*
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
Debt securities	923,487	-	-	-	-	190	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 31/12/2023	**923,487**	**-**	**-**	**-**	**-**	**190**	**-**	**-**	**-**	**-**
Total 31/12/2022	**1,002,704**	**-**	**-**	**-**	**-**	**184**	**-**	**-**	**-**	**-**

Value to be displayed for information purposes

The division by stage of risk of financial assets measured at fair value through other comprehensive income is applied in compliance with the provisions of the impairment model in application of IFRS 9.

For more detailed information, please refer to Part A – Accounting policies in paragraph "15.5 Methods of recognition of impairment losses" and Part E – "Information on risks and related hedging policies".

Section 4 - Financial assets measured at amortised cost - Item 40

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

TYPE OF TRANSACTIONS/VALUES	Total 31/12/2023					
	Book value			Fair value		
	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired	L1	L2	L3
A. LOANS TO CENTRAL BANKS	**572,557**	**-**	**-**	**-**	**-**	**572,557**
1. Fixed-term deposits	-	-	-	X	X	X
2. Compulsory reserve	572,557	-	-	X	X	X
3. Repos	-	-	-	X	X	X
4. Others	-	-	-	X	X	X
B. LOANS TO BANKS	**11,298,800**	**-**	**-**	**261,359**	**109,090**	**10,943,937**
1. Loans	**10,201,357**	**-**	**-**	**-**	**-**	**10,201,357**
1.1 Current accounts	-	-	-	X	X	X
1.2. Fixed-term deposits	382,303	-	-	X	X	X
1.3. Other loans:	9,819,054	-	-	X	X	X
- Repos receivables	-	-	-	X	X	X
- Financing for leases	-	-	-	X	X	X
- Other	9,819,054	-	-	X	X	X
2. Debt securities	**1,097,442**	**-**	**-**	**261,359**	**109,090**	**742,580**
2.1 Structured securities	-	-	-	-	-	-
2.2 Other debt securities	1,097,442	-	-	261,359	109,090	742,580
Total	**11,871,357**	**-**	**-**	**261,359**	**109,090**	**11,516,494**

Sub-item 1.3 “Other loans: other” contains securitised financing operations of the Affiliated Banks for EUR 9,814,685 thousand. The aforementioned loans are guaranteed by ECB eligible securities offered to the Affiliated Banks as part of the “Collateral Account” service, activated in order to broker the Affiliated Banks themselves not only in relation to the European Central Bank’s refinancing operations, but also in relation to the repo market. In these services, based on the financial guarantee agreements pursuant to Legislative Decree no.170 of 21 May 2004, Cassa Centrale Banca obtained the transfer of legal ownership of eligible securities from the Affiliated Banks. These securities can therefore be used by the Bank to guarantee the participation in the refinancing operations of the European Central Bank and for the stipulation of transactions on the repo market.

Item 2.2 “Other debt securities” includes EUR 712,967 thousand securities issued by the BCCs and subscribed by the Parent Company following the eligible MREL issue. The securities of the BCC subscribed during the year show a nominal amount of EUR 487,400 thousand.

TYPE OF TRANSACTIONS/VALUES	Total 31/12/2022					
	Book value			Fair value		
	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired	L1	L2	L3
A. LOANS TO CENTRAL BANKS	**527,192**	**-**	**-**	**-**	**-**	**527,192**
1. Fixed-term deposits	-	-	-	X	X	X
2. Compulsory reserve	527,192	-	-	X	X	X
3. Repos	-	-	-	X	X	X
4. Others	-	-	-	X	X	X
B. LOANS TO BANKS	**16,416,766**	**-**	**-**	**142,531**	**230,121**	**16,001,268**
1. Loans	**15,796,615**	**-**	**-**	**-**	**-**	**15,796,615**
1.1 Current accounts	-	-	-	X	X	X
1.2. Fixed-term deposits	209,718	-	-	X	X	X
1.3. Other loans:	15,586,897	-	-	X	X	X
1.4 Repos receivables	-	-	-	X	X	X
1.5. Financing for leases	-	-	-	X	X	X
1.6 Other	15,586,897	-	-	X	X	X
2. Debt securities	**620,151**	**-**	**-**	**142,531**	**230,121**	**204,654**
2.1 Structured securities	-	-	-	-	-	-
2.2 Other debt securities	620,151	-	-	142,531	230,121	204,654
Total	**16,943,958**	**-**	**-**	**142,531**	**230,121**	**16,528,461**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

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

TYPE OF TRANSACTIONS/ VALUES	Total 31/12/2023						Total 31/12/2022					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired	L1	L2	L3	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired	L1	L2	L3
1. LOANS	**2,468,721**	**5,634**	**-**	**-**	**-**	**2,494,918**	**2,060,214**	**9,682**	**-**	**-**	**-**	**2,137,331**
1.1. Current accounts	885,807	-	-	X	X	X	659,193	-	-	X	X	X
1.2. Repos receivables	-	-	-	X	X	X	-	-	-	X	X	X
1.3. Mortgage loans	1,422,830	5,634	-	X	X	X	1,294,853	9,682	-	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	-	-	-	X	X	X	-	-	-	X	X	X
1.5. Financing for leases	-	-	-	X	X	X	-	-	-	X	X	X
1.6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7. Other loans	160,085	-	-	X	X	X	106,168	-	-	X	X	X
2. DEBT SECURITIES	**1,974,562**	**-**	**-**	**1,869,605**	**-**	**2,391**	**2,239,451**	**-**	**-**	**2,097,862**	**-**	**3,927**
1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2. Other debt securities	1,974,562	-	-	1,869,605	-	2,391	2,239,451	-	-	2,097,862	-	3,927
Total	**4,443,283**	**5,634**	**-**	**1,869,605**	**-**	**2,496,408**	**4,299,665**	**9,682**	**-**	**2,097,862**	**-**	**2,141,258**

KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

Loans to customers are shown net of value adjustments from write-downs. Impaired assets include the impaired loans, unlikely to pay and past due exposures according to Bank of Italy Circular no. 272 of 30 July 2008 and subsequent updates. Details of these exposures, the amounts and the breakdown of the value adjustments, are shown in Part E of the Explanatory Notes - Credit quality. The fair value of short-term or revocable receivables was conventionally assumed to be equal to the book value.

For impaired positions, the fair value was deemed to be equal to the net book value, on the basis of the considerations set out in Part A, section "A.4 – Information on fair value", to which reference is made.

Performing exposures to customers consisted mainly of mortgage loans, which amounted to EUR 1,422,830 thousand and accounted for approximately 58 % of total loans to customers, current accounts receivable of EUR 885,807 thousand and other loans of EUR 160,085 thousand.

Sub-item 1.7 “Other loans” is formed as follows:

- transactions with Cassa Compensazione e Garanzia for EUR 81,540 thousand;
- fixed-term subsidies for EUR 7,255 thousand;
- subsidies repayable in instalments for EUR 70,995 thousand;
- security deposits in own name for EUR 282 thousand;
- other entries totalling EUR 52 thousand.

Item 2. “Debt securities” includes senior securities related to “third party” securitisation transactions (Lucrezia Securitization) for a carrying amount of EUR 71 thousand and Senior securities from own securitisations (Buonconsiglio 3 and 4) for a carrying amount of EUR 2,050 thousand.

4.3 Financial assets measured at amortised cost: breakdown by debtors/issuers of loans to customers

TYPE OF TRANSACTIONS/VALUES	Total 31/12/2023			Total 31/12/2022		
	Stage 1 and 2	Stage 3	Impaired assets acquired or originated	Stage 1 and 2	Stage 3	Impaired assets acquired or originated
1. DEBT SECURITIES	**1,974,562**	**-**	**-**	**2,239,451**	**-**	**-**
a) General Governments	1,972,440	-	-	2,235,825	-	-
b) Other financial corporations	2,122	-	-	3,626	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial corporations	-	-	-	-	-	-
2. LOANS TO:	**2,468,721**	**5,634**	**-**	**2,060,214**	**9,682**	**-**
a) General Governments	22,272	-	-	25,968	-	-
b) Other financial corporations	1,346,567	-	-	1,049,852	-	-
of which: insurance companies	55,946	-	-	-	-	-
c) Non-financial corporations	1,058,925	5,634	-	943,824	9,408	-
d) Households	40,957	-	-	40,569	275	-
Total	**4,443,283**	**5,634**	**-**	**4,299,665**	**9,682**	**-**

4.4 Financial assets measured at amortised cost: gross value and writedowns

	Gross value					Writedowns				Total partial write-offs*
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
Debt securities	3,072,813	-	791	-	-	880	720	-	-	-
Loans	13,047,833	-	230,311	25,988	892	18,079	17,429	20,354	892	4,813
Total 31/12/2023	**16,120,646**	**-**	**231,102**	**25,988**	**892**	**18,959**	**18,149**	**20,354**	**892**	**4,813**
Total 31/12/2022	**21,086,485**	**-**	**208,239**	**37,072**	**-**	**35,845**	**15,257**	**27,390**	**-**	**4,851**

Value to be displayed for information purposes

The division by stage of risk of financial assets measured at amortised cost is applied in compliance with the provisions of the impairment model in application of IFRS 9.

For more detailed information on the impairment model, please refer to Part A – Accounting policies in paragraph "15.5 Methods of recognition of impairment losses" and Part E – Information on risks and related hedging policies.

At 31 December 2023, existing loans that constitute new liquidity granted through public guarantee mechanisms issued in the context of COVID-19 amounted to a total of EUR 144,584 thousand and are broken down as follows.

	Gross value					Writedowns				Total partial write-offs*
	Stage 1	of which: Instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
Newly originated loans	130,452	-	13,759	4,485	-	1,962	1,160	990	0	-
Total 31/12/2023	**130,452**	**-**	**13,759**	**4,485**	**-**	**1,962**	**1,160**	**990**	**-**	**-**
Total 31/12/2022	**167,310**	**-**	**19,982**	**9,164**	**-**	**3,938**	**1,801**	**1,435**	**-**	**-**

Value to be displayed for information purposes

Section 5 - Hedging derivatives - Item 50

At the reporting date of these financial statements, the Bank had no active hedging transactions.

Section 6 - Fair value change of financial assets in hedged portfolios - Item 60

At the end of the reporting period, there are no financial assets subject to macro-hedging. This section does not contain any evaluation and is therefore omitted.

Section 7 - Equity investments - Item 70

7.1 Equity investments: information on type of relationship

NAME	Registered office	Operating headquarters	% interest	% Votes available
A. WHOLLY-OWNED SUBSIDIARIES				
Assicura Agenzia S.r.l.	Udine	Udine	100.00%	100.00%
Centrale Soluzioni Immobiliari S.r.l.	Trento	Trento	100.00%	100.00%
Nord Est Asset Management S.A.	Luxembourg	Luxembourg	100.00%	100.00%
Claris Leasing S.p.A.	Treviso	Treviso	100.00%	100.00%
Allitude S.p.A.	Trento	Trento	96.70%	96.70%
Prestipay	Udine	Udine	100.00%	100.00%
B. JOINTLY CONTROLLED COMPANIES				
Casse Rurali Raiffeisen Finanziaria S.p.A. in liquidazione	Bolzano	Bolzano	50.00%	50.00%
C. COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE				
Centrale Trading S.r.l.	Trento	Trento	42.50%	42.50%
Servizi e finanza Friuli Venezia Giulia S.r.l.	Udine	Udine	26.99%	26.99%
Partecipazioni cooperative S.r.l.	Trento	Trento	13.92%	13.92%
Scouting S.p.A.	Bellaria Igea Marina	Bellaria Igea Marina	8.26%	8.26%
Cabel Holding S.p.A.	Empoli	Empoli	7.66%	7.66%
Finanziaria Trentina della cooperazione S.p.A.	Trento	Trento	4.08%	4.08%

7.2 Significant equity investments: book value, fair value and dividends received

This information is included in the section with the same heading in the Consolidated Explanatory Notes.

7.3 Significant equity investments: accounting information

This information is included in the section with the same heading in the Consolidated Explanatory Notes.

7.4 Non significant equity investments: accounting information

This information is included in the section with the same heading in the Consolidated Explanatory Notes.

7.5 Equity investments: annual changes

	Total 31/12/2023	Total 31/12/2022
A. OPENING BALANCES	**242,489**	**255,104**
B. INCREASES	**18,242**	**5,285**
B.1 Purchases	18,242	5,235
B.2 Write-backs	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	50
C. DECREASES	**5,084**	**17,900**
C.1 Sales	108	-
C.2 Value adjustments	4,976	17,800
C.3 Write-downs	-	-
C.4 Other changes	-	100
D. CLOSING BALANCES	**255,647**	**242,489**
E. TOTAL REVALUATIONS	**-**	**-**
F. TOTAL ADJUSTMENTS	**-**	**-**

The main changes in equity investments during the current year with reference to the item “Equity investments” are summarised below.

In sub-item B.1 Purchases, the amount of EUR 18,242 thousand refers to the purchase of the residual 40% stake held by Deutsche Bank in Prestipay S.p.A..

The amount in sub-item "C.2 Value adjustments" includes the effects arising from the review, following the impairment test exercise, of the value of equity investments in:

- Allitude S.p.A. for EUR 2,406 thousand;
- Casse Rurali Raiffeisen Finanziaria S.p.A. in liquidazione of EUR 2,100 thousand;
- Cabel Holding S.p.A. for EUR 78 thousand;

and the effect of the liquidation of the company Centrale Casa S.r.l. for EUR 392 thousand.

As required by IAS/IFRS, investments are subject to an impairment test to verify whether there is objective evidence that the carrying amount of the assets in question is not fully recoverable. For investments recognised in the separate financial statements, the process for recognising any impairment involves checking for impairment indicators and the determination of any writedown.

With the exception of the value adjustments on the aforesaid investments in Allitude, Casse Rurali Raiffeisen Finanziaria S.p.A. in liquidazione and Cabel Holding, which were recognised in the income statement of the Bank, no further impairment losses on other investments recognised in the financial statements of Cassa Centrale Banca were found.

The company Centrale Casa S.r.l. was liquidated during the year, so the equity investment in this company has ended.

7.6 Commitments referring to equity investments in subsidiaries under joint control

At the reporting date of these financial statements, there are no equity investments in jointly controlled companies.

7.7 Commitments referring to equity investments in companies subject to a significant influence

At the reporting date of these financial statements, there are no equity investments in companies subject to a significant influence.

7.8 Significant restrictions

There are no significant restrictions on the ability of joint ventures or associates to transfer funds to the entity in the form of dividends, loan repayments or advances made by the entity.

Additionally, it should be noted that for Casse Rurali Raiffeisen Finanziaria S.p.A. in liquidation, the jointly controlled company, the liquidation process began in April 2023.

7.9 Other information

The recoverable value of the equity investment in Allitude S.p.A., a company that now generates most of its revenues through the provision of services to the banks belonging to the CCB Group, and thus is substantially "captive", corresponds to the pro-rata amount of the equity of that company.

On the basis of the above information, the carrying amount of the equity investment was higher than the corresponding pro-rata amount of the Allitude equity and, therefore, the related trigger event was activated.

As a result, it became necessary to align the carrying amount of the equity investment to the value shown above, accounting for a write-down of approximately EUR 2.4 million.

With reference to the equity investment held by Cassa Centrale in Cassa Rurale Raiffesein Finanziaria S.p.A., at 31 December 2023, given the continuation of the liquidation procedure beyond the time frames originally envisaged, a write-down in that equity investment was accounted for amounting to EUR 2.1 million, aligning the carrying amount to the prospective equity estimated at the presumed date of liquidation.

Section 8 - Tangible assets - Item 80

8.1 Tangible assets for business use: breakdown of the assets measured at cost

ASSETS/VALUES	Total 31/12/2023	Total 31/12/2022
1. ASSETS OWNED	**14,124**	**11,994**
a) land	4,239	3,665
b) buildings	7,199	5,438
c) furniture	1,319	1,293
d) electronic systems	595	802
e) other	773	796
2. RIGHTS OF USE ACQUIRED THROUGH LEASE	**11,711**	**10,429**
a) land	-	-
b) buildings	10,407	10,009
c) furniture	-	-
d) electronic systems	-	-
e) other	1,305	419
Total	**25,835**	**22,422**
of which: obtained through the enforcement of guarantees received	-	-

For information on operating leases, please refer to the table in this Section 8.6bis - Right-of-Use Assets.

8.2 Tangible assets held for investment purposes: breakdown of the assets measured at cost

There are no tangible assets held for investment purposes measured at cost.

8.3 Tangible assets for business use: breakdown of the revalued assets

There are no revalued tangible assets for business use.

8.4 Tangible assets held for investment purposes: breakdown of the assets designated at fair value

There are no tangible assets held for investment purposes measured at fair value.

8.5 Inventories of tangible assets disciplined by IAS 2: breakdown

There are no tangible assets disciplined by IAS 2.

8.6 Tangible assets for business use: annual changes

	Land	Buildings	Furniture	Electronic systems	Other	Total
A. GROSS OPENING BALANCES	**3,665**	**27,634**	**7,125**	**7,102**	**8,169**	**53,695**
A.1 Total net impairment	-	12,187	5,832	6,300	6,954	31,273
A.2 NET OPENING BALANCES	**3,665**	**15,448**	**1,293**	**802**	**1,215**	**22,422**
B. INCREASES:	**573**	**3,929**	**296**	**194**	**1,607**	**6,599**
B.1 Purchases	573	2,217	296	194	102	3,382
- of which business combinations	-	-	-	-	-	-
B.2 Expenditures for capitalised improvements	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	22	22
B.4 Positive fair value changes charged to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Transfers from properties held for investment purposes	-	-	X	X	X	-
B.7 Other changes	-	1,712	-	-	1,483	3,194
C. DECREASES:	**-**	**1,771**	**270**	**401**	**743**	**3,186**
C.1 Sales	-	-	-	-	12	12
- of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	1,771	270	401	730	3,173
C.3 Impairment losses charged to:	-	-	-	-	1	1
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	1	1
C.4 Negative fair value changes charged to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-

	Land	Buildings	Furniture	Electronic systems	Other	Total
C.6 Transfers to:	-	-	-	-	-	-
a) tangible assets held for investment purposes	-	-	X	X	X	-
b) non-current assets and groups of assets held for disposal	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
D. NET CLOSING BALANCES	**4,239**	**17,606**	**1,319**	**595**	**2,078**	**25,835**
D.1 Total net impairment	-	13,962	6,103	6,700	7,043	33,808
D.2 GROSS CLOSING BALANCES	**4,239**	**31,568**	**7,421**	**7,295**	**9,121**	**59,643**
E. Valuation at cost	-	-	-	-	-	-

The item "E. Valuation at cost" is not measured since its compilation is only set for tangible assets measured at fair value in the financial statements, not held by the Bank.

For the purpose of determining the useful life of the various categories of assets and the corresponding depreciation rates, tangible assets are depreciated on the basis of the following rates:

CATEGORY	Class	Rate
REAL ESTATE	Buildings	3%
	Land	0%
FURNITURE AND FURNISHINGS	Furniture	15%
	Laminate walls and cladding	8%
	Ordinary office furniture and machines	12%
ELECTRONIC SYSTEMS	Electrical office machines / computers	20%
OTHER	Alarm systems	30%
	Communication equipment/Telephony	25%
	Plumbing	10%
	Electrical system	10%
	Armoured counters	20%
	Machinery and equipment	15%
	Cars, motorbikes and similar	25%
	Lifting equipment and means	7.5%

It should be noted that for assets falling within the scope of IFRS16, the ROU amortisation schedule is determined on the basis of the contractual arrangements in the lease agreement.

Below are the annual changes in the rights of use acquired through lease.

8.6 bis Assets by right of use

	Branches	Cars	Land	Real estate for employees	Offices	Warehouses and other areas	Equipment	Others	Buildings	Total 31/12/2023
NET OPENING BALANCES	**-**	**419**	**-**	**67**	**9,780**	**42**	**-**	**120**	**-**	**10,429**
Increases	-	1,276	-	-	1,712	196	-	10	-	**3,194**
Decreases in historical cost	-	(943)	-	-	-	-	-	-	-	**(943)**
Decreases in the provision for depreciation	-	931	-	-	-	-	-	-	-	**931**
Depreciation/amortisation	-	(378)	-	(23)	(1,464)	(20)	-	(13)	-	**(1,899)**
Impairment	-	-	-	-	-	-	-	-	-	**-**
NET CLOSING BALANCES	**-**	**1,305**	**-**	**43**	**10,028**	**218**	**-**	**117**	**-**	**11,711**

The item "Increases" includes rights of use relating to contracts signed during the period. Changes in assets per right of use due to contractual changes are recorded under "Increases" and "Decreases".

At the end of the reporting period, the Bank had not entered into leaseback transactions.

8.7 Tangible assets held for investment purposes: annual changes

There are no tangible assets held for investment purposes.

8.8 Inventories of tangible assets disciplined by IAS 2: annual changes

At the end of the reporting period, there were no such circumstances.

8.9 Commitments for tangible asset purchases

As required by paragraph 74, letter c) of IAS 16, the contractual commitments for the purpose of tangible assets at the reporting date of these financial statements are summarised below.

On 28 December 2023, an office lease agreement on an important building located in Milan, named "Feltrinelli Porta Volta", was signed between Cassa Centrale and COIMA SGR S.p.A. as management company. The lease will take effect in July 2024 and is subject to inspection restrictions which will be carried out in the first half of 2024. The lease agreement will have an initial duration of 8 years and contains an automatic renewal clause for an additional period of 6 years.

In accordance with the accounting methods provided for by accounting standard IFRS16, it should be noted that the lease agreement will involve the signing of a Right of Use and related Lease Liability for an overall countervalue estimated to be around EUR 23,000 thousand.

Section 9 - Intangible assets - Item 90

9.1 Intangible assets: breakdown by type of asset

ASSETS/VALUES	Total 31/12/2023		Total 31/12/2022	
	Definite useful life	Indefinite useful life	Definite useful life	Indefinite useful life
A.1 GOODWILL	**X**	**-**	**X**	**-**
A.2 OTHER INTANGIBLE ASSETS	**137**	**-**	**334**	**-**
of which: software	27	-	67	-
A.2.1 Assets measured at cost:	137	-	334	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	137	-	334	-
A.2.2 Assets designated at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**137**	**-**	**334**	**-**

All the Bank's intangible assets are measured at cost.

In compliance with the relevant accounting regulations:

- no amortisation has been calculated for intangible assets with an indefinite useful life;
- the amortisation rates for software are 33.3%.

No internally generated intangible assets were posted.

9.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		DEF	INDEF	DEF	INDEF	
A. OPENING BALANCES	**-**	**-**	**-**	**11,181**	**-**	**11,181**
A.1 Total net impairment	-	-	-	10,847	-	10,847
A.2 NET OPENING BALANCES	**-**	**-**	**-**	**334**	**-**	**334**
B. INCREASES	**-**	**-**	**-**	**101**	**-**	**101**
B.1 Purchases	-	-	-	101	-	101
B.2 Increase in internal intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive fair value changes:	-	-	-	-	-	-
- to equity	X	-	-	-	-	-
- to income statement	X	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. DECREASES	**-**	**-**	**-**	**299**	**-**	**299**
C.1 Sales	-	-	-	88	-	88
C.2 Value adjustments	-	-	-	211	-	211
- Depreciation/amortisation	X	-	-	211	-	211
- Write-downs:	-	-	-	-	-	-
- equity	X	-	-	-	-	-
- income statement	-	-	-	-	-	-
C.3 Negative fair value changes:	-	-	-	-	-	-
- to equity	X	-	-	-	-	-
- to income statement	X	-	-	-	-	-
C.4 Transfers to non-current assets held for disposal	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. NET CLOSING BALANCES	**-**	**-**	**-**	**137**	**-**	**137**
D.1 Total net value adjustments	-	-	-	10,198	-	10,198
E. GROSS CLOSING BALANCES	**-**	**-**	**-**	**10,334**	**-**	**10,334**
F. Valuation at cost	-	-	-	-	-	-

KEY:

DEF = with definite useful life

INDEF = with indefinite useful life

The intangible assets described were entirely acquired externally and measured at cost.

The sub-item “F. Valuation at cost” is not measured since its compilation is only set for intangible assets measured at fair value in the financial statements.

For the purpose of determining the useful life of the various categories of assets and the corresponding depreciation rates, intangible assets with a definite useful life are depreciated on the basis of the following rates:

CATEGORY	Class	Rate
MULTI-YEAR CHARGES	Other multi-year charges	20%
	Multi-year advertising	33%
OTHER INTANGIBLE ASSETS	Maintenance costs to be amortised	20%
	Improvements on third-party assets	20%
	Edp procedures	33%

9.3 Intangible assets: other information

In accordance with the requirements of IAS 38, it should be noted that the Bank does not have any:

- impediments to the distribution to shareholders of capital gains on revalued intangible assets, see IAS 38, paragraph 124, letter b);
- established intangible assets to secure its debts, see IAS 38, paragraph 122, letter d);
- outstanding intangible assets acquired by government concession, see IAS 38, paragraph 122, letter c);
- commitments to purchase intangible assets, see IAS 38, paragraph 122, letter e);
- outstanding intangible assets subject to lease operations;
- outstanding allocation of goodwill among the various cash generating units, see IAS 36, paragraph 134, letter a).

Section 10 - Tax assets and tax liabilities - Item 100 of assets and item 60 of liabilities

10.1 Deferred tax assets: breakdown

THROUGH THE INCOME STATEMENT	31/12/2023			31/12/2022		
	IRES	IRAP	TOTAL	IRES	IRAP	TOTAL
Loans	11,145	987	12,132	11,899	1,471	13,370
Tangible fixed assets	-	-	-	-	-	-
Provisions for risks and charges	6,848	1,035	7,883	6,575	907	7,482
Tax losses	-	-	-	-	-	-
Administrative expenses	37	-	37	44	-	44
Other items	-	-	-	-	-	-
Total	**18,030**	**2,022**	**20,053**	**18,518**	**2,378**	**20,896**

THROUGH EQUITY	31/12/2023			31/12/2022		
	IRES	IRAP	TOTAL	IRES	IRAP	TOTAL
Negative reserves for HTCS financial assets	3,730	852	4,582	7,727	1,664	9,391
Severance indemnity	29	-	29	-	-	-
Other items	-	-	-	-	-	-
Total	**3,758**	**852**	**4,611**	**7,727**	**1,664**	**9,391**

The item "Loans" in the table above shows Deferred Tax Assets (or "DTA") mainly relating to:

- write-downs and losses on loans to customers not yet deducted from taxable income pursuant to paragraph 3 of art.106 of the Consolidated Income Tax Act (TUIR) and art. 6, paragraph 1, letter c-bis) of IRAP Decree no. 446/1997 that may be converted into a tax credit, regardless of the future profitability of the company, both in the event of statutory loss and IRES tax loss or negative IRAP value of production pursuant to Law no. 214 of 22 December 2011 (known as Qualified DTAs) of EUR 11,712 thousand (of which DTA from conversion of tax loss for EUR 3,529 thousand). Art. 1, paragraphs 49-51 of Law no. 213 of 30 December 2023 restructures the multi-year plan for the recovery of value adjustments on loans already not deducted as at 31 December 2015, with reference to financial years after 2023. This plan is also associated with the review of the time frame for cancellation of the related deferred taxes. This new development will generate an effect from 2024 and, therefore, the annual financial statements are not affected by the change to the recovery plan;

- adjustments from the expected credit loss (ECL) model in IFRS 9 FTA on loans to banks that cannot be converted into a tax credit and can therefore only be recognised in the presence of probable and sufficient future taxable income of EUR 420 thousand (Article 1, paragraphs 1067-1069, Law no. 145 of 30 December 2018). Advance taxes, where recognised, correspond to the future benefit relating to the deductibility in subsequent years of the reserve for first-time application of IFRS 9 relating to expected losses recognised on loans to customers.

In addition, it should be noted that the tax regulations relating to the convertibility of advance taxes relating to adjustments to loans and intangible assets into tax credits, in giving “certainty” to the recovery of qualified DTAs, affect the “probability test” provided for by IAS 12, making it automatically satisfied for this particular type.

Deferred tax assets as a contra-entry to equity refer to negative valuations of financial assets measured at fair value through other comprehensive income. These changes have a contra-entry in the valuation reserve for financial assets measured at fair value through other comprehensive income.

10.2 Deferred tax liabilities: breakdown

THROUGH THE INCOME STATEMENT	31/12/2023			31/12/2022		
	IRES	IRAP	TOTAL	IRES	IRAP	TOTAL
Tangible fixed assets	-	-	-	-	-	-
Capital gains by instalments	-	-	-	-	-	-
Other items	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

THROUGH EQUITY	31/12/2023			31/12/2022		
	IRES	IRAP	TOTAL	IRES	IRAP	TOTAL
Positive reserves for HTCS financial assets	96	240	336	305	93	397
Other items	-	-	-	-	-	-
Total	**96**	**240**	**336**	**305**	**93**	**397**

Deferred taxes as a contra-entry to equity refer to revaluations of financial assets measured at fair value through other comprehensive income. These changes have a contra-entry in the valuation reserve for financial assets measured at fair value through other comprehensive income

10.3 Changes in advance taxes (through the income statement)

	Total 31/12/2023	Total 31/12/2022
1. OPENING AMOUNT	**20,896**	**22,902**
2. INCREASES	**3,931**	**592**
2.1 Advance taxes recorded in the year	3,931	592
a) relating to previous years	-	-
b) due to changed accounting criteria	-	-
c) write-backs	-	-
d) other	3,931	592
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. DECREASES	**4,775**	**2,597**
3.1 Advance taxes cancelled in the year	4,775	2,590
a) reversals	4,775	2,590
b) write-downs for uncollectable amounts	-	-
c) changed accounting criteria	-	-
d) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	7
a) conversion into tax credits under Law no. 214/2011	-	7
b) other	-	-
4. CLOSING AMOUNT	**20,053**	**20,896**

The deferred tax assets recognised in the income statement during the year, amounting to EUR 20,053 thousand, derive mainly from the recognition of the following deferred tax assets referring to:

- loans Law no. 214/2011;
- loans to banks;
- DTA from conversion of tax loss;
- non-deductible provisions for risks and expenses;
- administrative expenses.

The decreases in advance taxes mainly include the discharge of their balance prior to the end of the reporting period.

10.3 bis Changes in advance taxes according to Law no. 214/2011

	Total 31/12/2023	Total 31/12/2022
1. OPENING AMOUNT	**12,196**	**14,053**
2. INCREASES	**3,529**	**-**
3. DECREASES	**4,013**	**1,857**
3.1 Reversals	4,013	1,851
3.2 Transformation into tax credits	-	7
a) deriving from losses for the year	-	-
b) deriving from tax losses	-	7
3.3 Other decreases	-	-
4. CLOSING AMOUNT	**11,712**	**12,196**

Table 10.3 bis shows changes in advanced taxes recognised on value adjustments of receivables from customers pursuant to Law no. 214/2011, including those relating to the transformation of tax losses/negative value of production due to the reversal pursuant to Law no. 214/2011 of write-downs of loan not deducted until 2015.

Article 2, paragraphs 56-bis to 56-bis1 of the Decree provides that, in the event of an IRES tax loss and/or a negative value of production for IRAP generated from value adjustments of loans to customers (and goodwill, if any) pursuant to Law no. 214/2011, the deferred tax assets recognised in the financial statements are converted into a tax credit. The transformation starts from the date of filing of the tax return in which the tax loss is recognised or from the date of filing of the IRAP return in which the negative net production value is realised, respectively.

10.4 Changes in deferred taxes (through the income statement)

During the year, and in the previous year, no changes were recorded with respect to the zero balance at the start of the period.

10.5 Changes in advance taxes (through Equity)

	Total 31/12/2023	Total 31/12/2022
1. OPENING AMOUNT	**9,391**	**2,549**
2. INCREASES	**29**	**7,360**
2.1 Advance taxes recorded in the year	29	7,360
a) relating to previous years	-	-
b) due to changed accounting criteria	-	-
c) other	29	7,360
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. DECREASES	**4,809**	**517**
3.1 Advance taxes cancelled in the year	4,809	517
a) reversals	4,809	517
b) write-downs for uncollectable amounts	-	-
c) due to changed accounting criteria	-	-
d) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. CLOSING AMOUNT	**4,611**	**9,391**

Deferred taxes recorded in the year for EUR 4,611 thousand mainly refer to:

- write-downs of financial assets measured at fair value through other comprehensive income. These changes have a contra-entry in the valuation reserve for financial assets measured at fair value through other comprehensive income;
- adjustment of the actual gain and losses reserve of the severance indemnity provision recognised as per IAS19.

10.6 Changes in deferred taxes (through Equity)

	Total 31/12/2023	Total 31/12/2022
1. OPENING AMOUNT	**397**	**1,126**
2. INCREASES	**148**	**-**
2.1 Deferred taxes recorded in the year	148	-
a) relating to previous years	-	-
b) due to changed accounting criteria	-	-
c) other	148	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. DECREASES	**209**	**729**
3.1 Deferred taxes cancelled in the year	209	729
a) reversals	209	729
b) due to changed accounting criteria	-	-
c) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. CLOSING AMOUNT	**336**	**397**

Deferred taxes recorded in the year for EUR 336 thousand refer mainly to positive valuations of financial assets measured at fair value through other comprehensive income. These changes have a contra-entry in the valuation reserve for financial assets measured at fair value through other comprehensive income.

10.7 Other information

BREAKDOWN OF CURRENT TAXES	IRES	IRAP	Other	Total
Current tax liabilities	(9,159)	(2,580)	-	**(11,739)**
Advances paid/tax credits	14,552	2,717	-	**17,269**
Withholding taxes incurred	1,031	-	-	**1,031**
Other tax credits	-	-	-	**-**
Tax credits under Law no. 214/2011	-	-	25	**25**
TOTAL BREAKDOWN OF CURRENT TAXES	**6,424**	**137**	**25**	**6,586**
of which debt balance of item 60 a) of liabilities	**(4,646)**	**-**	**-**	**(4,646)**
of which credit balance of item 100 a) of assets	**11,070**	**137**	**25**	**11,233**
Tax credits that cannot be offset: capital portion	59	7	-	**66**
Tax credits that cannot be offset: interest portion	-	-	-	**-**
of which credit balance of item 100 a) of assets	**11,130**	**144**	**25**	**11,298**

With regard to the Bank's tax position, for the financial years not yet prescribed, there have been no assessment notices received to date.

Information on the deferred tax assets probability test

IAS 12 requires that tax liabilities and tax assets be recognised on the basis of the following criteria:

- a deferred tax liability must be recognised for all taxable temporary differences;
- a deferred tax asset must be recognised for all deductible temporary differences if it is probable that a sufficient taxable income will be generated compared to the deductible temporary differences.

As known, tax assets are measured at the tax rates that are expected to be applicable in the year in which they arise. They are periodically tested to determine the degree of recoverability and level of the applicable tax rates, as well as whether assets not recognised or derecognised due to lack of requirements in previous years should be reassessed.

To this end, note that a 3.5% IRES surtax has been applied to banks since 2017, resulting in a total IRES rate of 27.5% for the banking sector only.

At the reporting date, deferred tax assets recognised by the bank under item "100 Tax assets b) deferred" totalled EUR 24,663 thousand and mainly refer to the following generating events:

- excess value adjustments of loans pursuant to art. 106, paragraph 3, TUIR of EUR 11,711 thousand (of which EUR 987 thousand recognised for IRAP purposes);
- allocations and non-deductible expenses for reasons of competence, pursuant to the TUIR, of EUR 8,341 thousand;
- write-downs of securities in the FVOCI portfolio and actual gain reserve on the provision for severance indemnity of EUR 4,610 thousand (in addition to EUR 336 thousand of deferred taxes).

In carrying out the Probability Test on deferred tax assets recognised in income statement to the financial statements, those deriving from deductible temporary differences related to writedowns and credit losses (known as qualified deferred tax assets – Law no. 214/2011), amounting to EUR 11,711 thousand, of which EUR 3,529 thousand for DTA from conversion of tax loss, were separately considered.

Starting from the tax period ended 31 December 2011, deferred tax assets (IRES) recorded in the financial statements are converted into tax credits upon the realisation of operating losses, as well as upon the realisation of tax losses deriving from the deferred deduction of temporary differences relating to the aforementioned adjustments to the value of loans to customers (Article 2, paragraph 56-bis of Decree Law no. 225 of 29 December 2010, introduced by Art. 9 of Decree Law no. 201 of 6 December 2011). Starting from the 2013 tax year, a similar conversion is established, if the IRAP return shows a negative net value of production, related to the deferred tax assets (IRAP) referring to the aforementioned temporary differences that contributed to the determination of the negative net value of production (art. 2, paragraph 56-bis.1, Decree Law no. 225 of 29 December 2010, introduced by Law no. 147/2013).

The convertibility of deferred tax assets on IRES tax losses and on the negative net value of production for IRAP purposes, determined by qualified temporary differences, is therefore a sufficient condition for recognising these deferred tax assets in the financial statements, implicitly making the relative Probability Test passed.

On the basis of these assumptions, the Bank identified deferred tax assets, other than the qualified ones, which, together with the deferred tax liabilities recognised in the financial statements, were distinguished for IRES and IRAP purposes by type and foreseeable timing of reabsorption and quantified a forecast of future profitability, aimed at checking the capacity to absorb them.

The analysis carried out showed that, at both the IRES and IRAP levels, the income prospects of Cassa Centrale Banca are such as to allow the full recovery of the recognised DTAs in the future.

Section 11 - Non-current assets and groups of assets held for disposal and associated liabilities - Item 110 of assets and item 70 of liabilities

11.1 Non-current assets and groups of assets held for disposal: breakdown by type of asset

At the reporting date of these financial statements, there are no non-current assets and groups of assets held for disposal or related associated liabilities.

11.2 Other information

At the end of the reporting period there is no significant additional information.

Section 12 - Other assets - Item 120

12.1 Other assets: breakdown

ITEMS	Total 31/12/2023	Total 31/12/2022
Tax receivables from tax authorities and other tax bodies	197,930	151,166
Cheques to be settled at the Clearing House or with Associates	-	-
Transit accounts - other	-	-
Accounts to be processed	146,321	264,439
Adjustments for illiquid items in the portfolio	15,122	-
Other debtors for security transactions	457	169
Customers and revenues to be collected	14,955	12,200
Prepayments and accrued income not capitalised	5,242	1,673
Improvement and enhancement expenses on non-separable third-party assets	394	411
Advances to suppliers	1,211	924
Intrinsic value of securities transactions and exchanges to be settled	32	17
Other lenders	61,748	46,575
Total	**443,413**	**477,574**

The item "Tax receivables from tax authorities and other tax bodies" as at 31 December 2023 includes tax credits, recorded pursuant to Law no. 77 of 17 July 2020 "Tax Bonus", for a value of EUR 156,465 thousand.

The sub-item " Accounts to be processed" refers mainly to the positive balance of electronic flows related to transactions not settled yet by Cassa Centrale Banca on behalf of Affiliated Banks by and towards the interbanking system.

The sub-item "Value adjustments for illiquid items in the portfolio" shows the imbalance between the debt adjustments and the credit adjustments of the portfolio "subject to successful payment".

The sub-item "Other lenders" mainly includes the contra-entry of revenue for services rendered, by the BCCs, recorded on an accrual basis during the year but not yet collected for EUR 49,101 thousand and VAT receivables from VAT Group participants for EUR 1,213 thousand.

At the end of the reporting period, the Bank did not present any significant amounts in relation to assets arising from contracts with customers in accordance with IFRS 15, paragraphs 116, letter a), 118, 120 and 128, in particular.

Liabilities

Section 1 - Financial liabilities measured at amortised cost - Item 10

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

TYPE OF TRANSACTIONS/VALUES	Total 31/12/2023				Total 31/12/2022			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
1. DUE TO CENTRAL BANKS	**9,435,594**	**X**	**X**	**X**	**14,459,968**	**X**	**X**	**X**
2. DUE TO BANKS	**3,711,342**	**X**	**X**	**X**	**4,292,473**	**X**	**X**	**X**
2.1 Current accounts and deposits on demand	2,652,176	X	X	X	2,704,436	X	X	X
2.2 Fixed-term deposits	938,273	X	X	X	1,111,551	X	X	X
2.3 Loans	119,908	X	X	X	475,642	X	X	X
2.3.1 Repos payables	119,908	X	X	X	475,642	X	X	X
2.3.2 Others	-	X	X	X	-	X	X	X
2.4 Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Payables for leases	401	X	X	X	309	X	X	X
2.6 Other payables	585	X	X	X	534	X	X	X
Total	**13,146,935**	**-**	**-**	**13,146,935**	**18,752,440**	**-**	**-**	**18,752,440**

KEY:

BV = Book value

L1 = Level 1

L2 = Level 2

L3 = Level 3

The fair value valuation of the financial liabilities measured at amortised cost (debt securities in issue), included only for the purpose of fulfilling reporting requirements, is broken down into levels pursuant to the requirements set forth in IFRS 13 and depending on the characteristics and significance of the inputs used in the valuation process. For more details, please refer to Part A - Accounting policies, A.4 - Information on fair value in the Explanatory Notes.

The item “1. Due to Central Banks” consists of refinancing operations with the ECB, characterised by different maturities and with rates applied to the individual credit lines equal to those established by the ECB. For detailed information on TLTRO-III loan transactions, please refer to Part, Section 4.

Intermediation of refinancing operations with the ECB and securitised financing operations of Affiliated Banks and customers as part of the Collateral Account service decreased to EUR 9,436 million at the end of 2023, compared to EUR 14,460 million at the end of 2022.

The sub-item "6. Other payables" mainly includes credit card and cheque debts.

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

TYPE OF TRANSACTIONS/VALUES	Total 31/12/2023				Total 31/12/2022			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and deposits on demand	585,933	X	X	X	821,500	X	X	X
2. Fixed-term deposits	47,061	X	X	X	43,161	X	X	X
3. Loans	1,599,692	X	X	X	1,277,965	X	X	X
3.1 Repos payables	1,595,129	X	X	X	1,273,898	X	X	X
3.2 Other	4,563	X	X	X	4,066	X	X	X
4. Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Payables for leases	11,634	X	X	X	10,421	X	X	X
6. Other payables	394,960	X	X	X	432,046	X	X	X
Total	**2,639,279**	**-**	**-**	**2,639,279**	**2,585,092**	**-**	**-**	**2,585,092**

KEY:

BV = Book value

L1 = Level 1

L2 = Level 2

L3 = Level 3

The sub-item "3.1 Repo payables" refers mainly to transactions carried out by the Bank with Cassa Compensazione e Garanzia for approximately EUR 1,595 million, in partial replacement of the ECB maturing/redeeming refinancing operations.

The sub-item "6. Other debt securities" includes:

- outstanding balances on prepaid cards in circulation issued by the Bank for EUR 146,291 thousand;
- value of banker's drafts in circulation issued by the Bank for EUR 248,668 thousand.

1.3 Financial liabilities measured at amortised cost: breakdown by category of debt securities in issue

TYPE OF SECURITIES/VALUES	Total 31/12/2023				Total 31/12/2022			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
A. SECURITIES								
1. bonds	727,236	544,366	203,103	-	203,061	-	-	203,061
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	727,236	544,366	203,103	-	203,061	-	-	203,061
2. other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	**727,236**	**544,366**	**203,103**	**-**	**203,061**	**-**	**-**	**203,061**

KEY:

BV = Book value

L1 = Level 1

L2 = Level 2

L3 = Level 3

Sub-item "A.1.1.2 Bonds – Other" includes securities issued and measured at amortised cost for EUR 727,236 thousand. The securities were issued to comply with the minimum requirement of eligible liabilities (MREL) at consolidated level for Cassa Centrale Banca and at individual level for the affiliated banks identified as relevant entities by the relevant legislation in the 2021 resolution cycle, communicated by the SRB (Single Resolution Body). For more details, please refer to the report on operations.

The fair value valuation of the debt securities in issue in the table above, presented solely for the purpose of fulfilling reporting requirements, is broken down into levels pursuant to the requirements set forth in IFRS 13 and depending on the characteristics and significance of the inputs used in the valuation process.

For more details, please refer to Part A - Accounting policies, A.4 - Information on fair value in the Explanatory Notes.

1.4 Details of subordinated debts/securities

At the end of the reporting period, there are no subordinated relationships.

1.5 Details of structured debts

At the end of the reporting period, there are no structured debts.

1.6 Payables for leases

	Branches	Cars	Land	Real estate for employees	Offices	Warehouses and other areas	Equipment	Others	Buildings	Total
OPENING BALANCES	**-**	**415**	**-**	**67**	**10,084**	**43**	**-**	**122**	**-**	**10,730**
New contracts	-	1,277	-	-	1,015	196	-	-	-	**2,488**
Repayments	-	(365)	-	(23)	(1,435)	(20)	-	(12)	-	**(1,856)**
Other non-monetary movements*	-	(2)	-	-	697	-	-	10	-	**705**
Terminated contracts for modification/revaluation	-	(33)	-	-	-	-	-	-	-	**(33)**
CLOSING BALANCES	**-**	**1,292**	**-**	**43**	**10,361**	**219**	**-**	**120**	**-**	**12,035**

*Includes increments for indexing

The item "New contracts" includes the lease liability relating to contracts signed into during the period. Changes in the financial lease liability due to contractual changes are recorded under "New contracts" and "Terminated contracts for modification/revaluation".

The table on the following page shows the maturity date of financial payables for leases, as required by IFRS 16, para. 58.

Distribution by residual duration of financial payables for leases

	Branches	Cars	Land	Real estate for employees	Offices	Warehouses and other areas	Equipment	Others	Buildings	Total 13/12/2023
Within 12 months	-	466	-	24	1,441	35	-	13	-	**1,979**
Between 1-5 years	-	826	-	20	5,573	117	-	52	-	**6,588**
Beyond 5 years	-	-	-	-	3,346	67	-	55	-	**3,468**
TOTAL LEASE LIABILITIES	**-**	**1,292**	**-**	**43**	**10,361**	**219**	**-**	**120**	**-**	**12,035**

At the reporting date of these financial statements, the Bank is subject to contractual obligations with reference to lease/rental contracts for EUR 12,035 thousand, of which EUR 1,979 thousand within the year, EUR 6,588 thousand between one and five years and EUR 3,468 thousand after five years.

During 2023, the Bank's lease contracts involved a cash outlay of EUR 1,797 thousand, mainly due to branch leases.

Section 2 - Financial liabilities held for trading - Item 20

2.1 Financial liabilities held for trading: breakdown by category

TYPE OF TRANSACTIONS/ VALUES	Total 31/12/2023					Total 31/12/2022				
	NV	Fair value			Fair value*	NV	Fair value			Fair value*
		L1	L2	L3			L1	L2	L3	
A. CASH LIABILITIES										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	X	-	-	-	-	X
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	X	-	-	-	-	X
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Others	-	-	-	-	X	-	-	-	-	X
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. DERIVATIVE INSTRUMENTS										
1. Financial derivatives	X	-	77,856	-	X	X	-	109,006	-	X
1.1 Trading	X	-	77,856	-	X	X	-	109,006	-	X
1.2 Connected to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Trading	X	-	-	-	X	X	-	-	-	X
2.2 Connected to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total (B)	**X**	**-**	**77,856**	**-**	**X**	**X**	**-**	**109,006**	**-**	**X**
Total (A+B)	**X**	**-**	**77,856**	**-**	**X**	**X**	**-**	**109,006**	**-**	**X**

KEY:

NV = nominal or notional value

L1 = Level 1

L2 = Level 2

L3 = Level 3

* Fair value = Fair value calculated excluding the changes in value due to change in creditworthiness of the issuer with respect to the date of issue

Item “B. Derivative instruments - 1. Financial derivatives - 1.1 For trading” includes interest rate swaps and forwards vis-à-vis primary market institutions and balanced with specular but opposite transactions with Affiliated Banks.

The change in the value compared to the previous year mainly derives from the decrease in the mark to market.

2.2 Details of “Financial liabilities held for trading”: subordinated liabilities

As at the reporting date, there are no subordinated financial liabilities held for trading.

2.3 Details of “Financial liabilities held for trading”: structured debts

At the end of the reporting period, there are no financial liabilities held for trading related to structured debts.

Section 3 - Financial liabilities designated at fair value - Item 30

3.1 Financial liabilities designated at fair value: breakdown by category

TYPE OF TRANSACTIONS/ VALUES	Total 31/12/2023					Total 31/12/2022				
	NV	Fair value			Fair value*	NV	Fair value			Fair value*
		L1	L2	L3			L1	L2	L3	
1. DUE TO BANKS	**171,232**	**-**	**-**	**175,647**	**175,647**	**170,104**	**-**	**-**	**168,922**	**168,922**
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	171,232	-	-	175,647	X	170,104	-	-	168,922	X
of which:					-					
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
2. DUE TO CUSTOMERS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	-	-	-	-	X	-	-	-	-	X
of which:					-					
- commitments to disburse funds	-	X	X	X	X	-	X	X	X	X
- financial guarantees given	-	X	X	X	X	-	X	X	X	X
3. DEBT SECURITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2 Other	-	-	-	-	X	-	-	-	-	X
Total	**171,232**	**-**	**-**	**175,647**	**175,647**	**170,104**	**-**	**-**	**168,922**	**168,922**

KEY:

NV = nominal value

L1 = Level 1

L2 = Level 2

L3 = Level 3

* Fair value = Fair value calculated excluding the changes in value due to change in creditworthiness of the issuer with respect to the date of issue

Item 1.2 Others includes the total value of the “ex ante portions” contributed by the Affiliated Banks through the instrument of financing allocated to a specific business.

For further details, please refer to the annex “Report on the Guarantee Scheme” as at 31 December 2023.

3.2 Details of 'Financial liabilities measured at fair value': subordinated liabilities

At the end of the reporting period, there are no financial liabilities measured at fair value with a subordination restriction.

Section 4 - Hedging derivatives - Item 40

This item features the derivative contracts designated as effective hedging instruments, which at the end of the reporting period have a negative fair value.

With regard to hedging transactions, the Bank, for accounting purposes, continues to fully apply the accounting standard IAS 39, as required by the transitional provisions of accounting standard IFRS 9.

With regard to the objectives and strategies underlying hedging transactions, please refer to the information provided in Part E – Information on risks and related hedging policies, Section 3 – "Derivatives and hedging policies".

4.1 Hedging derivatives: breakdown by type of coverage and hierarchy levels

	Fair Value 31/12/23			NV 31/12/2023	Fair Value 31/12/22			NV 31/12/2022
	L1	L2	L3		L1	L2	L3	
A. FINANCIAL DERIVATIVES	**-**	**310**	**-**	**5,000**	**-**	**-**	**-**	**-**
1) Fair value	-	310	-	5,000	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. CREDIT DERIVATIVES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**310**	**-**	**5,000**	**-**	**-**	**-**	**-**

KEY:

NV = nominal value

L1 = Level 1

L2 = Level 2

L3 = Level 3

To date, Cassa Centrale Banca has one hedging derivative contract for security IT0005518128 BTP-01MG33 4.40% purchased for a nominal amount of EUR 5,000 thousand.

4.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

TRANSACTIONS / TYPE OF HEDGE	Fair value							Cash flows		Foreign investments
	Micro-hedge						Macro-hedge	Micro-hedge	Macro-hedge	
	debt securities and interest rates	equities and stock market indices	currencies and gold	loans	commodities	other				
1. Financial assets measured at fair value through other comprehensive income	310	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	-	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**310**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

Exposure to derivatives refers to interest rate risk hedges.

Section 5 - Adjustment of the financial liabilities subject to macro-hedging - Item 50

At the end of the reporting period, there are no financial liabilities subject to macro-hedging.

Section 6 - Tax liabilities - Item 60

For information on tax liabilities reference is made to Section 10 of the Assets.

Section 7 - Liabilities associated with assets held for disposal - Item 70

For information on tax liabilities reference is made to Section 10 of the Assets.

Section 8 - Other liabilities - Item 80

8.1 Other liabilities: breakdown

ITEMS	Total 31/12/2023	Total 31/12/2022
Tax payables to tax authorities and other tax bodies for indirect taxes	32,776	27,191
Temporary items Centralised Treasury management	950	856
Wire transfers to be settled	90	-
Housing contributions - General Governments	3,154	1,825
Due to suppliers and expenses to be settled	42,437	39,002
Collection on behalf of third parties and amounts available to customers or third parties	6,895	7,963
Payables for guarantees given and commitments	-	-
Due to employees	9,296	7,622
Due to social security institutions and external pension funds	1,571	(3)
Other accounts to be processed	489,648	467,719
Accrued expenses and deferred income not attributable to own items	2,531	430
Intrinsic value of securities transactions and exchanges to be settled	71	54
Payables to Depositors' Guarantee Fund	-	-
Balance of illiquid items in the portfolio	-	126,279
Debit transit accounts	-	-
Advances received from third parties for property disposals to be completed	-	-
Payables for educational, cultural, charitable and social purposes	-	-
Sundry creditors - other	30,237	19,264
Total	**619,656**	**698,200**

This item includes the liabilities that are not attributable to other items in the balance sheet liabilities.

The sub-item "Other accounts to be processed" mainly includes the negative balance of electronic flows related to transactions not settled yet and that Cassa Centrale Banca sorts on behalf of Affiliated Banks towards the interbanking system and in the opposite direction.

Other liabilities include deferred income from contracts with customers, in accordance with IFRS 15, paragraphs 116(a), 118, 120 and 128, for EUR 66 thousand.

Section 9 - Provision for severance indemnity - Item 90

9.1 Provision for severance indemnity: annual changes

	Total 31/12/2023	Total 31/12/2022
A. OPENING BALANCES	**1,201**	**1,554**
B. INCREASES	**207**	**14**
B.1 Allocation for the year	41	14
B.2 Other changes	166	-
C. DECREASES	**343**	**367**
C.1 Payments made	343	217
C.2 Other changes	-	150
D. CLOSING BALANCES	**1,065**	**1,201**
Total	**1,065**	**1,201**

At the end of the reporting period, the Bank recognised the provision for severance indemnity in accordance with IAS 19 Employee benefits. Therefore, the item "D. Closing balances" of the provision recorded coincides with its actuarial value (Defined Benefit Obligation - DBO).

Sub-item "B.1 Allocation for the year" is formed as follows:

- net interest expenses (interest cost) for EUR 39 thousand;
- other transfers for EUR 2 thousand.

Sub-item "B.2 Other changes" includes the actuarial loss of EUR 166 thousand.

The amount of the "Interest Cost" is included in the income statement in table "10.1 Personnel costs".

The actuarial loss was recognised in the "Valuation reserves" in accordance with IAS 19.

Finally, it should be noted that under Law no. 296 of 27 December 2006 (the 2007 Finance Act), companies with at least 50 employees pay on a mandatory monthly basis, in accordance with the choice made by the employee, the severance pay accrued after 1 January 2007, to the supplementary post-employment benefits referred to in Law Decree no. 252/05 or to a special fund for the payment to private sector employees of severance pay pursuant to Article 2120 of the Italian Civil Code (hereinafter the Treasury Fund) set up at INPS.

9.2 Other information

ITEMS	Total 31/12/2023	Total 31/12/2022
CHANGES IN THE YEAR	**(302)**	**(203)**
- Service cost related to current employment benefits	-	-
- Interest expense on the defined benefit obligation	39	14
- Profits and losses from reductions or settlements	-	-
- Service cost related to past employment benefits	-	-
- Transfers	-	-
- Decreases	(340)	(217)
ACTUARIAL (PROFITS) LOSSES RECOGNISED IN VALUATION RESERVES (OCI)	**166**	**(150)**
Description of the main assumptions		
- Discount rate	3.17%	3.77%
- Expected inflation rate	2%	2.50%

Description of the main actuarial assumptions for the valuation of severance indemnity

The amounts relating to the provision for severance indemnity liability are based on a special actuarial appraisal commissioned from an external actuary.

The actuarial model used as a reference for the valuation of the severance indemnity ("Projected Unit Credit Method") is based on various demographic and economic assumptions. For some of the assumptions used, where possible, explicit reference has been made to the Bank's direct experience, for the others, best practice has been taken into account.

In particular, it should be noted how:

- the Annual discount rate used to determine the current value of the bond was deducted, in accordance with the provisions of para. 83 of IAS 19, with reference to the IBoxx Eurozone Corporate AA index with duration 10+ recognised at the measurement date. To this end, the performance with a duration comparable to the duration of the workers' collective agreement subject to valuation was chosen;
- the annual rate of increase of the severance indemnity as provided for by Article 2120 of the Italian Civil Code is 75% of inflation plus 1.5 percentage points;
- the annual rate of salary increase applied exclusively for companies with fewer than 50 employees on average in 2006, has been determined on the basis of information reported by the Bank.

As a consequence of the above, the economic technical bases used are shown below:

- annual discount rate: 3.17%;
- annual inflation rate: 2.00%;
- annual rate of actual salary increase:
    - Executives: 2.50%;
    - Other positions: 1.00%;

With reference to the demographic technical bases used, the relevant references are provided below:

- Disability: INPS 2010 table divided by age and sex;
- Death: RG48 mortality tables published by the State General Accounting Office;
- Retirement: 100% upon meeting the AGO requirements as per Law Decree no. 4/2019.

The annual frequency of advances (3.00%) and turnover (1.00%) are deduced from the Bank's historical experience and frequencies triggered by the experience of the actuary in charge of a significant number of similar companies.

In conclusion, we provide the sensitivity analyses on the Actuarial Value (Defined Benefit Obligation – DBO) for the end of the period using:

- a discount rate of +0.50% and of -0.50% compared to the one applied:
    - in the event of an increase of 0.50 %, the severance indemnity provision would equal EUR 1,026 thousand;
    - in the event of a decrease of 0.50 %, the severance indemnity provision would equal EUR 1,107 thousand;
- an inflation rate of +0.50% and of -0.50% compared to the one applied:
    - in the event of an increase of 0.50 %, the severance indemnity provision would equal EUR 1,091 thousand;
    - in the event of a decrease of 0.50 %, the severance indemnity provision would equal EUR 1,040 thousand;
- a turnover rate of +0.50% and -0.50% compared to the one applied:
    - in the event of an increase of 0.50 %, the severance indemnity provision would equal EUR 1,067 thousand;
    - in the event of a decrease of 0.50 %, the severance indemnity provision would equal EUR 1,064 thousand.

Section 10 - Provisions for risks and charges - Item 100

10.1 Provisions for risks and charges: breakdown

ITEMS/VALUES	Total 31/12/2023	Total 31/12/2022
1. Provision for credit risk relative to commitments and financial guarantees given	5,803	6,250
2. Provision for other commitments and guarantees given	-	-
3. Post-employment benefits	-	-
4. Other provisions for risks and charges	19,792	18,459
4.1 Legal and tax disputes	186	590
4.2 Personnel expenses	12,782	10,032
4.3 other	6,824	7,837
Total	**25,595**	**24,709**

Item "Provision for credit risk relative to commitments and financial guarantees given" includes the value of the total allocations for credit risk in respect of the commitments to disburse funds and financial guarantees given which are subject to the impairment rules of IFRS 9 (paragraph 2.1, letter e); paragraph 5.5; appendix A), including therein the financial guarantees given and the commitments to disburse funds which are measured at the first-time recognition value, net of the total revenues booked in compliance with IFRS 15 (see IFRS 9, paragraph 4.2.1, letters c) and d)).

With reference to item 4. Other provisions for risks and charges, for more details please refer to table "10.6 Provisions for risks and charges - other provisions".

10.2 Provisions for risks and expenses: annual changes

	Provision for other commitments and guarantees given	Post-employment benefits	Other provisions for risks and charges	Total
A. OPENING BALANCES	**-**	**-**	**18,459**	**18,459**
B. INCREASES	**-**	**-**	**12,783**	**12,783**
B.1 Allocation for the year	-	-	12,783	12,783
B.2 Changes due to the passing of time	-	-	-	-
B.3 Changes due to modifications in the discount rate	-	-	-	-
B.4 Other changes	-	-	-	-
C. DECREASES	**-**	**-**	**11,450**	**11,450**
C.1 Use for the year	-	-	11,450	11,450
C.2 Changes due to modifications in the discount rate	-	-	-	-
C.3 Other changes	-	-	-	-
D. CLOSING BALANCES	**-**	**-**	**19,792**	**19,792**

The table above shows the annual changes in the provisions for risks and expenses with the exception of those in the item "provision for credit risk relative to commitments and financial guarantees given", which are shown in Table A.1.4 of Part E.

With reference to "Other provisions for risks and charges":

- the sub-item "B.1 – Allocation for the year" includes the increase in future estimated debt related to both existing provisions and provisions established in the year. Allocations during the year for EUR 12,783 thousand mainly consisted of early retirement incentive plans for EUR 4,000 thousand, allocations for bonuses to be given to employees for EUR 8,024 thousand, and allocations for charity fund activities for EUR 625 thousand;
- sub-item "C.1 – Use for the year" mainly refers to payments made; of which EUR 6,313 thousand for bonuses paid to employees, EUR 734 thousand for donations, and EUR 405 thousand for release of funds for legal disputes.
- Following the signing of individual agreements, EUR 3,000 thousand relating to early retirement incentive plans was reclassified to "Other liabilities", item 80.

10.3 Provision for credit risk relative to commitments and financial guarantees given

	Provision for credit risk relative to commitments and financial guarantees given				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	Total 31/12/23
Commitments to disburse funds	2,618	3,090	-	-	5,708
Financial guarantees given	61	34	-	-	95
Total	**2,679**	**3,124**	**-**	**-**	**5,803**

As shown above, this table includes the value of the total allocations for credit risk in respect of the commitments to disburse funds and financial guarantees given which are subject to the impairment rules of IFRS 9, including therein the financial guarantees given and the commitments to disburse funds which are measured at the first-time recognition value, net of the total revenues booked in compliance with IFRS 15.

The breakdown of these provisions by risk stage is applied in accordance with the provisions of the IFRS 9 impairment model. For more detailed information, see Part A - Accounting policies, paragraph "15.5 Methods of recognition of impairment losses" and Part E - Information on risks and related hedging policies.

10.4 Provision for other commitments and guarantees given

At the end of the reporting period, the Bank has no provisions of this kind.

10.5 Defined benefit post-employment funds

The Bank does not have defined benefit pension funds.

10.6 Provisions for risks and expenses - other provisions

ITEMS	Total 31/12/2023	Total 31/12/2022
OTHER PROVISIONS FOR RISKS AND CHARGES		
1. Provision for risks on revocatory actions	-	-
2. Provision for charity	692	801
3. Personnel risks and charges	12,782	10,032
4. Legal and tax disputes	186	590
5. Other provisions for risks and charges	6,133	7,036
Total	**19,792**	**18,459**

Provisions for charity of EUR 692 thousand.

The provision for charity, which originates from the Articles of Association (Art. 49), is included under other provisions. The allocation is determined on an annual basis, at the time of allocation of profits, by the Shareholders' Meeting; the relative use is decided by the Board of Directors. The provision has not been discounted as its use is anticipated in the course of the following year.

Personnel risks and charges for EUR 12,782 thousand.

The amount recorded in sub-item "4.2 Personnel expenses" of Table 10.1 refers to seniority/loyalty bonuses regarding the financial charge that the Bank must incur in future years in favour of the employees in relation to seniority of service for EUR 361 thousand. Furthermore, the sub-item includes the Provision for bonuses/discretionary bonuses for employees of EUR 8,421 thousand, as well as staff leaving incentives of EUR 4,000 thousand.

In terms of operations, the application of the Project Unit Credit Method required the defined demographic and economic-financial hypotheses applied analytically to each employee.

Provision for future expenses for legal disputes of EUR 186 thousand.

The "Provision for future expenses for legal disputes" protects the Bank from probable negative outcomes deriving from court procedures against the Bank and complaints still pending. In particular, as at 31 December 2023 it only includes provisions for presumed losses for credit disputes.

The nature of legal court procedures against the Bank is wide ranging and diversified. In fact, even though they generally have in common a demand for compensation from the Bank, they arise from events which can be very different from each other. Simply put, the most frequent reasons relate to the disputes on interests (compound interest, usury, rate not agreed, etc.), the implementation of investment services and the erroneous negotiation of cheques.

The timings of judgements are difficult to predict. With regard to the amounts of foreseeable disbursements, the hypothesis formulated for judgements with likely negative outcome refers to the overall estimate disbursement. It is specified, also in relation to what was stated earlier, that the amounts and the time of foreseeable disbursement of every individual dispute must necessarily be considered to be estimates as, especially for judgements of a compensatory nature, the judge's discretion in the assessment of the damage is very wide.

Revocatory action disputes are promoted to obtain, with reference to the periods before subjecting the customer to insolvency procedures, an order for the Bank to return sums deposited in current accounts or the declaration of ineffectiveness of acquired guarantees. In relation to negative outcomes provisions are made, on the occurrence of adverse events that may lead to determine reliable predictions of a negative outcome, to the extent of the amount of the anticipated disbursement.

Other provisions for risks and expenses amounting to EUR 6,133 thousand.

The amount shown refers to provisions made in previous years for potential requests for intervention by the National Resolution Fund of EUR 6,133 thousand.

Contingent liabilities: development of significant legal disputes

On 16 January 2020, the financial holding company Malacalza Investimenti S.r.l. (hereinafter also "Malacalza Investimenti") brought a civil action against Carige, FITD, SVI and Cassa Centrale Banca, contesting the validity of the resolution to increase the share capital by EUR 700 million approved by the Shareholders of Banca Carige in the Shareholders' Meeting of 20 September 2019 and submitting a claim for damages of over EUR 480 million (subsequently increased to approximately EUR 539 million), on account of the alleged hyperdilutive nature of the resolution (reducing Malacalza Investimenti's shareholding from 27.555% to 2.016%).

The contested invalidity of the shareholders' meeting resolution (which can no longer be annulled as it has already been executed, with the subscription by Cassa Centrale Banca of the capital increase and the acquisition of an 8.34% shareholding) was based on the allegedly unlawful exclusion of the option right, failure to comply with the principle of accounting parity and the determination of the issue price of the new shares in breach of the criteria laid down by company law.

The same defendants, including Cassa Centrale Banca, were then sued in two further disputes by the shareholder Vittorio Malacalza and 42 other shareholders of Carige, with a claim for a further approximate total of EUR 11.4 million, plus revaluation and interest (subsequently reduced to approximately EUR 11.1 million), based on assumptions and arguments coinciding with those put forward by Malacalza Investimenti.

The three lawsuits, which were joined in a single proceeding, were settled with a judgement published on 26 November 2021.

The Court of Genoa rejected the claims for damages brought by Malacalza Investimenti S.r.l., Vittorio Malacalza and the other 42 shareholders and determined the validity of the resolution because (i) there was no violation of the principle of accounting parity, (ii) the exclusion of the shareholders' option right took place in the presence of a significant corporate interest, and (iii) the issue price of the new shares was determined in accordance with the criteria set out in the company's regulations.

The losing parties were ordered to pay the legal costs in favour of the defendants.

Malacalza Investimenti S.r.l., Malacalza Vittorio and only 5 small shareholders out of the initial 42 appealed against the judgement (with a reduction of the claims for damages, as regards the latter, from approximately EUR 8.4 million to EUR 84 thousand).

Cassa Centrale Banca appeared in the three lawsuits pending before the Court of Appeal, which were subsequently combined. The proceeding is under discussion.

As a result of the assessments carried out with the support of solicitors and considering the risk of losing the case, Cassa Centrale Banca decided not to make provisions for risks and expenses in line with the provisions of the IAS 37 international accounting standard.

As a result of the assessments carried out with the support of solicitors and considering the risk of losing the case, Cassa Centrale Banca decided not to make provisions for risks and expenses.

Section 11 - Repayable shares - Item 120

11.1 Repayable shares: breakdown

The Bank has issued no repayable shares.

Section 12 - Equity - Items 110, 130, 140, 150, 160, 170 and 180

12.1 "Capital" and "Own shares": breakdown

ITEMS	31/12/2023			31/12/2022		
	Number of shares issued	Number of shares subscribed and not yet paid-up	Total	Number of shares issued	Number of shares subscribed and not yet paid-up	Total
A. SHARE CAPITAL						
A.1 Ordinary shares	18,158,304	-	18,158,304	18,158,304	-	18,158,304
A.2 Preference shares	150,000	-	150,000	150,000	-	150,000
A.3 Other shares	-	-	-	-	-	-
Total A	**18,308,304**	**-**	**18,308,304**	**18,308,304**	**-**	**18,308,304**
B. OWN SHARES						
B.1 Ordinary shares	-	-	-	-	-	-
B.2 Preference shares	-	-	-	-	-	-
B.3 Other shares	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**
Total A+B	**18,308,304**	**-**	**18,308,304**	**18,308,304**	**-**	**18,308,304**

There are no shares subscribed and not yet fully paid-up.

There are no own shares in the portfolio.

12.2 Capital - Number of shares: annual changes

ITEMS/TYPES	Ordinary	Preference
A. SHARES AT START OF YEAR	**18,158,304**	**150,000**
- fully paid-up	18,158,304	150,000
- not fully paid-up	-	-
A.1 Own shares (-)	-	-
A.2 Outstanding shares: opening balances	18,158,304	150,000
B. INCREASES	**-**	**-**
B.1 New issues	-	-
- paid:	-	-
- business combinations	-	-
- bond conversions	-	-
- exercise of warrants	-	-
- other	-	-
- free of charge:	-	-
- in favour of employees	-	-
- in favour of directors	-	-
- other	-	-
B.2 Sale of own shares	-	-
B.3 Other changes	-	-
C. DECREASES	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of own shares	-	-
C.3 Company transfers	-	-
C.4 Other changes	-	-
D. SHARES OUTSTANDING: CLOSING BALANCES	**18,158,304**	**150,000**
D.1 Own shares (+)	-	-
D.2 Shares at year-end	18,158,304	150,000
- fully paid-up	18,158,304	150,000
- not fully paid-up	-	-

12.3 Capital: other information

ITEM	Total 31/12/2023	Total 31/12/2022
NOMINAL VALUE PER SHARE		
Fully paid-up		
Number	18,308,304	18,308,304
Value	52	52
Existing contracts for the sale of shares		
Number of shares under contract	-	-
Total value	-	-

The nominal value per share has not changed and amounts to EUR 52.

The Bank's share capital consists of 18,308,304 shares, including 150,000 preference shares and 18,158,304 ordinary shares. There are no dividend distribution restrictions or capital reimbursement restrictions on these shares.

The Bank does not hold, directly or indirectly, through subsidiaries or associates, own shares.

12.4 Profit reserves: other information

ITEMS/COMPONENTS	Amount	Portion available	Possibility of use
a) Legal reserve	35,127	35,127	B: to cover losses
b) Extraordinary reserve	-	-	-
c) Statutory reserve	-	-	-
d) Other reserves	156,125	156,125	B: to cover losses
Total	**191,252**	**191,252**	**-**

Profit reserves are generally formed when the net profit shown in the approved annual Financial Statements is distributed by explicit allocation to reserves.

The legal reserve is formed with an allocation of at least 5% of the net profit for the year.

The legal reserve is indivisible and not available to the Bank, with the exception of use to cover losses for the year, in the same way as the other profit reserves recognised in equity, due to legal and statutory constraints.

"Other reserves" also includes the portion of the residual net profits after the allocations established by law and the Articles of Association and resolved by the shareholders' meeting.

With reference to the valuation reserves, unavailable, where positive, pursuant to Art.6 of Legislative Decree no. 38/2005, the following should be mentioned:

- the valuation reserves of financial instruments measured at fair value through other comprehensive income represent the gains or losses deriving from a change in fair value of the quoted financial activity;
- the reserves for the hedging of financial flows include changes in fair value of the hedging derivative for the effective portion of the hedge;
- the reserves from IAS 19 actuarial gains (losses) relate to the valuation of severance indemnity and defined provisions for retirement.

Pursuant to Article 2427, paragraph 22-septies, of the Italian Civil Code, for the proposed allocation of the profit for the year, reference should be made to the information contained in the Report on Operations (document accompanying these financial statements) in the chapter “Proposed appropriation of the result for the year”.

12.5 Equity instruments: breakdown and annual changes

There are no equity instruments other than the capital and reserves.

12.6 Other information

There is no other information on equity instruments other than the capital and reserves.

Other information

1. Commitments and financial guarantees given (other than those measured at fair value)

	Nominal value of commitments and financial guarantees given				Total 31/12/2023	Total 31/12/2022
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
1. COMMITMENTS TO DISBURSE FUNDS	**19,834,513**	**135,364**	**-**	**-**	**19,969,877**	**13,969,013**
a) Central Banks	-	-	-	-	-	-
b) General Governments	-	-	-	-	-	16
c) Banks	18,885,747	118,987	-	-	19,004,734	13,533,793
d) Other financial corporations	762,878	1,884	-	-	764,763	162,533
e) Non-financial corporations	175,782	14,371	-	-	190,153	259,523
f) Households	10,107	121	-	-	10,228	13,149
2. FINANCIAL GUARANTEES GIVEN	**54,066**	**1,375**	**-**	**-**	**55,442**	**62,097**
a) Central Banks	-	-	-	-	-	-
b) General Governments	-	-	-	-	-	-
c) Banks	32,614	10	-	-	32,624	36,327
d) Other financial corporations	6,701	-	-	-	6,701	7,365
e) Non-financial corporations	14,326	1,365	-	-	15,691	14,730
f) Households	425	-	-	-	425	3,676

This table shows the commitments to disburse funds and the financial guarantees given which are subject to the impairment rules of IFRS 9. Commitments to disburse funds and financial guarantees given that are considered derivatives are excluded, as are commitments to disburse funds and financial guarantees given that are measured at fair value.

"Commitments to disburse funds" are commitments that may give rise to credit risks that are subject to the write-down rules of IFRS 9 (e.g. margins available on credit lines granted to customers or banks).

The item "Commitments to disburse funds" includes margins usable on irrevocable credit facilities for EUR 494,021 thousand.

The item "Financial guarantees given" mainly includes guarantees securing the regular fulfilment of the debt service by the ordering party.

2. Other commitments and guarantees given

	Total nominal value at 31/12/2023	Total nominal value at 31/12/2022
1. Other guarantees given	**1,800**	**1,998**
of which: impaired	-	-
a) Central Banks	-	-
b) General Governments	-	-
c) Banks	1,800	1,998
d) Other financial corporations	-	-
e) Non-financial corporations	-	-
f) Households	-	-
2. Other commitments	**-**	**-**
of which: impaired	-	-
a) Central Banks	-	-
b) General Governments	-	-
c) Banks	-	-
d) Other financial corporations	-	-
e) Non-financial corporations	-	-
f) Households	-	-

This table shows the nominal value of other commitments and other guarantees given which fall within the scope of IAS 37 and IFRS 4 respectively and are therefore not subject to the impairment rules of IFRS 9.

3. Asset-backed own liabilities and commitments

PORTFOLIOS	Amount 31/12/2023	Amount 31/12/2022
1. Financial assets measured at fair value through profit or loss	184,963	10,456
2. Financial assets measured at fair value through other comprehensive income	535,652	-
3. Financial assets measured at amortised cost	1,841,815	711,997
4. Tangible assets	-	-
of which: tangible assets that constitute inventories	-	-

The item includes the values of securities pledged in repos payables implemented with securities in the assets for EUR 581,312 thousand.

Item "1. Financial assets designated at fair value through profit or loss" includes the value of securities pledged as collateral in agreements with the Affiliated Banks for EUR 184,207 thousand.

Item "2. Financial assets measured at fair value through other comprehensive income" includes the values of securities pledged in repos payables implemented with securities in the assets for EUR 535,652 thousand.

Item "3. Financial assets measured at amortised cost" include the value of securities pledged as collateral:

- repos payables implemented with securities in the assets for EUR 45,652 thousand;
- Bankit/ECB pool account for EUR 869,982 thousand;
- Derivative collateral for EUR 87,019 thousand;
- issues of banker's drafts for EUR 86,452 thousand;
- Guarantee agreement with the Affiliated Banks ex post for EUR 112,389 thousand;
- Cassa Compensazione Garanzia initial margins for EUR 20,001 thousand;
- loans with ABACO guarantee for EUR 620,409 thousand.

4. Management and intermediation on behalf of third parties

TYPE OF SERVICES	Amount
1. EXECUTION OF ORDERS ON BEHALF OF CUSTOMERS	**900,578**
a) purchases	1,989
1. settled	1,989
2. not settled	-
b) sales	898,589
1. settled	897,285
2. not settled	1,304
2. INDIVIDUAL PORTFOLIO MANAGEMENT	**12,267,522**
3. CUSTODY AND ADMINISTRATION OF SECURITIES	**58,752,770**
a) third-party securities under custody: connected to the role as depositary bank (excluding portfolio management)	-
1. securities issued by the bank that prepares the financial statements	-
2. other securities	-
b) third-party securities under custody (excluding portfolio management): other	54,611,290
1. securities issued by the bank that prepares the financial statements	1,071,927
2. other securities	53,539,363
c) third-party securities deposited with third parties	53,535,812
d) own securities deposited with third parties	4,141,480
4. OTHER TRANSACTIONS	**-**

The Bank provides brokerage services on behalf of third parties.

With regard to the asset management described in point 2, the following should be noted.

- The amounts refer to the value of assets under management at the end of the year, at market values.
- The amounts refer only to the securities component of management and not the liquidity component (current accounts and deposits), which amounted to EUR 257,897 thousand in the current year.

5. Financial assets subject to offsetting in the financial statements or subject to master netting arrangements or similar agreements

TECHNICAL FORMS	Gross amount of financial assets (a)	Amount of financial liabilities offset in the financial statements (b)	Net amount of financial assets reported in the financial statements (c=a-b)	Correlated amount not offset in the financial statements		Net amount (f=c-d-e) 31/12/2023	Net amount 31/12/2022
				Financial instruments (d)	Cash deposits pledged as collateral (e)		
1. Derivatives	78,580	-	78,580	-	2,020	76,560	(106,174)
2. Repos	-	-	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31/12/2023	**78,580**	**-**	**78,580**	**-**	**2,020**	**76,560**	**X**
Total 31/12/2022	**108,878**	**-**	**108,878**	**-**	**2,704**	**X**	**(106,174)**

6. Financial liabilities subject to offsetting in the financial statements or subject to master netting arrangements or similar agreements

TECHNICAL FORMS	Gross amount of financial liabilities (a)	Amount of financial assets offset in the financial statements (b)	Net amount of financial liabilities reported in the financial statements (c=a-b)	Correlated amount not offset in the financial statements		Net amount (f=c-d-e) 31/12/2023	Net amount 31/12/2022
				Financial instruments (d)	Cash deposits issued as guarantee (e)		
1. Derivatives	75,783	-	75,783	-	69,909	5,874	(2,320)
2. Repos	120,576	-	120,576	118,515	2,061	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
Total 31/12/2023	**196,359**	**-**	**196,359**	**118,515**	**71,971**	**5,874**	**X**
Total 31/12/2022	**580,392**	**-**	**580,392**	**470,907**	**111,805**	**X**	**(2,320)**

With regard to the disclosures required by IFRS 7 about financial instruments that have been offset in the balance sheet in accordance with IAS 32 or that are potentially offsettable, if certain conditions are met, but are presented in the balance sheet without offsetting because they are governed by "framework netting agreements or similar" that do not meet all the criteria set out in IAS 32 paragraph 42, it should be noted that Cassa Centrale Banca does not have netting agreements in place that meet the requirements of IAS 32 para. 42 for offsetting in the financial statements.

With regard to the instruments that can potentially be offset when certain events occur, shown in Tables 5 and 6, Cassa Centrale Banca uses bilateral netting agreements that allow for, in the event of default by the counterparty, the offsetting of credit and debit positions relating to financial derivatives, as well as SFT (Securities Financing Transactions). In particular, there are ISDA (for derivative transactions) contracts and GMRA (for repurchase agreements) contracts.

For the purposes of compiling the tables and in line with the provisions of IFRS 7, please note that:

- the effects of potential offsetting of the financial statements values of financial assets and liabilities are shown in column (d) “Financial instruments”, together with the fair value of financial collateral represented by securities;
- the effects of the potential offsetting of the exposure against the related cash guarantees are shown under column (e) ‘Cash deposits received/issued as guarantee’;
- repos are shown in the tables according to the amortised cost measurement criterion, while the related financial collateral is shown at its fair value;
- derivative transactions are represented at fair value;
- the effects of offsetting shall be calculated individually for each individual counterparty assisted by a netting framework agreement within the exposure limits indicated in column (c).

Netting agreements between financial instruments and related guarantees significantly reduce the credit/debit exposure to the counterparty, as can be seen in column (f) “Net amount”. The effects shall be calculated for each individual counterparty assisted by a netting framework agreement within the exposure limits indicated in column (c).

7. Securities lending transactions

The Bank has not carried out securities lending transactions.

8. Information on joint operations

This information is included in the section with the same heading in the Consolidated Explanatory Notes.

PART C - Information on the income statement

Section 1 - Interest - Items 10 and 20

1.1 Interest income and similar revenues: breakdown

ITEMS/TECHNICAL FORMS	Debt securities	Loans	Other transactions	Total 31/12/2023	Total 31/12/2022
1. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	**5,315**	**682**	**-**	**5,997**	**2,263**
1.1 Financial assets held for trading	-	-	-	-	-
1.2 Financial assets designated at fair value	5,310	-	-	5,310	2,074
1.3 Other financial assets mandatorily measured at fair value	5	682	-	687	189
2. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**19,901**	**-**	**X**	**19,901**	**6,029**
3. FINANCIAL ASSETS MEASURED AT AMORTISED COST	**109,387**	**437,896**	**-**	**547,284**	**255,583**
3.1 Loans to banks	47,165	359,427	X	406,592	178,590
3.2 Loans to customers	62,222	78,470	X	140,692	76,993
4. HEDGING DERIVATIVES	**X**	**X**	**12**	**12**	**-**
5. OTHER ASSETS	**X**	**X**	**5,158**	**5,158**	**2,373**
6. FINANCIAL LIABILITIES	**X**	**X**	**X**	**14,481**	**32,781**
Total	**134,604**	**438,578**	**5,171**	**592,834**	**299,031**
of which: interest income on impaired financial assets	-	799	-	799	505
of which: interest income on financial leases	X	-	X	-	-

Items "2. Financial assets measured at fair value through other comprehensive income" and "3. Financial assets measured at amortised cost" reflect the general increase in the interest rates curve. This factor made it possible to record a significant increase in item 3.1 in returns on debt securities, including EUR 36,983 thousand attributable to the subscription of bonds issued by the BCCs and subscribed by the Parent Company following MREL issues; an increase of 189,686 compared to the previous year for interest on loans to banks.

The item "hedging derivatives" indicates the differentials relating to the hedging derivative on interest rate risk launched during the year.

Item "5. Other assets" includes revenues from the purchase of tax credits.

The item "Financial liabilities" comprises interest income accrued on funding transactions which, at 31 December 2023, were still characterised by negative returns. For detailed information on TLTRO-III loan transactions, please refer to Part A - Accounting Policies, Section 4 – Other Aspects of these Explanatory Notes.

The line "of which: interest income from impaired financial assets" shows interest determined on the basis of the effective interest rate, including interest due to the passage of time. This interest relates to loans to customers.

1.2 Interest income and similar revenues: other information

1.2.1 Interest income on foreign currency financial assets

ITEMS	Total 31/12/2023	Total 31/12/2022
Interest income on foreign currency financial assets	843	432

1.3 Interest expenses and similar charges paid: breakdown

ITEMS/ TECHNICAL FORMS	Payables	Securities	Other transactions	Total 31/12/2023	Total 31/12/2022
1. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	**(495,492)**	**(37,932)**	**X**	**(533,424)**	**(208,615)**
1.1 Due to Central Banks	(298,277)	X	X	(298,277)	(155,527)
1.2 Due to banks	(112,035)	X	X	(112,035)	(21,844)
1.3 Due to customers	(85,180)	X	X	(85,180)	(28,183)
1.4 Debt securities in issue	X	(37,932)	X	(37,932)	(3,061)
2. FINANCIAL LIABILITIES HELD FOR TRADING	-	-	-	-	-
3. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE	-	-	-	-	-
4. OTHER LIABILITIES AND PROVISIONS	**X**	**X**	-	-	-
5. HEDGING DERIVATIVES	**X**	**X**	-	-	-
6. FINANCIAL ASSETS	**X**	**X**	**X**	**(1,249)**	**(11,527)**
Total	**(495,492)**	**(37,932)**	-	**(534,674)**	**(220,143)**
of which: interest expense on payables for leases	(145)	X	X	(145)	(141)

Item 1. Financial liabilities measured at amortised cost reflects the general increase in the interest rates curve during the year.

The increase in the item “Due to central banks” shows an increase in yields applied to several TLTRO-III loan transactions, communicated by the European Central Bank in 2023. For detailed information on these loan transactions, please refer to Part A - Accounting Policies, Section 4 - Other Aspects of these Explanatory Notes.

Items 1.2 “Due to banks” and 1.3 “Due to customers” also include interest on repos, even if carried out against securities recorded as assets.

The item “Financial assets” indicates the negative interest accrued on financial assets.

1.4 Interest expenses and similar expenses paid: other information

1.4.1 Interest expense on foreign currency financial liabilities

ITEMS	Total 31/12/2023	Total 31/12/2022
Interest expenses from liabilities in foreign currency	(3,801)	(944)

1.5 Differentials relative to hedging transactions

ITEMS	Total 31/12/2023	Total 31/12/2022
A. Positive differentials relating to hedging transactions	12	-
B. Negative differentials relating to hedging transactions	-	-
C. Balance (A-B)	**12**	**-**

Section 2 - Fees and Commissions - Items 40 and 50

2.1 Fees and commissions income: breakdown

TYPE OF SERVICES/VALUES	Total 31/12/2023	Total 31/12/2022
a) Financial instruments	98,934	84,241
1. Placement of securities	-	3,435
1.1 With direct underwriting and/or on a firm commitment basis	-	3,435
1.2 Without a firm commitment basis	-	-
2. Order receipt and transmission and execution of orders on behalf of customers	8,428	6,951
2.1 Order receipt and transmission of one or more financial instruments	8,332	6,738
2.2. Execution of orders on behalf of customers	97	214
3. Other fees and commissions connected with activities related to financial instruments	90,505	73,855
of which: dealing for own account	-	-
of which: individual portfolio management	86,326	73,855
b) Corporate Finance	-	-
1. Advice on mergers and acquisitions	-	-
2. Treasury services	-	-
3. Other fees and commissions related to corporate finance services	-	-
c) Investment advisory activities	86	94
d) Offsetting and settlement	-	-
e) Custody and administration	4,517	4,386
1. Custodian bank	-	-
2. Other fees and commissions related to custody and administration activities	4,517	4,386

TYPE OF SERVICES/VALUES	Total 31/12/2023	Total 31/12/2022
f) Central administrative services for collective portfolio management	-	-
g) Trust business	-	-
h) Payment services	93,723	86,565
1. Current accounts	86	126
2. Credit cards	-	-
3. Debit and other payment cards	70,056	62,994
4. Bank transfers and other payment orders	10,500	10,067
5. Other fees and commissions related to payment services	13,081	13,379
i) Breakdown of third-party services	1,372	1,731
1. Collective portfolio management	-	-
2. Insurance products	50	49
3. Other products	1,322	1,682
of which: individual portfolio management	-	-
j) Structured finance	-	-
k) Servicing activities for securitisation operations	259	202
l) Commitments to disburse funds	-	-
m) Financial guarantees given	292	369
of which: credit derivatives	-	-
n) Financing transactions	1,794	1,591
of which: for factoring operations	-	-
o) Foreign currency trading	1	2
p) Commodities	-	-
q) Other fees and commissions income	26,130	23,206
of which: activities for the management of multilateral trading systems	-	-
of which: for the management of organised trading systems	-	-
Total	**227,108**	**202,387**

It should be noted that no revenue deriving from fees and commissions (other than the amounts included in the calculation of the effective interest rate) arising from financial assets not measured at fair value recognised in profit (loss) for the year are recognised.

The amount under sub-item “ Other fees and commissions connected with activities related to financial instruments” is formed mainly of fees referring to assets under management.

The amount shown under the sub-item "Other fees and commissions income" is composed of fees and commissions mainly relating to:

- payment intermediation services related to the participation in UCITS;
- centralised securities database;
- provision of financial information;
- Asset Liability Management;
- Value at Risk;
- valuation of unlisted securities prices;
- lease and factoring brokerage;
- structured finance;
- credit line and other residual services.

2.2 Fees and commissions income: distribution channels of products and services

CHANNELS/VALUES	Total 31/12/2023	Total 31/12/2022
A) WITHIN ITS OWN COUNTERS:	**87,699**	**79,021**
1. portfolio management	86,326	73,855
2. placement of securities	-	3,435
3. third-party services and products	1,372	1,731
B) OFFERS OUTSIDE THE BRANCH:	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. third-party services and products	-	-
C) OTHER DISTRIBUTION CHANNELS:	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. third-party services and products	-	-

2.2bis Fees and commissions income: type and timing of recognition

TYPE OF SERVICES	31/12/2023			31/12/2022		
	At a given moment in time	Over a period of time	Total	At a given moment in time	Over a period of time	Total
a) Financial instruments	98,934	-	**98,934**	84,241	-	84,241
b) Corporate Finance	-	-	**-**	-	-	-
c) Investment advisory activities	86	-	**86**	94	-	94
d) Offsetting and settlement	-	-	**-**	-	-	-
e) Collective portfolio management	-	-	**-**	-	-	-
f) Custody and administration	4,517	-	**4,517**	4,386	-	4,386
g) Central administrative services for collective portfolio management	-	-	**-**	-	-	-
h) Trust business	-	-	**-**	-	-	-
i) Payment services	93,723	-	**93,723**	86,565	-	86,565
l) Breakdown of third-party services	1,372	-	**1,372**	1,731	-	1,731
m) Structured finance	-	-	**-**	-	-	-
Servicing activities for securitisation operations	259	-	**259**	202	-	202
o) Commitments to disburse funds	-	-	**-**	-	-	-
p) Financial guarantees given	-	292	**292**	-	369	369
q) Financing transactions	1,794	-	**1,794**	1,591	-	1,591
r) Foreign currency trading	1	-	**1**	2	-	2
s) Commodities	-	-	**-**	-	-	-
t) Other fees and commissions income	26,130	-	**26,130**	23,206	-	23,206
Total	**226,816**	**292**	**227,108**	**202,017**	**369**	**202,387**

2.3 Fees and commissions expenses: breakdown

TYPE OF SERVICES/VALUES	Total 31/12/2023	Total 31/12/2022
a) Financial instruments	(64,522)	(51,027)
of which: trading of financial instruments	(1,342)	(1,258)
of which: placement of financial instruments	-	-
of which: individual portfolio management	(63,180)	(49,769)
- Own	(63,180)	(49,769)
- Delegated to third parties	-	-
b) Offsetting and settlement	(47)	(47)
c) Custody and administration	(1,478)	(1,315)
d) Collection and payment services	(56,217)	(47,118)
of which: credit cards, debit cards and other payment cards	(51,894)	(43,362)
e) Servicing activities for securitisation operations	-	-
f) Commitments to receive funds	-	-
g) Financial guarantees received	(15)	(59)
of which: credit derivatives	-	-
h) Out-of-branch offer of financial instruments, products and services	-	-
i) Foreign currency trading	-	-
j) Other fees and commissions expenses	(5,255)	(3,992)
Total	**(127,534)**	**(103,557)**

It should be noted that no costs deriving from fees and commissions (other than the amounts included in the calculation of the effective interest rate) arising from financial liabilities not measured at fair value recognised in profit or loss for the year are recognised (IFRS 7, paragraph 20, letter c (i)).

The amount under sub-item "financial instruments – of which: individual portfolio management" is mainly formed of the retrocessions to the BCC relating to management fees for assets under management.

Section 3 - Dividends and similar income - Item 70

3.1 Dividend and similar income: breakdown

ITEMS/INCOME	Total 31/12/2023		Total 31/12/2022	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	-	-	-	-
B. Other financial assets mandatorily measured at fair value	-	3	-	-
C. Financial assets measured at fair value through other comprehensive income	1,019	-	841	-
D. Equity investments	38,126	-	44,418	-
Total	**39,145**	**3**	**45,258**	**-**

The item "D. Equity investments" includes the dividends relative to controlling interests and shareholdings in associates measured at cost and distributed by:

- Allitude S.p.A. for EUR 16,505 thousand;
- Nord Est Asset Management S.A. for EUR 15,500 thousand;
- Assicura Agenzia S.r.l. for EUR 6,093 thousand;
- Finanziaria Trentina della Cooperazione S.p.A. for EUR 20 thousand;
- Scouting S.p.A. for EUR 7 thousand.

Item "C. Financial assets designated at fair value through other comprehensive income" mainly includes dividends distributed by Etica Sgr of EUR 710 thousand.

Section 4 - Net result from trading - Item 80

4.1 Net result from trading: breakdown

TRANSACTIONS/INCOME COMPONENTS	Capital gains	Profit on sale	Capital losses	Loss on sale	Net result
1. FINANCIAL ASSETS HELD FOR TRADING	**-**	**121**	**-**	**(11)**	**110**
1.1 Debt securities	-	121	-	(11)	110
1.2 Equities	-	-	-	-	-
1.3 UCITS units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. FINANCIAL LIABILITIES HELD FOR TRADING	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. FINANCIAL ASSETS AND LIABILITIES: EXCHANGE RATE DIFFERENCES	**X**	**X**	**X**	**X**	**890**
4. DERIVATIVE INSTRUMENTS	**34,632**	**13,928**	**(34,483)**	**(13,741)**	**398**
4.1 Financial derivatives:	34,632	13,928	(34,483)	(13,741)	398
- On debt securities and interest rates	34,632	13,928	(34,483)	(13,741)	337
- On equities and stock market indices	-	-	-	-	-
- On currencies and gold	X	X	X	X	61
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges connected to the fair value option	X	X	X	X	-
Total	**34,632**	**14,049**	**(34,483)**	**(13,752)**	**1,398**

The item "4. Derivative Instruments – 4.1. Financial Derivatives – On debt securities and interest rates" includes the net result of trading in derivatives (interest rate swaps and forwards), with primary market institutions balanced with specular but opposite transactions with Affiliated Banks.

Section 5 - Net profit (loss) on hedge accounting - Item 90

5.1 Net profit (loss) on hedge accounting: breakdown

INCOME COMPONENTS/VALUES	Total 31/12/2023	Total 31/12/2022
A. INCOME RELATED TO:		
A.1 Fair value hedging derivatives	-	-
A.2 Hedged financial assets (fair value)	370	-
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Cash flow hedge derivatives	-	-
A.5 Foreign currency assets and liabilities	-	-
Total income from hedging (A)	**370**	**-**
B. EXPENSES RELATED TO:		
B.1 Fair value hedging derivatives	(317)	-
B.2 Hedged financial assets (fair value)	(76)	-
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash flow hedge derivatives	-	-
B.5 Foreign currency assets and liabilities	-	-
Total expenses from hedging (B)	**(393)**	**-**
C. NET RESULT FROM HEDGING (A - B)	**(22)**	**-**
of which: result of net positions hedging	-	-

The Bank avails itself of the possibility, provided for in the introduction of IFRS 9, to continue to apply in full the provisions of IAS 39 on hedge accounting (in the carved out version approved by the European Commission) for each type of hedge. As a consequence, in the table above, the row "of which: result of net positions hedging" provided for those who apply IFRS 9 also for hedging, is not valued.

Section 6 - Profit (Loss) from disposal/repurchase - Item 100

6.1 Profit (loss) from disposal/repurchase: breakdown

ITEMS/INCOME COMPONENTS	Total 31/12/2023			Total 31/12/2022		
	Profit	Loss	Net result	Profit	Loss	Net result
A. FINANCIAL ASSETS						
1. Financial assets measured at amortised cost	2,353	(16)	2,336	5,861	-	5,861
1.1 Loans to banks	7	-	7	20	-	20
1.2 Loans to customers	2,346	(16)	2,330	5,841	-	5,841
2. Financial assets measured at fair value through other comprehensive income	1,376	-	1,376	4,278	(168)	4,109
2.1 Debt securities	1,376	-	1,376	4,278	(168)	4,109
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**3,728**	**(16)**	**3,712**	**10,139**	**(168)**	**9,971**
B. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
Total liabilities (B)	**-**	**-**	**-**	**-**	**-**	**-**

The table reports the economic result deriving from the sale of financial assets/liabilities other than those held for trading and those measured at fair value, as well as the result derived from the repurchase of the company's own financial liabilities. In particular:

- the net amount of EUR 2,336 thousand indicated in line 1 refers to the net result deriving from the sale of bond securities (in particular, Italian government bonds B.T.P., C.C.T.);
- the amount of EUR 1,376 thousand specified in line 2.1 represents the profit relative to the transfer of bond securities (in particular C.C.T.).

Section 7 - Net result on other financial assets and liabilities measured at fair value through profit or loss - Item 110

7.1 Net change in value on other financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets and liabilities measured at fair value

TRANSACTIONS/INCOME COMPONENTS	Capital gains	Profit on sale	Capital losses	Loss on sale	Net result
1. FINANCIAL ASSETS	**4,389**	**-**	**(515)**	**(337)**	**3,536**
1.1 Debt securities	4,389	-	(515)	(337)	3,536
1.2 Loans	-	-	-	-	-
2. FINANCIAL LIABILITIES	**-**	**545**	**(8,808)**	**-**	**(8,263)**
2.1 Debt securities in issue	-	545	-	-	545
2.2 Due to banks	-	-	(8,808)	-	(8,808)
2.3 Due to customers	-	-	-	-	-
3. FOREIGN CURRENCY ASSETS AND LIABILITIES: EXCHANGE RATE DIFFERENCES	**X**	**X**	**X**	**X**	**-**
Total	**4,389**	**545**	**(9,323)**	**(337)**	**(4,727)**

The capital gains and capital losses in sub-item "2.2 Due to banks" represent the allocation to the lending parties (Affiliated Banks) of the operating result of the cross-guarantee scheme, which takes place through an accounting entry adjusting the fair value of the financial liability recognised through the funds received as "ex ante portion" from the lending parties themselves.

For further details, please refer to the Annex "Report on the Guarantee Scheme" as at 31 December 2023.

7.2 Net change in value on other financial assets and liabilities measured at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

TRANSACTIONS/INCOME COMPONENTS	Capital gains	Profit on sale	Capital losses	Loss on sale	Net result
1. FINANCIAL ASSETS	**870**	**1,419**	**(282)**	**(75)**	**1,932**
1.1 Debt securities	2	-	(13)	-	(10)
1.2 Equities	-	-	-	-	-
1.3 UCITS units	368	1,419	(17)	(75)	1,694
1.4 Loans	500	-	(252)	-	248
2. FOREIGN CURRENCY ASSETS: EXCHANGE RATE DIFFERENCES	**X**	**X**	**X**	**X**	**-**
Total	**870**	**1,419**	**(282)**	**(75)**	**1,932**

Trading profit (loss) and capital gains (losses) from valuations are reported with balances opened by type of financial instrument.

This item includes capital gains and losses that are derived from the fair value measurement of financial assets/liabilities that are classified in the portfolio under item 20.c of Assets.

The profit on sale under item 1.3 refers to income from trading following the sale of shares in NEF Funds.

Section 8 - Net value adjustments/write-backs due to credit risk - Item 130

8.1 Net value adjustments due to credit risk relative to financial assets measured at amortised cost: breakdown

TRANSACTIONS/ INCOME COMPONENTS	Value adjustments (1)						Write-backs (2)				Total 31/12/2023	Total 31/12/2022
	Stage 1	Stage 2	Stage 3		Purchased or originated credit- impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
			Write-offs	Other	Write-offs	Other						
A. LOANS TO BANKS	**(2,917)**	**(876)**	**-**	**-**	**-**	**-**	**6,941**	**250**	**-**	**-**	**3,397**	**1,869**
- Loans	(220)	(31)	-	-	-	-	859	248	-	-	857	2,622
- Debt securities	(2,698)	(846)	-	-	-	-	6,082	2	-	-	2,540	(753)
B. LOANS TO CUSTOMERS	**(4,191)**	**(13,130)**	**-**	**(3,498)**	**-**	**(892)**	**26,560**	**1,316**	**9,114**	**-**	**15,280**	**8**
- Loans	(3,911)	(13,127)	-	(3,498)	-	(892)	26,320	1,316	9,114	-	15,324	113
- Debt securities	(280)	(4)	-	-	-	-	240	-	-	-	(43)	(105)
Total	**(7,108)**	**(14,007)**	**-**	**(3,498)**	**-**	**(892)**	**33,501**	**1,566**	**9,114**	**-**	**18,678**	**1,877**

Value adjustments, reported under the column "Stage 3 - Other", relate to analytical write-downs of loans, while those reported under the column "Stage 3 - Write offs" arise from redemption events. As requested by the Bank of Italy and given the continuing situation of uncertainty in the current macroeconomic environment (for more details, please see Part A – Accounting Policies – Section 5 – Other aspects), the Group carried out total write-downs on the financial assets that are consistent with the current and forecast developments of risk in loan portfolios.

The increase in adjustments relating to loans to customers in stage 2 reflects the information in Part A – Accounting policies, Section 4 – Other aspects to these Explanatory Notes, with reference to the introduction of an additional mechanism to determine appropriate levels of additional coverage (so-called add-on) to the exposure of variable rate mortgage loans in stage 2.

The write-backs relating to loans to customers in stage 1 reflects the policy to adjust the "coverage floors" down by one percentage point in the business segment.

For more detailed information pertaining to movements in net adjustments to loans, refer to Part E of these Explanatory Notes.

8.2 Net value adjustments due to credit risk relative to financial assets measured at fair value through other comprehensive income: breakdown

TRANSACTIONS/ INCOME COMPONENTS	Value adjustments (1)						Write-backs (2)				Total 31/12/2023	Total 31/12/2022
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
			Write-offs	Other	Write-offs	Other						
A. DEBT SECURITIES	(183)	-	-	-	-	-	78	-	-	-	(106)	(186)
B. LOANS	-	-	-	-	-	-	-	-	-	-	-	-
- To customers	-	-	-	-	-	-	-	-	-	-	-	-
- To banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	(183)	-	-	-	-	-	78	-	-	-	(106)	(186)

8.2a Net value adjustments for credit risk relating to loans measured at fair value through other comprehensive income subject to COVID-19 support measures: breakdown

The table does not contain information and therefore was not filled in.

Section 9 - Profit (Loss) from contractual changes without derecognitions - Item 140

9.1 Profit (Loss) from contractual changes: breakdown

Under this item, losses from contractual changes without derecognitions were recorded for EUR 21 thousand.

Section 10 - Administrative expenses - Item 160

10.1 Staff expenses: breakdown

TYPE OF EXPENSES/VALUES	Total 31/12/2023	Total 31/12/2022
1) EMPLOYEES	**(67,462)**	**(58,949)**
a) salaries and wages	(43,268)	(38,554)
b) social security contributions	(12,216)	(10,247)
c) severance indemnity	(2,583)	(2,284)
d) pension contributions	-	-
e) provision for severance indemnity	(45)	(41)
f) allocation to post-employment benefits:	-	-
- with defined contribution	-	-
- with defined benefit	-	-
g) payments to external supplementary post-employment benefits:	(2,026)	(1,730)
- with defined contribution	(2,026)	(1,730)
- with defined benefit	-	-
h) costs deriving from payment agreements based on own equity instruments	-	-
i) other employee benefits	(7,324)	(6,093)
2) OTHER OPERATING PERSONNEL	**(9)**	**(4)**
3) DIRECTORS AND AUDITORS	**(3,644)**	**(3,268)**
4) RETIRED PERSONNEL	**-**	**-**
5) RECOVERY OF EXPENSES FOR EMPLOYEES SECONDED TO OTHER COMPANIES	**157**	**247**
6) REIMBURSEMENT OF EXPENSES FOR THIRD-PARTY EMPLOYEES SECONDED TO THE COMPANY	**(577)**	**(693)**
Total	**(71,535)**	**(62,667)**

The increase in costs compared to the previous year mainly reflects the increase in the average number of employees during 2023.

10.2 Average number of employees by category

	Total 31/12/2023	Total 31/12/2022
EMPLOYEES (A+B+C)	**695**	**648**
a) executives	34	33
b) middle managers	276	258
c) remaining employees	385	357
OTHER PERSONNEL	**18**	**18**

The average number of employees includes employees of other companies seconded to the company and excludes employees of the company seconded to other companies.

In the case of part-time employees, 50% is conventionally taken into account. The average number is calculated as the weighted average of employees where the weight is given by the number of months worked per year.

10.3 Defined benefit post-employment funds: costs and revenue

For information on this point, please refer to that described in the Liabilities in the balance sheet, Section 9, paragraph “9.2 Other information”.

10.4 Other employee benefits

ITEMS	Total 31/12/2023	Total 31/12/2022
SUNDRY STAFF EXPENSES		
1. allocation of loyalty bonus	(39)	73
2. insurance	(1,304)	(1,006)
3. staff leaving incentives	(4,000)	(3,000)
4. meal vouchers	(908)	(785)
5. training courses	(751)	(768)
6. other benefits	(322)	(607)
Other employee benefits	**(7,324)**	**(6,093)**

10.5 Other administrative expenses: breakdown

ITEMS	Total 31/12/2023	Total 31/12/2022
ICT expenses	**(39,865)**	**(35,593)**
Outsourced ICT expenses	(262)	(3,236)
ICT expenses other than outsourced ICT expenses	(39,603)	(32,356)
Taxes and levies (other)	**(16,398)**	**(16,620)**
Expenses for professional and consulting services	**(53,460)**	**(42,657)**
Advertising and entertainment expenses	**(4,688)**	**(4,958)**
Expenses related to debt collection	**(132)**	**(197)**
Litigation expenses not covered by allocations	**-**	**-**
Expenses for real estate	**(560)**	**(531)**
Lease fees	**-**	**-**
Other administrative expenses - Other	**(35,740)**	**(34,690)**
of which: cash contributions to resolution funds and deposit guarantee systems	(9,003)	(12,109)
Total administrative expenses	**(150,843)**	**(135,246)**

With reference to ICT expenses, the comparable figures from 2022 were restated to align them with what had already been done according to supervisory regulations: following the change in approach, the ICT services provided by Allitude S.p.A. are not longer considered outsourced, since this company is part of the Cassa Centrale Group.

The increase in IT costs is partially attributable to new services provided by Allitude, in particular Facility Management related to the needs of the Banking Group.

The increase in expenses for "Professional and consulting services" is also attributable to the renewed needs of the Cassa Centrale Banking Group.

Section 11 - Net allocations to provisions for risks and charges - Item 170

11.1 Net allocations for credit risk relative to commitments to disburse funds and financial guarantees given: breakdown

ITEMS	31/12/2023			31/12/2022		
	Phase 1	Phase 2	Phase 3	Phase 1	Phase 2	Phase 3
	Allocations			Allocations		
COMMITMENTS TO DISBURSE FUNDS						
Commitments to disburse funds	(2,257)	(2,295)	-	(1,607)	(1,311)	(977)
FINANCIAL GUARANTEES GIVEN						
Financial guarantee contracts	(5)	(27)	-	(4)	(5)	-
Total allocations (-)	**(2,262)**	**(2,322)**	**-**	**(1,611)**	**(1,316)**	**(977)**
	Reallocations			Reallocations		
COMMITMENTS TO DISBURSE FUNDS						
Commitments to disburse funds	3,739	1,118	-	1,415	119	1,023
FINANCIAL GUARANTEES GIVEN						
Financial guarantee contracts	17	-	81	33	7	14
Total reallocations (+)	**3,755**	**1,118**	**81**	**1,448**	**126**	**1,037**
	Net allocation			Net allocation		
Total	**1,493**	**(1,204)**	**81**	**(163)**	**(1,190)**	**61**

11.2 Net allocations relative to other commitments and guarantees given: breakdown

The Bank does not hold any positions attributable to this case.

11.3 Net allocations to other provisions for risks and charges: breakdown

ITEMS	31/12/2023			31/12/2022		
	Allocations	Reallocations	Net total	Allocations	Reallocations	Net total
ALLOCATIONS AND REALLOCATIONS TO OTHER PROVISIONS FOR RISKS AND CHARGES			-	-	-	-
1. for risks on revocatory actions	-	-	-	-	-	-
2. for charity	-	-	-	-	-	-
3. for personnel risks and charges	-	-	-	-	-	-
4. for legal and tax disputes	(1)	191	189	(134)	158	24
5. for other risks and charges	(74)	757	683	(270)	921	651
Total	**(75)**	**947**	**872**	**(405)**	**1,079**	**675**

Section 12 - Net value adjustments/write-backs to tangible assets - Item 180

12.1. Net value adjustments to tangible assets: breakdown

ASSET/INCOME COMPONENTS	Amortisation	Impairment losses	Write-backs	Net result
A. TANGIBLE ASSETS				
1. For business use	**(3,173)**	**(1)**	**22**	**(3,152)**
- Owned	(1,274)	-	-	(1,274)
- Rights of use acquired through lease	(1,899)	(1)	22	(1,878)
2. Held for investment purposes	**-**	**-**	**-**	**-**
- Owned	-	-	-	-
- Rights of use acquired through lease	-	-	-	-
3. Inventories	**X**	**-**	**-**	**-**
Total	**(3,173)**	**(1)**	**22**	**(3,152)**

The Bank has no tangible assets classified as held for sale pursuant to IFRS 5. For this reason, the table shown above does not include the dedicated item "B. Assets held for sale", which is where the result of the related measurement would be reported.

For further information, please refer to the contents of the corresponding section "Tangible assets" of the balance sheet assets.

Section 13 - Net value adjustments/write-backs to intangible assets - Item 190

13.1 Net value adjustments to intangible assets: breakdown

ASSET/INCOME COMPONENTS	Amortisation (a)	Impairment losses (b)	Write-backs (c)	Net result (a + b - c)
A. Intangible assets				
of which: software	-	-	-	-
A.1 Owned	**(211)**	**-**	**-**	**(211)**
- Generated internally by the company	-	-	-	-
- Other	(211)	-	-	(211)
A.2 Rights of use acquired through lease	**-**	**-**	**-**	**-**
Total	**(211)**	**-**	**-**	**(211)**

Section 14 - Other operating income/expenses - Item 200

14.1 Other operating expenses: breakdown

ITEMS	Total 31/12/2023	Total 31/12/2022
Amortisation of improvements to non-separable third-party assets	(49)	(47)
Expenses for treasury contracts with General Governments	-	-
Expenses for transactions and indemnities	-	-
Non-existent items and contingencies not ascribable to own items	**(176)**	**(28)**
Bonuses and rounding down	(5)	(6)
Other operating expenses - other	**(5)**	**(136)**
Total other operating expenses	**(235)**	**(217)**

14.2 Other operating income: breakdown

ITEMS	Total 31/12/2023	Total 31/12/2022
Recovery of taxes	15,934	16,251
Charges to third parties for costs on deposits and current accounts	-	-
Recovery of insurance premiums	-	-
Receivable rents and payments	-	-
Recovery of other expenses	4,577	3,617
Non-existent items and contingencies not ascribable to own items	261	452
Badwill from Purchase Price Allocation	-	-
Bonuses and rounding up	-	-
Other operating income - other	20,870	20,550
Total other operating income	**41,643**	**40,869**

The Item "Other operating income - other" mainly consists of the recovery of administrative expenses incurred by the Parent Company on behalf of the Affiliated Banks. These include, in particular, revenues from centralised services relating to the performance of the activities of the corporate control functions.

The item "Recovery of other expenses" mainly refers to the recovery of expenses related to European supervision as well as to the recovery of legal costs and cyber risk policies.

Section 15 - Profit (Loss) on equity investments - Item 220

15.1 Profit (Loss) on equity investments: breakdown

INCOME COMPONENT/VALUES	Total 31/12/2023	Total 31/12/2022
A. INCOME	**-**	**-**
1. Revaluations	-	-
2. Gains from disposal	-	-
3. Write-backs	-	-
4. Other Income	-	-
B. EXPENSES	**(4,976)**	**(17,800)**
1. Write-downs	-	-
2. Impairment losses	(4,976)	(17,800)
3. Losses from disposal	-	-
4. Other expenses	-	-
Net result	**(4,976)**	**(17,800)**

The amount in sub-item "B.2 Impairment losses" includes the effects arising from the review of the value of the equity investments in Casse Rurali Raiffeisen Finanziaria S.p.A. in liquidazione for EUR 2,100 thousand, in Allitude S.p.A. for 2,406, in Cabel Holding S.p.A. for EUR 78 thousand, and in Centrale Casa S.r.l. for EUR 392 thousand.

Section 16 - Net result of fair value measurement of tangible and intangible assets - Item 230

16.1 Net result of fair value measurement (or revalued value) or estimated realisable value of tangible and intangible assets: breakdown

During the course of the year, no fair value measurement was implemented with respect to tangible or intangible assets.

Section 17 - Value adjustments to goodwill - Item 240

17.1 Value adjustments to goodwill: breakdown

The Bank has not registered any asset item as goodwill.

Section 18 - Profit (Loss) from disposal of investments - Item 250

18.1 Profit (Loss) from disposal of investments: breakdown

INCOME COMPONENTS/VALUES	Total 31/12/2023	Total 31/12/2022
A. REAL ESTATE	**-**	**-**
- Gains from disposal	-	-
- Losses from disposal	-	-
B. OTHER ASSETS	**6**	**6**
- Gains from disposal	7	35
- Losses from disposal	(1)	(29)
Net result	**6**	**6**

Section 19 - Income taxes for the year on current operating activities - Item 270

19.1 Income taxes for the year on current operating activities: breakdown

	INCOME COMPONENTS/VALUES	Total 31/12/2023	Total 31/12/2022
1.	Current taxes (-)	2,089	(4,083)
2.	Changes in current taxes of previous years (+/-)	213	195
3.	Decrease in current taxes of the year (+)	-	-
3. bis	Decrease in current taxes of the year for tax credits pursuant to Law no. 214/2011 (+)	-	-
4.	Change in advance taxes (+/-)	(844)	(2,005)
5.	Change in deferred taxes (+/-)	-	-
6.	**Income taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)**	**1,458**	**(5,893)**

Current taxes were booked in accordance with currently effective legislation:

- IRES: 27.5% including surcharge;
- IRAP: 5.57% for the Value of Production realised in the Province of Trento. Provincial Law no. 21 of 30 December 2015 provides that only banking companies operating in the province of Trento shall have an IRAP rate of 5.57% for the year 2023;
- item 1. “Current taxes” includes the positive effect deriving from the offsetting of the tax loss and the ACE facility for the period with taxable income of other companies participating in the tax consolidation of Cassa Centrale, the option for which was exercised for the 2023-2025 three-year period.

19.2 Reconciliation between the theoretical tax charge and the effective tax charge in the financial statements

INCOME COMPONENTS	Tax
Profit from current operating activities, gross of tax (item 260 of the income statement)	29,665
IRES income taxes - theoretical fiscal charge:	(11,971)
Effects of decreases in taxable income on IRES	14,980
Effects of increases in taxable income on IRES	**(3,009)**
A. EFFECTIVE FISCAL CHARGE – CURRENT IRES TAX	**-**
Increases in deferred tax assets	-
Decreases in deferred tax assets	(488)
Increases in deferred tax liabilities	**-**
Decreases in deferred tax liabilities	-
B. TOTAL EFFECTS OF DEFERRED IRES TAXATION	**(488)**
C. CHANGES IN CURRENT TAXES	**3,419**
Changes in current taxes of previous years	259
Changes due to effects of national tax consolidation	3,160
D. TOTAL ACCRUED IRES (A+B+C)	**2,931**
Theoretical fiscal charge for IRAP with application of nominal rate (difference between net interest and other banking income and allowable deductible costs):	(2,559)
Effect of decreases in value of production	3,576
Effect of increases in value of production	(2,088)
Changes in current taxes of previous years	(46)
E. EFFECTIVE FISCAL CHARGE – CURRENT IRAP TAX	**(1,117)**
Increases in deferred tax assets	-
Decreases in deferred tax assets	(356)
Increases in deferred tax liabilities -	-
Decreases in deferred tax liabilities -	-
F. TOTAL EFFECTS OF DEFERRED IRAP TAXATION	**(356)**
G. TOTAL ACCRUED IRAP (E+F)	**(1,473)**
H. IRES/IRAP SUBSTITUTE TAX FOR EXEMPTION OF MISMATCHES -	**-**
TOTAL IRES - IRAP CURRENT TAXES (A+C+E+H)	**2,302**
TOTAL IRES - IRAP ACCRUED TAXES (D+G+H)	**1,458**

Section 20 - Profit (Loss) after tax from discontinued operations - Item 290

20.1 Profit (Loss) after tax from discontinued operations: breakdown

During the course of the year, the Bank did not proceed with disposals of groups of assets. This section does not contain any evaluation and is therefore omitted.

Section 21 - Other information

There is no further information other than that already provided.

Section 22 - Earnings per share

ITEMS	31/12/2023	31/12/2022
Net result of the Group	(31,123)	(44,660)
Reversal of result of minority interests	-	-
NET RESULT OF THE PARENT COMPANY	**31,123**	**44,660**
Number of ordinary Parent Company shares outstanding	18,158	18,158
Number of preference Parent company shares outstanding	150	150
Number of own shares	-	-
NUMBER OF SHARES OUTSTANDING	**18,308**	**18,308**
Income per ordinary share outstanding (Basic EPS) in Euro	**1.71%**	**2.46%**
Income per share outstanding (diluted EPS) in Euro	**1.70%**	**2.44%**

With regard to the above, it should be noted that, given that the share capital is also represented by preference shares, the economic result which is attributable to parties owning ordinary equity instruments is given by the profit for the year minus the dividends paid to preference shares. The calculation of the basic EPS therefore differs from that of the diluted EPS.

22.1 Average number of ordinary shares with diluted capital

In view of that previously stated, this scenario is considered irrelevant.

22.2 Other information

In view of that previously stated, this scenario is considered irrelevant.

PART D - Comprehensive income

Analytic statement of consolidated comprehensive income

ITEMS		31/12/2023	31/12/2022
10.	**Profit (loss) for the year**	**31,123**	**44,660**
	Other components of income without reversal to the income statement	**3,234**	**33,548**
20.	Equities measured at fair value through other comprehensive income:	3,622	35,361
	a) change in fair value	3,622	25,292
	b) transfers to other components of equity	-	10,068
30.	Financial liabilities measured at fair value through profit or loss (changes in credit rating):	-	-
	a) change in fair value	-	-
	b) transfers to other components of equity	-	-
40.	Hedging of equities measured at fair value through other comprehensive income:	-	-
	a) change in fair value (hedged instrument)	-	-
	b) change in fair value (hedging instrument)	-	-
50.	Tangible assets	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	(166)	133
80.	Non-current assets and groups of assets held for disposal	-	-
90.	Quota of reserves from the valuation of shareholdings measured with the equity method	-	-
100.	Income taxes on other income components without reversal to the income statement	(220)	(1,945)
	Other components of income with reversal to the income statement	**9,111**	**(19,235)**
110.	Hedging of foreign investments:	-	-
	a) changes in fair value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
120.	Exchange rate differences:	-	-
	a) value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-

ITEMS		31/12/2023	31/12/2022
130.	Cash flow hedging:	-	-
	a) changes in fair value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
	of which: result of net positions	-	-
140.	Hedging instruments (non-designated elements):	-	-
	a) value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
150.	Financial assets (other than equities) measured at fair value through other comprehensive income:	13,611	(28,752)
	a) changes in fair value	12,758	(25,887)
	b) reversal to income statement	853	(2,864)
	- credit risk adjustments	6	25
	- profit (loss) on sale	848	(2,890)
	c) other changes	-	-
160.	Non-current assets and groups of assets held for disposal:	-	-
	a) changes in fair value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
170.	Quota of reserves from the valuation of shareholdings measured with the equity method:	-	-
	a) changes in fair value	-	-
	b) reversal to income statement	-	-
	- adjustments for impairment	-	-
	- profit (loss) on sale	-	-
	c) other changes	-	-
180.	Income taxes on other income components with reversal to the Income Statement	(4,499)	9,517
190.	**Total other income components**	**12,346**	**14,313**
200.	**Comprehensive income (Item 10+190)**	**43,469**	**58,973**

PART E - Information on risks and related hedging policies

INTRODUCTION

The Bank pays particular attention to risk management and governance and operates by ensuring the constant evolution of its organisational/procedural controls and methodological solutions used for measuring and monitoring. These activities are carried out with tools aimed at supporting effectively and efficiently the governance of risks, also in response to changes in the reference operational and regulatory environment. As required by the regulations on the reform of cooperative credit, the outsourcing of control functions at Cassa Centrale Banca by the Affiliated Banks of the Cooperative Banking Group is operational. It is therefore the task of Cassa Centrale Banca to define the guidelines for risk measurement and management.

The risk management strategy is based on a holistic view of business risks and considers both the macroeconomic scenario and the individual risk profile, stimulating the growth of the risk control culture and reinforcing a transparent and accurate representation of risks.

The risk assumption strategies are summarised in the Risk Appetite Framework (hereinafter also referred to as "RAF") adopted by the Board of Directors of the Parent Company, i.e. the reference framework that defines – consistently with the maximum risk that can be assumed, the business model and the strategic plan – the risk appetite, the tolerance thresholds, the risk limits, the risk management policies, the reference processes necessary to define and implement them. The RAF, introduced to ensure that risk-taking activities are in line with shareholders' expectations and comply with the overall regulatory and prudential framework of reference, is defined in light of the company's overall risk position and the economic-financial situation.

The framework is developed by the Parent Company and is divided into the following main areas:

- organisational, through (i) the definition of the tasks of the corporate bodies and functions involved in the RAF; (ii) the updating of organisational and governance documents with regard to the main risk profiles (credit and counterparty, concentration, interest rate, market, liquidity, operational) and references for the management of the related interrelationships (risk management policies, risk management process, internal processes for determining and assessing capital adequacy so-called ICAAP-ILAAP, strategic and operational planning, internal control system, incentive system, major operations, etc.) within a framework of overall consistency; (iii) the definition of the relevant information flows;
- methodological, through (i) the definition of indicators, of operational references for their evaluation and the setting of inherent thresholds; (ii) the declination of the objectives and indicators identified in the system of operational limits;
- application, through the reconnaissance of the areas of intervention on the application supports for risk management and supervisory processes (risk measurement, supervisory reporting, ICAAP-ILAAP, simulation/forecasting, alerting activities, reporting, etc.) and the definition of the functional requirements for the related development.

The framework defines both the general principles in terms of the company's risk appetite and the controls adopted with regard to the overall risk profile and the main specific risks.

The general principles that guide the company's risk-taking strategy are referred to below:

- the company's business model is focused on the traditional activity of a commercial bank, with a particular focus on financing small and medium-sized enterprises and households;
- the objective of the company's strategy is not to eliminate risks but to fully understand them in order to ensure their conscious assumption and management in order to guarantee the long-term solidity and continuity of the company;
- limited risk appetite; capital adequacy, income stability, solid liquidity position, attention to maintaining a positive corporate reputation, strong control over the main specific risks to which the company is exposed represent key elements on which the entire company's operations are based;
- formal and substantial compliance with the rules with the aim of not incurring sanctions and maintaining a solid relationship of trust with all company's stakeholders.

The RAF represents, therefore, the overall framework within which the overall management of the risks assumed is placed and the general principles of risk propensity are defined and the consequent articulation of the controls against the overall corporate risk and the main specific risks.

The overall risk profile is monitored by a structure of limits based on the need to ensure compliance with the required minimum levels of solvency, liquidity and profitability, even under stressful conditions.

In particular, overall risk management aims to maintain adequate levels of:

- capitalisation, with reference to Pillar I and Pillar II risks, through the monitoring of the Common Equity Tier 1 ratio, the Tier 1 ratio, the Total Capital ratio and the financial leverage indicator;
- liquidity, such as to cope with periods of tension, even prolonged ones, on the various funding supply markets with reference to both the short-term situation and the structural situation, by monitoring the limits inherent in the Liquidity Coverage ratio, stable funding, loan-collection gap;
- profitability, through the monitoring of indicators such as cost-income and ROA.

The definition of the RAF and the resulting operational limits on the main specific risks mentioned above, the use of risk assessment tools within the credit management processes and the reference control and monitoring of operational and compliance risks, capital adequacy assessment measures and risk capital measures for the assessment of company performance, are the cornerstones of the operational declination of the risk strategy defined by the Board of Directors.

In the same context, reporting to corporate bodies is defined, which aims to provide on a periodic basis summary information on the evolution of the Bank's risk profile, taking into account the defined risk appetite. The relative system is designed to support the preparation of a holistic representation of the risk profiles to which the Bank is exposed.

The definition of the RAF is based on an articulated and complex process involving the various business units of the Bank. This process is developed in coherence with the ICAAP-ILAAP process and represents the framework within which the annual budget and the business plan are developed, ensuring coherence between risk taking strategies and policies on the one hand, and planning and budgeting processes on the other.

The specific policies and regulations issued by Cassa Centrale Banca have been adopted to strengthen the overall system of governance and risk management.

The risk governance model, i.e. the set of corporate governance and management and control mechanisms aimed at tackling the risks to which the Bank is exposed, is part of the broader framework of the company's internal control system, which is addressed by Cassa Centrale Banca as part of the outsourcing contract, defined in accordance with the prudential supervisory provisions for banks set out in Bank of Italy Circular no. 285/2013 (Part One, Title IV, Chapter 3).

Consistently with these references, all company risks are monitored within the framework of an organisational model based on the full separation of control functions from production functions, which integrates control methodologies and processes at different levels, all of which converge with the objectives of continuously detecting, measuring and verifying the risks typical of company activities, safeguarding the integrity of company assets, protecting against losses, guaranteeing the reliability and integrity of information, and verifying the correct performance of activities in compliance with internal and external regulations.

The internal control system consists of all the rules, functions, structures, resources, processes and procedures that aim to ensure, in compliance with sound and prudent management, the achievement of the following objectives:

- verification of the implementation of company strategies and policies;
- containment of the risk within the limits defined in the adopted RAF;
- safeguarding the value of assets and protection against losses;
- effectiveness and efficiency of operating processes;
- reliability and security of company information and IT procedures;
- prevention of the risk that the Bank may be involved, even involuntarily, in illegal activities, with particular reference to those connected with money laundering, usury and terrorist financing;
- compliance of operations with the law and supervisory regulations, as well as with internal policies, regulations and procedures.

The internal control system therefore involves the entire corporate organisation (administrative bodies, structures, hierarchical levels, personnel).

***

In line with the provisions issued by the Bank of Italy, the model adopted by the Bank outlines the main responsibilities of the governance and control bodies in order to ensure the overall effectiveness and efficiency of the internal control system.

A joint examination of the supervisory regulations and the Bank's Articles of Association shows that the strategic supervision function and the management function are founded within the organic and integrated action of the Board of Directors.

In the Parent Company there is the figure of the Chief Executive Officer who also incorporates the functions of the General Manager. The Chief Executive Officer is appointed by the Board of Directors by conferring certain powers and responsibilities pursuant to Article 2381, second paragraph of the Italian Civil Code. For the functions assigned to the Chief Executive Officer, reference should be made to Article 34.2 of Cassa Centrale Banca's Articles of Association.

The strategic supervision function is expressed in the guidance of the corporate management through the preparation of the strategic plan, within which the Risk Appetite Framework (RAF) is inserted, and through the approval of the ICAAP-ILAAP and the budget. This function is carried out by ensuring consistency between the internal control system and the organisation within the cooperative credit "business model". It should be noted that only a consolidated ICAAP-ILAAP report is formally required by the Supervisory Authority and no longer individual documents; the contributions of the individual Group companies are taken into account in the preparation of the report.

The management function, to be understood as the set of decisions that a corporate body takes for the implementation of the guidelines resolved in the exercise of the strategic supervision function, is the responsibility of the Board of Directors with the technical contribution of the Chief Executive Officer of Cassa Centrale Banca, who takes part in the meetings of the Board of Directors. This function is mainly carried out in the following ways:

- resolutions passed by the Board of Directors, also on the proposal of the Chief Executive Officer, in compliance with the provisions of the Articles of Association;
- resolutions of the Executive Committee, normally on the proposal of the Chief Executive Officer, in the delegated areas;
- decisions of the Chief Executive Officer and the corporate structure in the delegated areas.

In accordance with the Articles of Association, the Chief Executive Officer is then responsible for implementing the resolutions of the Board of Directors and the Executive Committee and has the task of supervising the organisational functioning, the performance of operations and the functioning of services, ensuring that the Bank is managed as a single entity.

The Chief Executive Officer, as head of personnel, ensures constant attention to the training of employees, also acting as a lever to spread the culture and techniques of risk management and control. He/she also involves the governing body for the approval of training plans and supports it in identifying training methods and content from time to time useful for the development of the directors themselves.

The Board of Statutory Auditors represents the body with control functions and, as it is responsible for corporate control, supervises the correct application of the law and the Articles of Association and, specifically, the adequacy of the internal control system and the effectiveness of the work of the corporate control functions, also making use of the information flows that they carry out.

***

The provisions in relation to the internal control system, information system and business continuity accentuate the need for a prior definition of the reference framework for carrying out banking activities in terms of risk appetite, setting a frame of reference that banks must apply consistently to operational contexts, size and degree of complexity. This reference framework is defined in the RAF, i.e. the system of risk objectives, and it involves the ex ante setting of the risk/return objectives that the Bank intends to achieve in order to ensure the necessary consistency of application at consolidated level.

The main purpose of the RAF is to ensure that the intermediary's activity develops within the risk appetite limits set by the corporate bodies.

The RAF is an obligatory reference point for the implementation, within the strategic plan, of a reasoning that leads to establishing the Bank's propensity to risk and that translates into risk management policies, expressed through the definition of quantitative parameters and qualitative indications consistent with it.

This reference framework is delivered through the development of the strategic plan from an RAF perspective, with which the budget, ICAAP-ILAAP and operational planning are linked.

The Risk Appetite Framework (RAF) and the related risk governance policies, summarised in the strategic plan, are consistently implemented in risk management, which takes the form of an implementation method that integrates approach phases (summarised in the so-called risk management process) and operational phases for the execution of the set objectives.

It involves both the Board of Directors (for resolutions falling within its remit) and Corporate Management, who - also with the support of the heads of the operational functions involved from time to time and the second-level control function contacts for the powers for which they are responsible - prepare the proposals to be submitted to the Board of Directors, draw up their own provisions and organically oversee the operational risk management activities.

Consequently, risk management is configured as a set of limits, delegations, rules, procedures, resources and first- and second-level line controls as well as operational activities through which risk management policies are implemented.

***

The supervisory regulations require banks to have adequate systems of risk detection, measurement and control, or an adequate internal control system as defined above.

The controls involve the entire structure, starting from the corporate bodies and the Management and are then articulated in:

- line controls, the main objective of which is to verify the correctness of operations with respect to external/self-regulation rules;
- second-level controls (Risk Management, Compliance and Anti-Money Laundering), aimed at implementing controls on risk management, the correct application of legislation and the management of the risk of money laundering and terrorist financing;
- third level controls (Internal Audit), aimed at identifying anomalous trends in procedures and regulations and assessing the functionality of the overall internal control system.

The Internal Audit Department, which oversees the third level of control, checks the other control systems, activating periodic sessions aimed at monitoring risk variables.

During the year, Audits mainly focused on the following corporate processes:

- ICAAP-ILAAP report;
- remuneration policies;
- complaints and disputes management;

- Group proprietary portfolio;
- granting of loans;
- liquidity management;
- cash management;
- outsourcing management;
- ICT measures (data governance, PMO, incident management);
- other topics.

Section 1 - Credit risk

Qualitative information

1. GENERAL ASPECTS

The objectives and strategies of the Bank's lending activities are geared towards the pursuit of an efficient relationship between the characteristics of the distribution model typical of cooperative credit, based on mutuality and localism, and effective monitoring of credit risk. The Bank's lending activities are also integrated into the organisational model of the Cassa Centrale Group, which aims to ensure the application of uniform rules and criteria in the assumption and management of credit risk through progressive standardisation of instruments.

In particular, such objectives and strategies are mainly targeted at:

- the achievement of a loan growth target that is sustainable and consistent with the defined risk appetite;
- an efficient selection of individual counterparties, through a complete and accurate analysis of their ability to meet their contractual commitments, aimed at containing credit risk;
- the diversification of credit risk, by identifying loans of limited amounts as the Bank's natural operating area, as well as limiting the concentration of exposures to groups of connected customers or individual lines of business;
- the verification of the persistence of the creditworthiness of the financed clients as well as the performance monitoring of the individual reports carried out, with the help of the information system, both on regular positions as well as and especially on positions with anomalies and/or irregularities.

The commercial policy on credit facilities is oriented to the financial support of the local economy and is characterised by a high propensity to entertain trust and personal relationships with households, craft workers and small-medium enterprises in their territory of reference, as well as a particular operational vocation in favour of customer-shareholders. Moreover, no less important is the support function performed by the Bank in favour of certain categories of economic and social operators who, due to their legal structure, their purely local scope of action or the reduced profitability they can bring to the Bank, tend to be excluded from access to ordinary bank credit.

The micro and small businesses and the craft segment is another sector of particular importance for the Bank. In this context, the Bank's strategies are aimed at establishing medium-long term credit and service relationships through the offer of targeted products and services and personal and collaborative relationships with the same customers. The conventions or partnership agreements reached with the provincial Credit Guarantee Consortia or with other subjects working in support of the development of the local economic fabric are also included in this perspective.

The granting of credit is mainly directed towards the lines of business most consistent with the Bank's credit policies and the positive economic dynamics that historically and currently characterise the territory in which the Bank operates.

Please refer to the public disclosure ("Third Pillar"), provided at consolidated level, in accordance with the provisions of the "Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis" published by the EBA (EBA/GL/2020/07).

Exposure to counterparty risk in non-speculative OTC derivative transactions is very limited because it is exclusively assumed in relation to primary market institutions and balanced with specular but opposite transactions with the Affiliated Banks; netting and collateralisation agreements were also signed to further mitigate counterparty risk.

2. POLICIES FOR MANAGING CREDIT RISK

2.1 Organisational factors

In carrying out its activities, the Bank is exposed to the risk that receivables, for whatever reason, are not honoured by third party debtors at maturity and, therefore, losses must be recorded in the financial statements.

This risk is mainly found in the traditional activity of granting secured or unsecured loans recorded in the financial statements, as well as in similar transactions not recorded in the financial statements (mainly available margins on overdrafts, or endorsement credits) and the potential causes of default lie largely in the financial difficulties of the counterparty and to a lesser extent in reasons independent of the financial condition of the counterparty, such as country risk or operating risks. Activities other than traditional lending also further expose the Bank to credit risk (e.g. subscription of non-speculative OTC derivative contracts).

The Group Regulation on the granting of loans uniformly defines the process for granting and managing performing loans, allowing the individual Affiliated Banks to autonomously determine the operational units required to perform the different stages of the process. This decision, deemed necessary in view of the decentralisation that characterises the Cassa Centrale Group, aims to enhance the unique characteristics of the different banks, both in terms of their commercial approach to the region and in terms of effective risk management. In any case, and in compliance with regulatory provisions on Internal Audits, a clear division of roles and responsibilities is established between the commercial component, the functions responsible for identifying and managing positions classifiable as NPEs, and the Control Functions, including the Risk Management Department.

As at 31 December 2023, the Bank had 14 regional offices and 1 branch office in the country.

The Credit Department is the body responsible for designing the entire performing loan granting and management process, as well as the coordination and development of loans.

The allocation of tasks and responsibilities within this Department aims - to the extent that is feasible - to separate activities that are in conflict of interest, particularly through an opportune ranking of authorisation profiles in the IT field.

The NPL Department is the body with the following functions:

- coordination of the management of the group's non-performing loan portfolio by defining, implementing and monitoring the group's NPE strategy;
- definition of management processes of impaired loans;
- governance of the monitoring process of the entire loan portfolio, in order to promptly intercept the deterioration of credit quality and ensure the correct classification of customers between performing and non-performing loans.

In light of the provisions on the internal control system (contained in Bank of Italy Circular no. 285/2013, Part One, Title IV, Chapter 3), the Bank has adopted an organisational structure that is functional to achieving an efficient and effective credit risk management and control process consistent with the Group framework.

In addition to line controls, as first level activities, the functions in charge of second-level and third-level controls with the collaboration of their respective contact persons are responsible for measuring and monitoring risk trends and for the correctness/adequacy of management and operational processes.

Control activity over credit risk management (as well as financial and operational risks) is carried out by the risk control function (Risk Management Department).

Specifically, the function provides a preventive contribution in the definition of the RAF and related risk management policies, in setting operational limits to the assumption of the various types of risk.

Specifically, the function:

- releases its prior assessment of the Group Governance Rules, including the first-level internal regulations on the credit sector, in order to assess their consistency with the overall risk management and control framework it oversees. Excluded are documents for which the Function, given the nature of the contents and/or changes, does not see any impact on the framework it oversees. The evaluation is issued as described in the Group policy for managing internal regulations;
- carries out second-level checks on credit exposures;
- ensures systematic monitoring of the degree of exposure to risks, the adequacy of the RAF and the consistency between operations and the actual risks assumed by the Bank with respect to the risk/return objectives and the related pre-established limits or thresholds;
- contributes to the preparation of the ICAAP-ILAAP report, in particular by verifying the appropriateness of the variables used and consistency with the risk objectives approved under the RAF;
- monitors compliance with regulatory requirements and prudential supervisory ratios, analysing and commenting on their characterisations and dynamics;

- formalises prior opinions on the consistency with the RAF of the most significant transactions, possibly acquiring the opinion of other functions involved;
- contributes to the organisational set up/maintenance and regulates the operational processes (credit, funding, finance, collection/payments, ICT) adopted for the management of the various types of risk, verifying the adequacy and effectiveness of the measures taken to remedy the deficiencies found;
- contributes to the definition/revision of quantitative risk measurement methodologies and, by interacting with the accounting function and referring to the system contributions for the preparation of the financial statements, contributes to a correct classification and evaluation of the company's activities.

2.2 Management, measurement and control systems

With regard to lending activities, the Credit Department and the NPL Department of the Parent Company ensure the supervision and coordination of the operational phases of the lending process, make decisions within the scope of their powers and carry out the controls for which they are responsible.

The entire credit management, control and classification process is governed by the Group Regulations on the granting of loans, Group Regulations for the classification and valuation of loans, Group Regulations for monitoring and first-level controls on credit risk, Group Regulations for the management of impaired loans, which regulate the criteria and methods for:

- assessment of creditworthiness;
- review of credit lines;
- classification of loans;
- definition of credit risk monitoring and control activities;
- management and recovery of loans classified as non-performing;
- determination of provisions on exposures classified as non-performing.

With reference to transactions with related parties, the Bank has adopted specific deliberative procedures aimed at controlling the risk that the proximity of certain parties to the decision-making centres of the same may compromise the impartiality and objectivity of decisions relating, among others, to the granting of loans. From this perspective, the Bank is also equipped with recognition tools and an IT procedure aimed at supporting the correct and complete registration of associated parties. These references have been supplemented by updating, where deemed necessary, the resolutions, regulations and proxies already in use. The Group Regulation for the management of transactions with associated parties was also adopted.

In compliance with the provisions of the Group Regulations for the granting of loans, the Group Regulations for the classification and valuation of loans, the Group Regulations for monitoring and first-level controls on credit risk and the Group Regulations for the management of impaired loans, specific procedures were put in place for the investigation/deliberation, credit line revision and credit risk monitoring and control phases, classification of loans and definition of recovery strategies for impaired loans. All of the above phases apply qualitative and quantitative criteria to assess the creditworthiness of the counterparty.

The investigation/deliberation and revision of the credit lines are regulated by a deliberative process in which the various competent bodies intervene, in accordance with the levels of delegation provided for. The Parent Company can intervene on the loan granting practices of individual affiliated banks in the event that they exceed the maximum credit limits permitted for individual counterparties, set by the Parent Company on a personalised basis for each individual bank, taking into account the own funds and creditworthiness of the same. These phases are supported by IT procedures that allow, at any time, the verification (by all credit management functions) of the status of each position already assigned or being assigned, as well as to reconstruct the process that led to the definition of the creditworthiness of the borrower (through the recording and archiving of the decision-making process and the types of analysis carried out).

During the investigation, for requests for significant amounts of credit facilities, the evaluation, including prospective, is structured on several levels and is based mainly on economic-financial data, as well as on personal knowledge of the counterparty and its guarantors. Different types of investigation/revision have been provided for; some, simplified with the investigation reduced to the essential, reserved for the investigation/revision of exposures of limited amount referring to parties who have a regular performance, others, of ordinary type, for the remaining type of practices.

The IT monitoring procedure adopted by the Bank, using internal management information and data acquired from external providers, makes it possible to identify the various signs of anomalies among the customers with credit lines. The constant monitoring of the reports provided by the procedure therefore allows timely intervention in the event of anomalies and to take the appropriate measures to resolve them and/or correctly classify the individual position.

All fiduciary positions are also subject to periodic review, carried out for each individual counterparty/economic group to which they belong by the relevant structures per credit limit.

The credit chain is also monitored at every stage (granting, performance monitoring, classification, NPL management, collateral management, provisioning) by the Risk Management Department through a specific dedicated control framework based on preliminary quarterly risk assessments carried out on a massive scale through specific sets of dedicated key risk indicators, aimed at providing an initial measurement of the potential risk occurred from the individual scope, also taking into account the historical evolution (cross time comparison) of the same and its positioning with respect to the banking group (cross section comparison). This can also be used to detect possible risk drivers of the functional compartment to assess any single name analytical insights on the individual scopes in question to support the evidence of potential risk detected by the aforementioned massive models.

In recent years, the revision of international prudential regulations as well as the evolution in the banking world have further pushed cooperative credit to develop methods and systems to control credit risk. With this in mind, a strong commitment has been maintained in the progressive development of IT tools for monitoring credit risk, which has led to the creation of an advanced system for assessing the creditworthiness of companies and the risk/return profile.

Consistently with the operational and governance specificities of the credit process, the management system has been designed with a view to achieving an adequate integration between quantitative information (Financial Statements, Central Credit Register, Relationship Performance, Socio-Demographic Profile) and qualitative information accumulated by virtue of the peculiar customer relationship and its roots in the territory.

For the purposes of determining the minimum capital requirement for credit risk, the Bank adopts the standardised methodology and, in this context, has decided to:

- make use of Rating models, developed on a statistical basis and using credit scoring methodology, for the measurement and evaluation of creditworthiness and related provisions for ordinary and interbank customers[1].
- adopt the standardised methodology for the calculation of the capital requirement for credit risk (Pillar I).

---

[1] The rating models developed are subject to annual review by Cassa Centrale Banca. During the year, under the supervision of the Risk Management Department, credit risk models were refined and updated. For more details see paragraph 2.3.

Moreover, with reference to the internal capital and liquidity adequacy assessment process (ICAAP-ILAAP) provided for in Pillar II of the new prudential regulations and in order to determine internal capital, the Bank has opted for the adoption of simplified methodologies.

In addition, stress tests were carried out in accordance with the management methods established within the Group.

The Bank therefore periodically carries out such stress tests through sensitivity analyses that take the form of an assessment of the effects of specific events on the Bank's risks.

With reference to credit risk, stress tests are carried out by the Bank as follows: in particular, the stress exercise is intended to measure the change in the exposures of the Regulatory portfolios due to the application of an adverse scenario compared to a baseline scenario.

The aggregates subjected to stress analysis are:

- gross volumes of performing loans to customers;
- rate of deterioration of performing loans to customers and related write-offs;
- coverage ratio of performing and impaired loans to customers;
- fair value of the HTCS securities portfolio.

For the identification of the two market scenarios, reference is made to the information provided by an external provider also based on the main assumptions established by the European Banking Authority for the purpose of the 2018 Stress Test.

With reference to operations on the securities markets, the Finance Department of the Bank carry out valuation and control activities both during the purchase of financial instruments and at subsequent times when the composition of the segment by asset class or IAS/IFRS portfolio is periodically analysed, the level of specific risk or counterparty risk is determined and compliance with the limits and powers assigned is verified.

2.3 Methods of measuring expected losses

IFRS 9 introduced, for instruments measured at amortised cost and fair value through other comprehensive income (other than equity instruments), a model based on the expected loss concept, replacing the incurred loss approach provided by IAS 39.

The changes introduced by IFRS 9 are characterised by a prospective view which, in given circumstances, may require the immediate recognition of all expected losses over the life of a loan. In particular, unlike IAS 39, it is necessary to recognise, immediately and regardless of the presence or not of a so-called trigger event, the initial amounts of expected future losses on own financial assets, and this estimate should be continuously adjusted also in consideration of the counterparty credit risk. In order to prepare this estimate, the impairment model should not only consider past and present data, but also information relating to future events.

This forward looking approach makes it possible to reduce the impact of the losses and enable loan adjustments to be posted in proportion to the increase in risks, allowing entities to avoid overloading the income statement on the occurrence of loss events and reducing the pro-cyclical effect.

The scope of application of the new model for measuring expected losses on loans and securities subject to impairment adopted refers to financial assets (loans and debt securities), commitments to disburse funds, guarantees and financial assets not subject to measurement through FVTPL. For credit exposures falling within the scope of application[2] of the new model, the accounting standard provides for the allocation of individual relationships to one of three stages based on changes in credit quality, defined on an expected credit loss model at 12 months or full life if a significant increase in risk (lifetime) has occurred. In particular, there are three different categories reflecting the credit quality deterioration model from initial recognition, which make up the stage allocation:

- in stage 1, positions that do not present, at the valuation date, a significant increase in credit risk (SICR, specific or collective in nature) or which can be identified as 'low credit risk';
- in stage 2, positions that, at the reference date, present a significant increase or that do not present the characteristics to be identified as 'low credit risk';
- in stage 3, non-performing positions[3].

The estimate of expected loss using the Expected Credit Loss (ECL) criteria, for the classifications defined above, takes place on the basis of the allocation of each position into the three reference stages, as detailed below:

- stage 1, expected loss must be calculated on a time horizon of 12 months[4];
- stage 2, expected loss must be calculated by considering all the losses that are expected to be incurred over the entire life of the financial asset (lifetime expected loss): therefore, with respect to the calculation performed in accordance with IAS 39, there is a shift from the estimate of incurred loss over a time horizon of 12 months to an estimate that takes into consideration the entire residual life of the loan; in addition, given that IFRS 9 requires entities to also adopt forward-looking estimates for the calculation of the lifetime expected loss, it is necessary to consider the scenarios connected with macro-economic variables (e.g. GDP, unemployment rate, inflation, etc.) which, through a macro-economic statistical model, are able to estimate the forecasts over the residual duration of the loan;
- stage 3, the expected loss must be calculated with a lifetime perspective, but unlike stage 2 positions, the calculation of the expected lifetime loss is carried out using an analytical valuation methodology; for certain exposures classified as non-performing or unlikely to pay of less than EUR 100,000, for impaired past due and/or overrun exposures and for off-balance sheet exposures, the calculation of the expected lifetime loss is normally carried out using a flat-rate analytical methodology.

With particular reference to positions classified as non-performing, specific analytical valuations reflect, where appropriate, a probable scenario of realisation of these receivables through the sale of the related exposures, consistent with the Bank's strategy for the management of impaired receivables.

Specific risk parameters (PD, LGD and EAD) were defined from an IFRS 9 perspective to be used for impairment calculations (stage allocation and ECL); to improve the coverage of the ratios not originally rated after 2006, the default rates made available by the Bank of Italy were used[5]. It should be underlined that the Bank calculates the ECL based on the allocation stage, per individual position, with reference to on-balance and off-balance sheet credit exposures.

---

[2] The application segments are ordinary customers, interbank segment and securities portfolio.

[3] Non-performing loans relate to: impaired past due and/or overrun, 'unlikely to pay' and non-performing exposures.

[4] The calculation of the expected loss for the purposes of calculating collective bad debt provisions for these exposures takes place on a 12-month point in time basis.

[5] During 2018, the Bank of Italy made available a historical series of default rates starting in 2006, broken down by a number of drivers (region, amount range, economic sector, etc.) and built on a broader definition of non-performing positions only.

For more details, please refer to these Explanatory Notes, Part A Accounting policies, section 5 "Other aspects - d) Risks, uncertainties, impacts and methods of application of the international accounting standards in the current macroeconomic scenario".

Loans to ordinary customers

The steps common to all the approaches identified for the construction of the PD to be used, concern:

- 12-month PD estimate developed on a statistical basis through the construction of a Group model, appropriately segmented according to the type of counterparty and the geographical area in which the Bank operates and the creditworthiness (in terms of the customer's rating);
- the inclusion of forward-looking scenarios occurs through the application of outputs defined by appropriate "Satellite Models" to the PD Point in Time (so-called PiT) and definition of a set of possible scenarios incorporating current and future macroeconomic conditions;
- the transformation of 12-month PD into lifetime PD, in order to estimate a PD term structure along the entire residual life class of loans.

The steps common to all the approaches identified for the construction of the LGD to be used, concern:

- a Group model, appropriately segmented according to the type of counterparty, the geographical area in which the Bank operates, and the type of guarantee, which consists of two parameters: the Danger Rate (DR) and the non-performing LGD (LGS);
- the IFRS 9 Danger Rate parameter (an expression of the probability of "curing" a position to default as well as possible increases in exposure in the migration to worse credit states) is estimated by observing the resolution process of all default cycles recently concluded (point in time) and those concluded 'through the cycle'. The parameter is determined using segmentation in line with the one used for the development of the PD models. The DR parameter, like PD, is conditioned to the economic cycle, based on possible future scenarios, so as to incorporate assumptions about future macroeconomic conditions;
- the nominal LGS parameter (complement to one of the recoveries obtained in respect of the exposure of a position classified as non-performing) is calculated as the arithmetic mean of the nominal LGS, segmented by type customer, geographic area and type of guarantee, and then discounted based on the average recovery time observed for clusters of ratios consistent with the nominal non-performing LGD.

The EAD IFRS 9 model adopted differs according to the type of technical macro-form and the type of counterparty. For the estimation of the EAD parameter over the lifetime period of the instalment positions, it is necessary to consider the contractual repayment flows, for each year of the remaining life of the position. The model also considers the credit conversion factor (CCF) used to determine the EAD for off-balance entries (see commitments, margins and credit commitments).

With reference to stage allocation, the Bank made provision for the allocation of the individual cash and off-balance sheet positions, in one of the three stages listed below, based on the following criteria:

- in stage 1, positions with generation date of less than three months from the measurement date or that do not present any of the characteristics described in the following point;
- in stage 2, positions which, at the reference date, present at least one of the characteristics described below:
    - positions that at the valuation date show an increase in lifetime PD, compared to that at origination, greater than a certain threshold differentiated according to specific drivers such as risk segment, ageing and residual maturity of the position and geographic area. A backstop of 300% is applied to this threshold in line with the guidelines issued by the ECB in the "Dear CEO" letter;

- positions belonging to certain particularly risky geo-sectoral clusters, identified by an IFRS 9 PD higher than 20% on average, identified "collectively" as at risk;
- positions relating to counterparties that at the valuation date are classified to 'watch list', i.e. 'performing under observation';
- presence of a 'forborne performing' attribute;
- presence of past due amounts and/or overrun by more than 30 days;
- counterparty positions classified as performing and identified on the basis of the Group Policy as POCI (Purchased or Originated Credit Impaired);
- positions (without lifetime PD at the origination date) that do not have the characteristics to be identified as low credit risk at the valuation date (i.e. that have the following characteristics at the valuation date: rating class as at the reporting date less than or equal to 4 for the Company and Small Business segments, 3 for the Small Economic Operators segment and 5 for the Private segment)[6];

- in stage 3, non-performing loans. These concern individual positions relating to counterparties classified in one of the impaired loan categories set forth by Bank of Italy Circular no. 272/2008 and subsequent updates. Falling into this category are impaired past due and/or overrun, 'unlikely to pay' and impaired exposures.

Loans between banks or to financial intermediaries

For transactions in the interbank segment, the PD parameter is provided by an external provider that is differentiated on the basis of a rating that defines the creditworthiness of the counterparty; these default probabilities are extrapolated from listed credit spreads or listed bonds. For institutions without quoted credit spreads, the PD parameter is always provided by an external provider, but calculated on the basis of comparable logics based on external information (financial statements, external ratings, economic sector).

The LGD parameter is set prudentially by basing the regulatory level for IRB at 45%.

For EAD, similar logic is applied as for the ordinary customer model.

The Bank has provided for the allocation of individual positions to the three stages, in the same way as to that provided for loans to customers. The application of the concept of low credit risk is defined on performing positions which at the valuation date have the following characteristics: no lifetime PD at the origination date and PD Point in Time less than 0.3%. Stage 2 is defined on the basis of PD changes between origination and reporting of 200% (as the backstop identified on the basis of the AQR-stress test manuals in the presence of a low default portfolio).

[6] The rating model envisages 13 classes and is differentiated on the basis of the counterparty segment.

Securities portfolio

The PD parameter is provided by an external provider based on two approaches:

- timeliness: the default probability term structure for each issuer is obtained from quoted credit spreads or quoted bonds;
- comparable: where market data does not allow for the use of specific credit spreads, because they are absent, illiquid or insignificant, the default probability term structure associated with the issuer is obtained using proxy methodology. This methodology provides for the reclassification of the rated issuer to a comparable issuer for which specific credit spreads are available or to a reference cluster for which a representative credit spread can be estimated.

The LGD parameter is assumed to be constant over the entire time period of the financial activity under analysis and is obtained on the basis of four factors: issuer and instrument type, instrument ranking, instrument rating and country of origin of the issuing entity. The minimum level starts from a value of 45%, with subsequent increases to take into account the different degrees of seniority of the securities.

The Bank has allocated the individual tranches for the purchase of securities in three stages.

In the first creditworthiness stage the following are placed: tranches that can be classified as low credit risk (i.e. that have PD as at the reporting date below 0.26%) and those that at the valuation date have not experienced a significant increase in credit risk with respect to the time of purchase.

In the stage 2, tranches are placed, which on the valuation date present an increase in credit risk compared to the date of purchase.

In the third and final stage, tranches are placed, for which the ECL is calculated following the application of a 100% probability (i.e. in default).

Transitory regime

With regard to the economic and equity impacts of IFRS 9, it should be noted that, on first-time adoption of the same, the main impacts arose from the application of the new accounting model of impairment based, as mentioned above, unlike the loss approach of IAS 39, on the concept of expected loss, and from the application of the rules for the transfer of exposures to the various stages of classification.

It should be noted that Cassa Centrale Banca has adhered to the option introduced by Regulation (EU) no. 2395/2017 and partially supplemented by Regulation (EU) no. 873/2020, by which amendments were made to Regulation (EU) no. 575/2013 on prudential requirements for credit institutions and investment firms (so-called CRR), relating to the introduction of a specific transitional framework, from 2018 to 2024, aimed at mitigating the impact on own funds resulting from the application of the new impairment model based on the measurement of Expected Credit Losses (ECL) introduced by IFRS 9.

The provisions in question have made it possible to reintroduce in the CET1 the impact recorded following the application of the new valuation model introduced by IFRS 9 for financial assets measured at amortised cost or at fair value through other comprehensive income.

This standard allows for dilution until the end of 2024

- the incremental impact of the write-down on performing and impaired exposures recognised at the date of transition to IFRS 9 following the application of the new impairment model (static A2, SA filter component);
- any further increase in total write-downs relating only to performing exposures, recorded as at 31 December 2019 with respect to the impact measured at the date of transition to the new standard (“dynamic old” A4, SA old filter component);

- any further increase in total write-downs relating only to performing exposures, recorded at each reference date with respect to the amount measured as at 31 December 2019 ("dynamic new" A4, SA filter component).

The adjustment to CET1 related to the "static" and "old dynamic" components may be made in the period between 2018 and 2022, re-including in the CET1 the impact as determined above, to the extent indicated hereunder for each of the 5 years of the transitory period:

- 2018 – 95%;
- 2019 – 85%;
- 2020 – 70%;
- 2021 – 50%;
- 2022 – 25%.

The adjustment to CET1 related to the "dynamic" component can be made in the period between 2020 and 2024, re-including in the CET1 the impact as determined above, to the extent indicated hereunder for each of the 5 years of the transitory period:

- 2020 – 100%;
- 2021 – 100%;
- 2022 – 75%;
- 2023 – 50%;
- 2024 – 25%.

The latter component in particular was introduced by the regulator as part of a package of regulatory provisions to facilitate the provision of bank credit to households and businesses in response to the COVID-19 pandemic, which began in early 2020.

The application of the transitional provisions to CET1 obviously requires, in order to avoid double counting of the prudential benefit, to make a symmetric adjustment in the determination of capital requirements for credit risk by adjusting the exposure values determined in accordance with Article 111, paragraph 1 of the CRR. Starting from June 2020, this adjustment is reflected in the risk-weighted assets through the application of a risk weighting factor of 100% applied to the amount of the sum of the components calculated on the incidence of the adjustment made to the CET1. This approach replaced the application of the original graduation factor, which was determined on the basis of the 1-complement of the impact of the adjustment made to CET1. Finally, where recognised, a symmetrical adjustment must be made against DTAs linked to the higher value adjustments, deducted or weighted at 250%.

Organisational and process impacts

In terms of organisational and process impacts, the approach to impairment introduced by IFRS 9 required a major effort to collect and analyse data; this in particular, in order to identify the exposures that have suffered a significant increase in credit risk with respect to the date of their assumption and, consequently, must be traced back to a measurement of the expected lifetime loss, as well as the support of significant investments for the evolution of the valuation models in use and related operating processes for the incorporation of the risk parameters produced in credit operations.

The introduction of forward-looking logic in accounting valuations also determines the need to revise credit policies, for example, with reference to customer selection parameters (in light of the different sectorial or geographical risk profiles) and collateral (orienting the preference of types exposed to lower volatility and sensitivity to the economic cycle). Similarly, it appeared necessary to adjust the company's rules on the granting of credit (and related delegated powers) taking into account, among other things, the different costs of medium/long-term technical forms in a scenario in which, as mentioned above, any migration to stage 2 entails the transition to an expected lifetime loss.

With regard to credit monitoring processes and controls, some consolidation interventions are also planned, based, inter alia, on the implementation of automated and proactive processes as well as the refinement of early warning and trigger tools that have been introduced by the Group in order to identify the early symptoms of a potential step-up and to activate the resulting initiatives in good time.

Finally, significant interventions concern second-level controls by the Risk Management Department, which is responsible, among other things, under current regulations, for the validation of internal risk measurement systems not used for regulatory purposes and for monitoring the substantial correctness of the indications deriving from the use of these models.

With reference to the main management control processes, in the knowledge that the cost of risk is one of the most important variables in determining current and prospective economic results, particular attention is paid to the necessary consistency of the assumptions underlying the estimates of the multi-annual plan and the annual budget (developed on the basis of expected scenarios relating to macroeconomic and market factors), the ICAAP-ILAAP and RAF and those taken as reference for the determination of accounting provisions.

The project activities coordinated by the relevant technical structures of Cassa Centrale Banca have allowed the improvement of the declination of the methodological solutions for the correct estimation of the risk parameters for the calculation of the ECL and the management of the staging process according to IFRS 9 standards, as well as the development of the underlying technical/instrumental support by the relevant structures. It should be noted that, in relation to the introduction of the new definition of default as well as to some primary contextual elements (i.e. the growing sophistication of the Banking Group, elements deriving [...], etc.), the Group has launched a project to estimate again all the credit models of the accounting framework (i.e. IFRS 9 and macroeconomic models) as well as management such as monitoring and acceptance (i.e. rating systems) with expected release by June 2024.

The Bank has defined the guidelines relating to the adoption of organisational and process solutions aimed at enabling the correct and integrated gradual use of the rating system in the main business processes (during investigation, pricing, monitoring and evaluation), as well as for the implementation of the related monitoring and control system.

In general, with regard to the impacts of the variables and the specific cases that led to a significant increase in credit risk (SICR) and on the measurement of expected losses, please refer to what has already been explained in Part A.

2.4 Techniques for mitigating credit risk

Risk mitigation techniques include those instruments that contribute to reducing the loss that the Bank would incur if the counterparty were to default; they include, in particular, guarantees and certain contracts that lead to a reduction in credit risk.

In accordance with the credit objectives and policies defined by the Board of Directors, the credit risk mitigation technique most commonly used by the Bank is the acquisition of different types of collateral, personal and financial guarantees.

These forms of guarantee are required depending on the results of the assessment of the creditworthiness of customers and the type of loan requested by the same. As part of the credit granting and management process, the presence of mitigating factors is encouraged against counterparties with a less favourable credit rating or certain types of medium/long-term operations.

With reference to activities within securities markets, given that the composition of the portfolio is oriented towards primary issuers with high creditworthiness, no particular forms of credit risk mitigation are currently required.

The main concentration of collateral (mainly mortgages) is related to loans to customers in the retail and small business sectors (medium and long term).

In recent years, a decisive impetus has been given to the implementation of structural and process configurations suitable to ensure full compliance with the organisational, economic, legal and information requirements of prudential regulations on credit risk mitigation (hereinafter also "CRM") techniques.

The Bank has decided to use the following CRM tools:

- financial collateral (pledges) involving cash and a restricted list of financial instruments traded on regulated markets, provided through agreements for the pledging and transfer of ownership and repurchase agreements;
- mortgage collateral, represented by residential and non-residential mortgages;
- personal guarantees represented by sureties given by authorities authorised to issue state commitments (e.g., SME Guarantee Fund, SACE, ISMEA) or by supervised financial intermediaries.

In 2023, the Group completed an important project to standardise the technical forms of guarantee at all Affiliated Banks, which led to the definition of a single taxonomy of guarantees, valid and binding for the entire Group, laying the foundations for a standardised definition of their acquisition and management processes.

Financial (pledges) and mortgage collateral

With reference to the acquisition, evaluation and management of the main forms of collateral, the company's policies and procedures ensure that such collateral is always acquired and managed in such a way as to ensure that it is enforceable in all relevant jurisdictions and can be enforced within a reasonable time.

In this context, the Bank complies with the following inherent regulatory principles:

- the non-dependence of the value of the property to a significant extent on the creditworthiness of the debtor;
- the independence of the entity appointed to estimate the property at a value not exceeding its market value;
- the presence of an insurance against the risk of damage to the property covered by the guarantee;
- the implementation of adequate monitoring of the value of the property, in order to verify the existence over time of the requirements that allow for less capital absorption on the guaranteed exposures;
- observance of the maximum ratio between the requested credit facility and the value of the real estate pledged as collateral (loan-to-value): 80% for residential properties and 50% for non-residential properties.
- the use of the property and the debtor's ability to repay.

The process of monitoring the value of the property under warranty is carried out using statistical methods. Performing or impaired credit exposures are subject to statistical revaluation every six months.

For significant performing exposures (i.e. amounts in excess of EUR 3 million or 5% of the Group Bank's own funds) the valuation is, in any case, reviewed by an independent expert at least every 3 years.

For impaired exposures, the Policy adopted by the Bank provides for a new appraisal for both residential and non-residential properties at the time of transition to impaired loans and an annual update for positions exceeding specific exposure thresholds.

With regard to financial collateral, the Bank, based on the policies and processes for the management of credit risk and operational limits and proxies defined, directs the acquisition of the same exclusively to those financial assets for which the company is able to calculate the fair value on a periodic basis (i.e. whenever there is evidence that there has been a significant decrease in fair value).

The Bank has also put in place specific safeguards and procedures to ensure the following aspects relevant to the prudential eligibility of the guarantees in question:

- absence of a material positive correlation between the value of the financial collateral and the creditworthiness of the debtor;
- specific safeguards to guarantee the external separation (between the depositary's assets and the asset under guarantee) and the internal separation (between assets belonging to different parties and deposited with third parties) if the asset under guarantee is held with third parties;
- residual duration of the guarantee not less than that of the exposure.

The monitoring of financial collateral, in the case of pledging of securities, takes place through periodic monitoring of the issuer/issue rating and the fair value assessment of the financial instrument as collateral. The adjustment of guarantees for which the market value is lower than the resolution value net of discount is required.

Personal guarantees

For personal guarantees, the Bank uses CRM techniques only for sureties protected by government guarantees as these are issued by authorised issuers (e.g. SME Guarantee Fund, SACE, ISMEA, or other authorities in the EU framework such as BEI, FEI). Moreover, they may provide access to benefits in terms of capital weighting on sureties provided by supervised financial intermediaries.

Netting agreements

The Bank has adopted bilateral netting agreements for contracts relating to OTC derivatives and long-term settlement transactions with market counterparties (e.g. Unicredit, Banca IMI, Credit Suisse) that, while not giving rise to any novation, provide for the formation of a single obligation, corresponding to the net balance of all the transactions included in the agreement itself, so that, in the event of default by the counterparty due to insolvency, bankruptcy, liquidation or any other circumstance, the Bank has the right to receive or the obligation to pay only the net amount of the positive and negative values at current market prices of the individual transactions offset. Regulation (EU) no. 575/2013, with reference to OTC derivatives and long-term settlement transactions, places such agreements within the framework of other bilateral netting agreements between an institution and its counterparty, i.e. written agreements between a bank and a counterparty under which the reciprocal credit and debit positions generated by such contracts are automatically offset so as to establish a single net balance, without any novative effects.

The effect of reducing counterparty risk (and, therefore, lower capital absorption) is recognised provided that the agreement has been communicated to the supervisory authority and the Bank complies with the specific requirements set out in the regulations.

In this respect, the Bank adopts a net-based counterparty risk management system in accordance with the bilateral offset provision, with no novation effect, present in contracts for OTC derivatives and long-term settlement transactions. It is planned to adopt these instruments also when absorbing capital, bearing in mind that the new contracts all pass through the Parent Company.

The legal right to offset is not legally enforceable at any time but only in the event of insolvency or bankruptcy of the counterparties. As a result, the conditions in paragraph 42 of IAS 32 for offsetting positions in the financial statements are not met as further detailed in IAS 32 in paragraph AG38.

The Bank has existing margining agreements with the main market counterparties with which it operates as well as the Affiliated Banks, that provide for the daily exchange of margins (guarantees) between the counterparties to the contract on the basis of the valuation of outstanding positions according to market values observed on the reference day (i.e. the working day immediately prior to the valuation day). The value of the collateral transferred from one party to the other takes into account the net value of the outstanding positions, the value of any collateral previously lodged by either party and the security value (minimum transfer level). The system is managed by the Parent Company for exposures to other affiliated banks, while for exposures to institutional market counterparties it is the latter that performs the role of guarantee calculation agent.

3. IMPAIRED CREDIT EXPOSURES

3.1 Management strategies and policies

The Bank is organised with regulatory/IT structures and procedures for the management, classification and control of loans.

Consistent with IAS/IFRS regulations, at each reporting date the presence of objective elements of impairment on each instrument or group of financial instruments is verified.

Impaired financial assets include loans which, following the occurrence of events happening after their disbursement, show objective evidence of possible impairment.

On the basis of the current regulatory framework, supplemented by internal implementing provisions, impaired financial assets are classified according to their critical status into three categories:

- non-performing loans: Bank's credit exposures to counterparties in a state of insolvency (even if not judicially established), or in substantially comparable situations, regardless of the existence of any guarantees given to protect the exposures and the loss forecasts made;
- unlikely to pay: credit exposures, other than bad loans, for which it is considered unlikely that, without recourse to protective actions, such as enforcement of guarantees, the debtor will fully meet its credit obligations in principal and/or interest, regardless of the presence of any overdue and unpaid amounts/rates;

- impaired past due and/or overrun: credit exposures, other than those classified as non-performing or unlikely to pay, which are past due and/or overrun. The overall exposure to a debtor shall be recognised as impaired past due and/or overrun, in accordance with Delegated Regulation (EU) no. 171/2018 of the European Commission of 19 October 2017, if the amount of principal, interest or fees unpaid at the date it was due exceeds both of the following thresholds: a) absolute limit of EUR 100 for retail exposures and of EUR 500 for non-retail exposures; b) relative limit of 1% given by the ratio of the total amount past due and/or overrun at group level to the total amount of all credit exposures to the same debtor.

The classification of positions among impaired assets is carried out automatically, upon the occurrence of the binding cases provided for by the reference regulations, or by means of evaluation and deliberation processes on individual counterparties, triggered automatically or manually, upon the identification of certain early warning signs and/or triggers, defined in the Group Regulation for the Classification and Valuation of Loans. Similarly, the return to performing status of impaired exposures occurs automatically when the binding cases provided for by the reference regulations are no longer met, or through valuation and resolution processes, triggered manually by the structures responsible for managing impaired loans, in compliance with the “monitoring period” and “cure period” time frames provided for by the reference regulations.

The Group model for the management of impaired loans involves management and coordination by the Parent Company and the direct management of the impaired loans portfolio by the Bank. In the context of this model, the Parent Company:

- prepares and implements the Group’s NPE Strategy and related operational plan;
- defines and updates internal regulations and processes related to the classification and valuation of loans;
- defines and updates the internal regulations and processes related to the management and recovery of impaired loans.

Through its own structures, the Bank conducts the following activities:

- the development and implementation its own individual NPE Strategy and related operational plan in compliance with the objectives defined by the Parent Company;
- the classification of individual exposures;
- the definition of the most appropriate management and/or recovery strategies for the individual positions;
- the activities of determining the provisions on the individual impaired credit lines.

The model used to determine provisions for impaired loans provides, depending on their characteristics, for the use of a specific analytical valuation or a flat-rate analytical valuation.

The amount of the adjustment to the value of each loan is determined as the difference between its carrying amount at the time of measurement (amortised cost) and the present value of expected future cash flows, calculated by applying the effective interest rate to the ratio at the time immediately prior to classification in one of the risk categories of impaired loans.

The specific analytical valuation is carried out at the time of classification among impaired credit exposures and is reviewed quarterly in accordance with the criteria and methods identified in the Group Regulations for the classification and valuation of loans.

The flat-rate analytical valuation is carried out and updated quarterly on the basis of the estimate of the expected loss calculated by the impairment model introduced by IFRS9.

3.2 Write-offs

The write-off is an event that results in an accounting derecognition and may occur before the legal action for recovery of the impaired debt is completed and does not necessarily imply a waiver of the legal right to recover the debt. The write-off may cover the entire amount of an impaired exposure or a portion of it and corresponds to:

- the reversal, in full or in part, of the writedowns, as a contra-entry to the gross value of the impaired exposure; and
- for any portion exceeding the amount of the writedowns, to the impairment loss of the impaired exposure recognised directly in the income statement.

Any recoveries from collections in excess of the gross value of the impaired exposure following the write-off are recognised in the income statement under write-backs.

In general, the write-off applies to impaired exposures for which:

- the occurrence of events has been found to lead to the irretrievability of all or part of the impaired exposure;
- all or part of the impaired exposure was deemed reasonably unrecoverable;
- it was considered appropriate, in the context of settlement agreements with the debtor, to waive all or part of the impaired debt.

The specific processes and criteria for the application of write-offs are governed at group level in accordance with specific internal regulation.

3.3 Purchased or originated credit- impaired financial assets

In accordance with IFRS 9, loans considered impaired from the time of initial recognition are referred to as Purchased or Originated Credit Impaired Assets (POCI). These loans, if they fall within the scope of application of impairment pursuant to IFRS 9, are measured by setting aside – from the date of initial recognition – provisions to cover losses covering the entire residual life of the loan (ECL lifetime). Since these are impaired loans, they will be initially booked as part of stage 3.

In this regard, it should be noted that the acquisition or origination of impaired financial assets is not part of the Bank’s typical business model, so the above mentioned cases are to be considered residual.

4. FINANCIAL ASSETS SUBJECT TO COMMERCIAL RENEGOTIATIONS AND FORBORNE EXPOSURES

The category of ‘forborne non-performing exposures’ does not constitute a separate and additional category of impaired exposures to those previously mentioned (non-performing, unlikely to pay and impaired past due and/or overrun exposures), but only a sub-set of each of them, which includes on-balance exposures and commitments to disburse funds that are forborne (‘forborne exposures’), if both of the following conditions are met:

- the debtor is in a situation of economic-financial hardship that does not allow him/her to fully comply with the contractual commitments in his/her debt agreement and that puts him/her in a state of “credit deterioration” (classification in one of the categories of impaired exposures: non-performing, unlikely to pay, impaired past due and/or overrun);

- the Bank agrees to amend the terms and conditions of that agreement, or to refinance it in full or in part, to enable the debtor to comply with it (there would have been no such forbearance if the debtor had not been in a state of hardship).

Forborne exposures to debtors in a condition of economic-financial hardship that has not reached a state of credit impairment are instead classified in the category of forborne performing exposures and are included among the other performing exposures, or among the performing past due exposures if they meet the requirements for this classification.

In terms of the Bank's internal regulations, once it has been ascertained that a concession measure meets the requirements of forbearance, the forborne exposure attribute involves:

- forborne performing if both of the following conditions occur:
    - the debtor was classified as ordinary performing or under observation before the forbearance was granted;
    - the debtor was not reclassified by the Bank as an impaired counterparty as a result of the forbearance granted;
- forborne non-performing if at least one of the following conditions occurs:
    - the debtor was classified as impaired prior to the granting of the forbearance;
    - the debtor has been reclassified among impaired exposures, due to the forbearance granted, including the assumption that (in addition to other regulatory cases), as a result of the valuation made, significant impairment losses will emerge.

In order for a credit exposure classified as forborne non-performing to change to forborne performing, the following conditions must be met simultaneously:

- at least 12 months have passed since the last of the following events (known as cure period):
    - granting of the forbearance measure on impaired credit exposures;
    - classification as impaired of the counterparty;
    - end of the grace period set forth by the forbearance measure on impaired credit exposures;
- absence of the conditions to classify the debtor as impaired;
- absence of overdue payments on all the debtor's existing relationships with the Bank;
- the debtor's presumed ability, on the basis of documentary evidence, to fully meet its contractual obligations under the repayment terms determined by the forbearance; this prospective ability to repay is deemed to have occurred when both of the following conditions are met:
    - the debtor has reimbursed, through the regular payments made on the renegotiated terms, an amount equal to the amount that had expired (or was subject to derecognition) at the time of granting the forbearance;
    - the debtor has complied with the post-forbearance payment terms over the last 12 months.

A credit exposure classified as forborne performing becomes forborne non-performing when even one of the following conditions occurs:

- the conditions for the classification of the counterparty as impaired loans are met;
- occurrence of conditions of reduced financial obligation as defined by Article 178 of EU Regulation no. 575/2013 (DO>1%);
- the credit exposure was previously classified as impaired with a forborne non-performing attribute and subsequently, if the conditions were met, the funded counterparty has been upgraded to performing status under observation (with the simultaneous transfer of the line in question to forborne performing), but: i) one of the credit lines of the financed counterparty has matured, during its stay in forborne performing, more than 30 days past due; or ii) the counterparty holding the line in question, during its stay in forborne performing, is subject to further forbearance measures.

For a credit exposure classified as forborne performing to lose this attribute, resulting in a return to only an ordinary performing or performing under observation status, the following conditions must be met simultaneously:

- at least 24 months have passed since the assignment of the forborne performing attribute (so-called probation period);
- the debtor has made, after the application of the forbearance, regular payments of principal or interest on the credit line subject to the forbearance for a total amount equal to at least 5% of the residual principal debt recorded at the time of application of the forbearance; these payments must have been made at such times and in such a way as to ensure full compliance with the contractual obligations for a period, even if not continuous, equal to at least half of the probation period;
- the debtor does not have any past due loan exceeding 30 days in relation to any of the relationships existing with the Bank at the end of the probation period.

Quantitative information

A. Credit quality

A.1 Impaired and performing credit exposures: amounts, value adjustments, trend and economic distribution

A.1.1 Breakdown of financial assets by portfolio and credit quality (book values)

PORTFOLIOS/QUALITY	Non-performing	Unlikely to pay	Impaired past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	859	4,776	-	254	16,314,385	16,320,274
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	923,297	923,297
3. Financial assets designated at fair value	-	-	-	-	184,207	184,207
4. Other financial assets mandatorily measured at fair value	-	-	-	-	25,404	25,404
5. Financial assets held for disposal	-	-	-	-	-	-
Total 31/12/2023	**859**	**4,776**	**-**	**254**	**17,447,293**	**17,453,182**
Total 31/12/2022	**795**	**8,888**	**-**	**10,187**	**22,436,092**	**22,455,961**

At the reporting date of the financial statements, forborne impaired exposures in relation to item "1. Financial assets measured at amortised cost" amounted to EUR 3,086 thousand.

At the reporting date of the financial statements, forborne performing exposures in relation to item "1. Financial assets measured at amortised cost" amounted to EUR 8,519 thousand.

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net values)

PORTFOLIOS/QUALITY	Impaired				Performing			Total (net exposure)
	Gross exposure	Writedowns	Net exposure	Total partial write-offs*	Gross exposure	Writedowns	Net exposure	
1. Financial assets measured at amortised cost	26,880	21,245	5,634	4,813	16,351,748	37,108	16,314,639	16,320,274
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	923,487	190	923,297	923,297
3. Financial assets designated at fair value	-	-	-	-	X	X	184,207	184,207
4. Other financial assets mandatorily measured at fair value	287	287	-	-	X	X	25,404	25,404
5. Financial assets held for disposal	-	-	-	-	-	-	-	-
Total 31/12/2023	**27,167**	**21,532**	**5,634**	**4,813**	**17,275,235**	**37,298**	**17,447,547**	**17,453,182**
Total 31/12/2022	**37,072**	**27,390**	**9,682**	**4,851**	**22,297,429**	**51,286**	**22,446,279**	**22,455,961**

PORTFOLIOS/QUALITY	Assets of evident low credit quality		Other assets
	Cumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	78,627
2. Hedging derivatives	-	-	-
Total 31/12/2023	**-**	**-**	**78,627**
Total 31/12/2022	**-**	**-**	**108,930**

*Value to be displayed for information purposes

A.1.3 Breakdown of financial assets by maturity bands (book value)

PORTFOLIOS/ RISK STAGES	Stage 1			Stage 2			Stage 3			Purchased or originated credit-impaired		
	Between 1 day and 30 days	Between 30 and 90 days	Over 90 days	Between 1 day and 30 days	Between 30 and 90 days	Over 90 days	Between 1 day and 30 days	Between 30 and 90 days	Over 90 days	Between 1 day and 30 days	Between 30 and 90 days	Over 90 days
1. Financial assets measured at amortised cost	253	-	-	-	1	-	-	-	1,400	-	-	-
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for disposal	-	-	-	-	-	-	-	-	-	-	-	-
Total 31/12/2023	**253**	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**1,400**	**-**	**-**	**-**
Total 31/12/2022	**10,187**	**-**	**-**	**-**	**-**	**-**	**-**	**8**	**1,770**	**-**	**-**	**-**

A.1.4 Financial assets, commitments to disburse funds and financial guarantees given: changes in total writedowns and total allocations

REASONS/RISK STAGES	Writedowns											
	Financial assets classified in stage 1						Financial assets classified in stage 2					
	Loans to banks and Central Banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for disposal	of which: individual write-downs	of which: collective write-downs	Loans to banks and Central Banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for disposal	of which: individual write-downs	of which: collective write-downs
INITIAL TOTAL ADJUSTMENTS	**88**	**35,845**	**184**	**-**	**-**	**36,117**	**12**	**15,257**	**-**	**-**	**-**	**15,268**
Increases from purchased or originated credit-impaired financial assets	-	-	-	-	-	-	-	-	-	-	-	-
Derecognitions other than write-offs	-	(306)	(71)	-	-	(377)	-	-	-	-	-	-
Net value adjustments/write-backs due to credit risk (+/-)	(25)	(19,221)	21	-	-	(19,226)	-	2,908	-	-	-	2,908
Contractual changes without derecognitions	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	(16)	2,642	56	-	-	2,682	-	(16)	-	-	-	(16)
FINAL TOTAL ADJUSTMENTS	**47**	**18,959**	**190**	**-**	**-**	**19,196**	**11**	**18,149**	**-**	**-**	**-**	**18,161**
Collection recoveries in relation to financial assets subject to write-offs	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-

REASONS/RISK STAGES	Writedowns										
	Financial assets classified in stage 3						Purchased or originated credit- impaired financial assets				
	Loans to banks and Central Banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for disposal	of which: individual write-downs	of which: collective write-downs	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for disposal	of which: individual write-downs	of which: collective write-downs
INITIAL TOTAL ADJUSTMENTS	**-**	**27,390**	**-**	**-**	**27,168**	**222**	**-**	**-**	**-**	**-**	**-**
Increases from purchased or originated credit-impaired financial assets	-	-	-	-	-	-	X	X	X	X	X
Derecognitions other than write-offs	-	(2,780)	-	-	(2,780)	-	-	-	-	-	-
Net value adjustments/ write-backs due to credit risk	-	(2,486)	-	-	(2,480)	(6)	-	-	-	-	-
Contractual changes without derecognitions	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	(1,771)	-	-	(1,771)	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	892	-	-	892	-
FINAL TOTAL ADJUSTMENTS	**-**	**20,354**	**-**	**-**	**20,138**	**216**	**892**	**-**	**-**	**892**	**-**
Collection recoveries in relation to financial assets subject to write-offs	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-

REASONS/RISK STAGES	Total allocation for commitments to disburse funds and financial guarantees given				Total
	Stage 1	Stage 2	Stage 3	Commitments to disburse funds and financial guarantees given Purchased or originated credit impaired	
INITIAL TOTAL ADJUSTMENTS	**4,172**	**1,997**	**81**	**-**	**85,025**
Increases from purchased or originated credit- impaired financial assets	-	-	-	-	**-**
Derecognitions other than write-offs	-	-	-	-	**(3,158)**
Net value adjustments/write-backs due to credit risk	(1,493)	1,026	(81)	-	**(19,352)**
Contractual changes without derecognitions	-	-	-	-	**-**
Changes in estimation methodology	-	-	-	-	**-**
Write-offs not recognised directly in the income statement	-	-	-	-	**(1,771)**
Other changes	-	101	-	-	**3,659**
FINAL TOTAL ADJUSTMENTS	**2,679**	**3,124**	**-**	**-**	**64,404**
Collection recoveries in relation to financial assets subject to write-offs	-	-	-	-	**-**
Write-offs recognised directly in the income statement	-	-	-	-	**-**

With regard to trade receivables, assets arising from contracts and receivables implicit in leasing contracts, it should be noted that the Bank does not use the simplified method, as required by IFRS 9, para. 5.5.15, for the valuation to cover losses.

Therefore, the details required by IFRS 7 section 35H, letter b, iii are not provided.

A.1.5 Financial assets, commitments to disburse funds and financial guarantees given: transfers between the various stages of credit risk (gross and nominal values)

PORTFOLIOS/RISK STAGES	Gross values / nominal value					
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
	From Stage 1 to Stage 2	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 2	From Stage 1 to Stage 3	From Stage 3 to Stage 1
1. Financial assets measured at amortised cost	135,943	140,860	2,643	1,673	2,294	-
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets held for disposal	-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees given	107,283	6,011	-	71	-	-
Total 31/12/2023	**243,226**	**146,871**	**2,643**	**1,745**	**2,294**	**-**
Total 31/12/2022	**249,343**	**88,457**	**2,089**	**386**	**9,560**	**-**

The Table contents show information about transfers between the different credit risk stages of the gross value of loans measured at amortised cost, in place at the reporting date of the financial statements, which constitute new liquidity granted through public guarantee mechanisms issued in the context of COVID-19.

PORTFOLIOS / RISK STAGES	Gross values/nominal value					
	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3	
	From Stage 1 to Stage 2	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 2	From Stage 1 to Stage 3	From Stage 3 to Stage 1
A. Loans measured at amortised cost	8,686	11,345	-	-	2,294	-
B. Loans measured at fair value through other comprehensive income	-	-	-	-	-	-
Total 31/12/2023	**8,686**	**11,345**	**-**	**-**	**2,294**	**-**
Total 31/12/2022	**3,908**	**21,311**	**865**	**-**	**-**	**-**

A.1.6 Cash and off balance-sheet credit exposures to banks: gross and net values

TYPES OF LOANS/ VALUES	Gross exposure					Writedowns and total allocations					Net exposure	Total partial write-offs*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. ON-BALANCE-SHEET CREDIT EXPOSURES												
A.1 ON DEMAND	**50,145**	**47,244**	**2,900**	**-**	**-**	**58**	**47**	**11**	**-**	**-**	**50,087**	**-**
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	50,145	47,244	2,900	X	-	58	47	11	X	-	50,087	-
A.2 OTHER	**11,894,994**	**11,811,450**	**64,198**	**-**	**-**	**1,971**	**1,716**	**255**	**-**	**-**	**11,893,023**	**-**
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
c) Impaired past due exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Performing past due exposures	-	-	-	X	-	-	-	-	X	-	-	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	11,894,994	11,811,450	64,198	X	-	1,971	1,716	255	X	-	11,893,023	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL (A)	**11,945,138**	**11,858,694**	**67,098**	**-**	**-**	**2,029**	**1,763**	**266**	**-**	**-**	**11,943,109**	**-**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES												
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	19,118,741	18,918,361	118,997	X	-	427	421	5	X	-	19,118,314	-
TOTAL (B)	**19,118,741**	**18,918,361**	**118,997**	**-**	**-**	**427**	**421**	**5**	**-**	**-**	**19,118,314**	**-**
TOTAL (A+B)	**31,063,879**	**30,777,055**	**186,096**	**-**	**-**	**2,456**	**2,184**	**272**	**-**	**-**	**31,061,424**	**-**

Value to be displayed for information purposes

A.1.7 Cash and off balance-sheet credit exposures to customers: gross and net values

TYPES OF LOANS/VALUES	Gross exposure					Writedowns and total allocations					Net exposure	Total partial write-offs*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. ON-BALANCE-SHEET CREDIT EXPOSURES												
a) Non-performing	6,844	X	-	6,844	-	5,985	X	-	5,985	-	859	4,813
- of which: forborne exposures	3,343	X	-	3,343	-	3,143	X	-	3,143	-	201	2,675
b) Unlikely to pay	20,323	X	-	19,144	892	15,547	X	-	14,369	892	4,776	-
- of which: forborne exposures	16,398	X	-	15,575	536	13,512	X	-	12,689	536	2,885	-
c) Impaired past due exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Performing past due exposures	255	254	1	X	-	1	1	-	X	-	254	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	5,589,597	5,232,428	166,903	X	-	35,326	17,432	17,894	X	-	5,554,271	-
- of which: forborne exposures	9,478	-	9,478	X	-	958	-	958	X	-	8,519	-
TOTAL (A)	**5,617,019**	**5,232,682**	**166,904**	**25,988**	**892**	**56,859**	**17,433**	**17,894**	**20,354**	**892**	**5,560,159**	**4,813**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES												
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	996,003	970,219	17,742	X	-	5,376	2,257	3,119	X	-	990,627	-
TOTAL (B)	**996,003**	**970,219**	**17,742**	**-**	**-**	**5,376**	**2,257**	**3,119**	**-**	**-**	**990,627**	**-**
TOTAL (A+B)	**6,613,021**	**6,202,901**	**184,646**	**25,988**	**892**	**62,235**	**19,690**	**21,013**	**20,354**	**892**	**6,550,786**	**4,813**

Value to be displayed for information purposes

At 31 December 2023, existing loans that constitute new liquidity granted through pubic guarantee mechanisms issued in the context of COVID-19 amounted to EUR 144,584 thousand. See below for the gross exposure and total writedowns, grouped by risk stage and by "purchased or originated credit- impaired", split into the different categories of impaired/performing assets.

TYPES OF LOANS/ VALUES	Gross exposure					Writedowns and total allocations					Net exposure	Total partial write-offs*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. Non-performing loans	863	-	-	863	-	207	-	-	207	-	656	-
B. Unlikely to pay	3,622	-	-	3,622	-	783	-	-	783	-	2,839	-
C. Impaired past due loans	-	-	-	-	-	-	-	-	-	-	-	-
D. Other performing past due loans	-	-	-	-	-	-	-	-	-	-	-	-
E. Other performing loans	144,211	130,452	13,759	-	-	3,122	1,962	1,160	-	-	141,089	-
TOTAL (A+B+C+D+E)	148,696	130,452	13,759	4,485	-	4,112	1,962	1,160	990	-	144,584	-

Value to be displayed for information purposes

A.1.8 On-balance-sheet credit exposures to banks: trend in gross impaired exposures

The Bank had no impaired exposures of this type during the year.

A.1.8bis On-balance-sheet credit exposures to banks: trend in gross forborne exposures broken down by credit quality

The Bank had no impaired exposures of this type during the year.

A.1.9 On-balance-sheet credit exposures to customers: trend in gross impaired exposures

DESCRIPTIONS/CATEGORIES	Non-performing	Unlikely to pay	Impaired past due exposures
A. INITIAL GROSS EXPOSURE	**7,997**	**29,075**	**-**
- of which: exposures transferred but not derecognised	-	-	-
B. INCREASES	**656**	**7,596**	**-**
B.1 transfers from performing exposures	-	5,270	-
B.2 transfers from purchased or originated credit- impaired	-	895	-
B.3 transfers from other categories of impaired exposures	514	-	-
B.4 contractual changes without derecognitions	-	-	-
B.5 other increases	142	1,431	-
C. DECREASES	**1,810**	**16,348**	**-**
C.1 transfers to performing exposures	-	1,789	-
C.2 write-offs	84	1,686	-
C.3 collections	1,725	12,217	-
C.4 gains from disposal	-	-	-
C.5 losses from disposal	-	-	-
C.6 transfers to other categories of impaired exposures	-	514	-
C.7 contractual changes without derecognitions	-	-	-
C.8 other decreases	-	142	-
D. GROSS FINAL EXPOSURE	**6,844**	**20,323**	**-**
- of which: exposures transferred but not derecognised	-	-	-

A.1.9bis On-balance-sheet credit exposures to customers: trend in gross forborne exposures broken down by credit quality

DESCRIPTIONS/QUALITY	Forborne exposures: impaired	Forborne exposures: performing
A. INITIAL GROSS EXPOSURE	**20,977**	**22,676**
- of which: exposures transferred but not derecognised	-	-
B. INCREASES	**13,554**	**5,295**
B.1 transfers from non-forborne performing exposures	1,448	2,667
B.2 transfers from forborne performing exposures	1,195	X
B.3 transfers from forborne impaired exposures	X	**1,789**
B.4 transfers from non-forborne impaired exposures	9,749	-
B.5 other increases	1,162	839
C. DECREASES	**14,789**	**18,493**
C.1 transfers to non-forborne performing exposures	X	14,846
C.2 transfers to forborne performing exposures	1,789	X
C.3 transfers to forborne impaired exposures	X	1,195
C.4 write-offs	1,686	-
C.5 collections	11,172	1,706
C.6 gains from disposal	-	-
C.7 losses from disposal	-	-
C.8 other decreases	142	746
D. GROSS FINAL EXPOSURE	**19,741**	**9,478**
- of which: exposures transferred but not derecognised	-	-

A.1.10 Impaired On-balance-sheet credit exposures to banks: trend in total writedowns

The Bank had no impaired exposures of this type during the year.

A.1.11 Impaired on-balance-sheet credit exposures to customers: trend in total writedowns

DESCRIPTIONS/CATEGORIES	Non-performing		Unlikely to pay		Impaired past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. INITIAL TOTAL ADJUSTMENTS	**7,203**	**3,281**	**20,187**	**16,096**	**-**	**-**
- of which: exposures transferred but not derecognised	-	-	-	-	-	-
B. INCREASES	**592**	**51**	**7,031**	**5,874**	**-**	**-**
B.1 value adjustments from purchased or originated credit- impaired	-	X	895	X	-	X
B.2 other value adjustments	78	51	3,458	3,261	-	-
B.3 losses from disposal	-	-	-	-	-	-
B.4 transfers from other categories of impaired exposures	514	-	-	-	-	-
B.5 contractual changes without derecognitions	-	-	-	-	-	-
B.6 other increases	-	-	2,678	2,613	-	-
C. DECREASES	**1,810**	**190**	**11,672**	**8,457**	**-**	**-**
C.1 value write-backs from valuations	81	11	509	429	-	-
C.2 value write-backs due to collection	1,644	179	2,447	2,339	-	-
C.3 gains from disposal	-	-	-	-	-	-
C.4 write-offs	84	-	1,686	1,686	-	-
C.5 transfers to other categories of impaired exposures	-	-	514	-	-	-
C.6 contractual changes without derecognitions	-	-	-	-	-	-
C.7 other decreases	-	-	6,515	4,003	-	-
D. FINAL TOTAL ADJUSTMENTS	**5,985**	**3,143**	**15,547**	**13,512**	**-**	**-**
- of which: exposures transferred but not derecognised	-	-	-	-	-	-

A.2 Classification of financial assets, commitments to disburse funds and financial guarantees given by external and internal ratings

A.2.1 Breakdown of financial assets, commitments to disburse funds and financial guarantees given by external rating classes (gross values)

EXPOSURES	External rating classes						Without rating	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. FINANCIAL ASSETS MEASURED AT AMORTISED COST	**638,477**	**22,251**	**2,087,987**	**147,903**	**16,859**	**-**	**13,465,150**	**16,378,627**
- Stage 1	622,709	22,251	2,062,588	128,552	10,876	-	13,273,669	16,120,646
- Stage 2	15,769	-	25,398	18,157	5,983	-	165,796	231,102
- Stage 3	-	-	-	1,195	-	-	24,793	25,988
- Purchased or originated credit impaired	-	-	-	-	-	-	892	892
B. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**17,738**	**3,380**	**902,369**	**-**	**-**	**-**	**-**	**923,487**
- Stage 1	17,738	3,380	902,369	-	-	-	-	923,487
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
C. FINANCIAL ASSETS HELD FOR DISPOSAL	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
Total (A+B+C)	**656,215**	**25,631**	**2,990,356**	**147,903**	**16,859**	**-**	**13,465,150**	**17,302,114**
D. COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED	**21,499**	**-**	**26,859**	**224,074**	**5,538**	**-**	**19,747,349**	**20,025,319**
- Stage 1	18,857	-	25,354	196,362	3,750	-	19,644,257	19,888,580
- Stage 2	2,642	-	1,504	27,713	1,788	-	103,092	136,739
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit impaired	-	-	-	-	-	-	-	-
Total (D)	**21,499**	**-**	**26,859**	**224,074**	**5,538**	**-**	**19,747,349**	**20,025,319**
Total (A+B+C+D)	**677,714**	**25,631**	**3,017,214**	**371,978**	**22,397**	**-**	**33,212,499**	**37,327,433**

Exposures without a rating mainly refer to positions relating to activities with counterparties forming part of the Group.

The Bank adopts the assessments of the Moody's and CRIF rating agencies on the reported portfolios, the latter with reference to exposures to companies.

Moody's	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6
Global long-term rating scale	Aaa, Aa	A	Baa	Ba	B	Caa, Ca, C
Global short-term rating scale	P-1	P-2	P-3	NP		

Crif	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6
Long-term rating scale – Corporate	AAA, AA	A	BBB	BB	B	CCC, CC, C, DS
Long-term rating scale – SME	SME 1, SME 2		SME 3	SME 4	SME 5, SME 6	SME 7, SME 8

A.2.2 Breakdown of financial assets, commitments to disburse funds and financial guarantees given by internal rating classes (gross values)

At the end of the reporting period, the Bank does not use internal ratings in the calculation of capital requirements.

A.3 Breakdown of secured credit exposures by type of guarantee

A.3.1 On-balance and off-balance-sheet secured credit exposures to banks

			Collateral (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Credit commitments				
								Other derivatives								
	Gross exposure	Net exposure	Real estate - Mortgages	Real estate - Financing for leases	Securities	Other collateral	CLN	Central counterparties	Banks	Other financial corporations	Other subjects	General Governments	Banks	Other financial corporations	Other subjects	
1. SECURED ON-BALANCE-SHEET CREDIT EXPOSURES:	**9,816,000**	**9,814,685**	**-**	**-**	**9,725,199**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9,725,199**
1.1 totally secured	6,889,546	6,888,705	-	-	6,888,705	-	-	-	-	-	-	-	-	-	-	**6,888,705**
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
1.2 partially secured	2,926,453	2,925,980	-	-	2,836,494	-	-	-	-	-	-	-	-	-	-	**2,836,494**
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2. SECURED OFF-BALANCE-SHEET CREDIT EXPOSURES:	**1,327,480**	**1,327,453**	**-**	**-**	**1,327,286**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,327,286**
2.1 totally secured	1,292,480	1,292,454	-	-	1,292,454	-	-	-	-	-	-	-	-	-	-	**1,292,454**
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2.2 partially secured	35,000	34,999	-	-	34,832	-	-	-	-	-	-	-	-	-	-	**34,832**
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**

A.3.2 On-balance and off-balance-sheet secured credit exposures to customers

			Collateral (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Credit commitments				
								Other derivatives								
	Gross exposure	Net exposure	Real estate - Mortgages	Real estate - Financing for leases	Securities	Other collateral	CLN	Central counterparties	Banks	Other financial corporations	Other subjects	General Governments	Banks	Other financial corporations	Other subjects	
1. SECURED ON-BALANCE-SHEET CREDIT EXPOSURES:	**957,658**	**910,994**	**465,824**	**-**	**45,026**	**67,173**	**-**	**-**	**-**	**-**	**-**	**180,883**	**57**	**4,315**	**37,102**	**800,379**
1.1 totally secured	658,938	622,894	465,334	-	45,026	43,183	-	-	-	-	-	28,665	57	2,489	25,078	**609,831**
- of which impaired	21,691	1,819	1,196	-	-	619	-	-	-	-	-	3	-	-	1	**1,819**
1.2 partially secured	298,720	288,100	490	-	-	23,991	-	-	-	-	-	152,218	-	1,825	12,023	**190,548**
- of which impaired	4,864	3,697	-	-	-	-	-	-	-	-	-	3,211	-	-	-	**3,211**
2. SECURED OFF-BALANCE-SHEET CREDIT EXPOSURES:	**106,689**	**105,642**	**15,182**	**-**	**205**	**15,017**	**-**	**-**	**-**	**-**	**-**	**2,321**	**7,454**	**3,684**	**4,399**	**48,261**
2.1 totally secured	49,140	48,632	15,182	-	-	14,450	-	-	-	-	-	1,009	120	2,383	2,780	**35,923**
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2.2 partially secured	57,550	57,010	-	-	205	567	-	-	-	-	-	1,312	7,334	1,300	1,619	**12,338**
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**

A.4 Financial and non-financial assets obtained through the enforcement of guarantees received

At the end of the reporting period, there were no financial or non-financial assets obtained through the enforcement of guarantees received.

B. DISTRIBUTION AND CONCENTRATION OF CREDIT EXPOSURES

B.1 Distribution by sector of on-balance and off-balance-sheet credit exposures to customers

EXPOSURES/ COUNTERPARTIES	General Governments		Financial companies		Financial companies (of which: insurance companies)		Non-financial corporations		Households	
	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
A. ON-BALANCE-SHEET CREDIT EXPOSURES										
A.1 Non-performing	-	-	-	-	-	-	859	5,433	-	553
- of which: forborne exposures	-	-	-	-	-	-	201	3,143	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	4,776	13,118	-	2,429
- of which: forborne exposures	-	-	-	-	-	-	2,885	11,083	-	2,429
A.3 Impaired past due exposures	-	-	-	-	-	-	-	-	-	-
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	3,066,152	616	1,368,835	4,234	55,946	245	1,078,514	30,073	41,024	404
- of which: forborne exposures	-	-	-	-	-	-	7,619	924	900	34
Total (A)	**3,066,152**	**616**	**1,368,835**	**4,234**	**55,946**	**245**	**1,084,148**	**48,623**	**41,024**	**3,386**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES										
B.1 Impaired exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	-	-	776,035	3,424	197,727	535	203,971	1,920	10,621	32
Total (B)	**-**	**-**	**776,035**	**3,424**	**197,727**	**535**	**203,971**	**1,920**	**10,621**	**32**
Total (A+B) 31/12/2023	**3,066,152**	**616**	**2,144,869**	**7,659**	**253,674**	**780**	**1,288,120**	**50,542**	**51,645**	**3,418**
Total (A+B) 31/12/2022	**3,407,812**	**614**	**1,260,206**	**10,188**	**-**	**-**	**1,243,943**	**62,340**	**57,705**	**2,928**

B.2 Breakdown by territory of On-balance and off balance-sheet credit exposures to customers

EXPOSURES/GEOGRAPHIC AREAS	Italy North West		Italy North East		Italy Centre		Italy South and the Islands	
	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
A. ON-BALANCE-SHEET CREDIT EXPOSURES								
A.1 Non-performing	658	251	201	5,734	-	-	-	-
A.2 Unlikely to pay	852	1,808	2,842	13,443	1,082	297	-	-
A.3 Impaired past due exposures	-	-	-	-	-	-	-	-
A.4 Performing exposures	346,426	9,182	1,983,478	22,215	2,699,463	3,251	19,211	589
Total (A)	**347,936**	**11,241**	**1,986,521**	**41,391**	**2,700,545**	**3,548**	**19,211**	**589**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES								
B.1 Impaired exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	211,247	591	545,122	2,011	229,079	2,170	5,179	603
Total (B)	**211,247**	**591**	**545,122**	**2,011**	**229,079**	**2,170**	**5,179**	**603**
Total (A+B) 31/12/2023	**559,183**	**11,832**	**2,531,642**	**43,403**	**2,929,624**	**5,718**	**24,390**	**1,192**
Total (A+B) 31/12/2022	**274,046**	**10,122**	**2,080,237**	**57,713**	**3,296,036**	**5,664**	**18,787**	**2,485**

B.3 Breakdown by territory of on-balance and off-balance-sheet credit exposures to banks

EXPOSURES/GEOGRAPHIC AREAS	Italy North West		Italy North East		Italy Centre		Italy South and the Islands	
	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
A. ON-BALANCE-SHEET CREDIT EXPOSURES								
A.1 Non-performing	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-
A.3 Impaired past due exposures	-	-	-	-	-	-	-	-
A.4 Performing exposures	3,910,109	1,079	5,204,265	607	1,552,879	156	981,870	101
Total (A)	**3,910,109**	**1,079**	**5,204,265**	**607**	**1,552,879**	**156**	**981,870**	**101**
B. OFF-BALANCE-SHEET CREDIT EXPOSURES								
B.1 Impaired exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	3,845,713	133	11,250,971	212	1,229,090	25	2,732,165	55
Total (B)	**3,845,713**	**133**	**11,250,971**	**212**	**1,229,090**	**25**	**2,732,165**	**55**
Total (A+B) 31/12/2023	**7,755,822**	**1,212**	**16,455,236**	**819**	**2,781,969**	**182**	**3,714,035**	**156**
Total (A+B) 31/12/2022	**7,543,082**	**4,960**	**16,557,140**	**2,625**	**2,662,831**	**879**	**3,620,084**	**410**

B.4 Large exposures

ITEMS	Total 31/12/2023	Total 31/12/2022
A) AMOUNT OF LARGE EXPOSURES		
a1) book value	37,529,904	36,850,308
a2) weighted value amount	475,640	127,592
B) NUMBER OF POSITIONS OF LARGE EXPOSURES	**9**	**9**

C. SECURITISATION TRANSACTIONS

Securitisation transactions are not recognised, in which banks in the same prudential consolidation are the originator and the total liabilities issued (e.g. ABS securities, loans in the warehousing phase) by the special purpose vehicles are subscribed at the time of issue by one or more companies in the same prudential consolidation.

Qualitative information

1. "Own" securitisation transactions

Securitisation of loans allows the procurement of significant financial assets as an alternative to direct debt, with the possibility of reducing risk assets for the purposes of solvency ratios, without removing the Originator from the management of the relationship with the customer.

The transaction, therefore, is characterised by the use of a funding instrument on international markets to finance the Bank's loans and is part of the expectations of supporting the development of the local economy, in line with the company's strategic guidelines.

In 2023, no own securitisation transactions were carried out.

2. Third party securitisation transactions

The Bank retains, within its portfolio, at the net carrying amount, securities from "third-party" securitisation transactions for a total of EUR 71,078 thousand.

Third-party exposures other than those mentioned above consist mainly of unrated securities issued by the special purpose vehicle Lucrezia Securitisation S.r.l. as part of the Institutional Guarantee Fund interventions, broken down as follows:

- the securities "EUR 211,368,000 Asset-Backed Notes due October 2026", with ISIN code IT0005216392, were issued by the special purpose vehicle on 3 October 2016, following the securitisation of the portfolios of bad loans acquired as part of the crisis resolution intervention of Banca Padovana in A.S. and BCC Irpina in A.S., they have a 10-year maturity and pay interest quarterly in arrears;
- the securities "EUR 78,388,000 Asset-Backed Notes due January 2027" with ISIN code IT0005240749, were issued by the special purpose vehicle on 27 January 2017, following the securitisation of the portfolios of bad loans acquired as part of the intervention for the BCC Crediveneto resolution, they have a 10-year maturity and pay interest quarterly in arrears;
- the securities "EUR 32,461,000 Asset-Backed Notes due October 2027" with ISIN code IT0005316846, were issued by the special purpose vehicle on 1 December 2017, following the securitisation of the portfolios of bad loans acquired as part of the intervention for the BCC Teramo resolution, they have a 10-year maturity and pay interest quarterly in arrears.

The assets underlying these securities are composed of impaired loans, largely fully secured by properties. These securities are included in the Bank's balance sheet assets under item "40. Financial assets measured at amortised cost, sub-item "b) Loans to customers".

As far as the economic aspects are concerned, the securities involved the recognition of interest income at an annual rate of 1%, for EUR 6,066 thousand.

It should be noted that in relation to the above securitisation transactions, the Bank does not play any role as servicer and does not hold any interest in the special purpose vehicle.

Moreover, in compliance with the provisions on organisational requirements in the same prudential provisions, with regard to the assumption of positions towards the transactions in question, the Bank must comply with the obligations of due diligence and monitoring.

In accordance with the above mentioned due diligence and monitoring requirements for the Bank, other than the assignor or the promoter, which takes positions as regards securitisation, the following should be noted.

As the Investor Bank, before taking positions in each securitisation transaction and for as long as they are held in the portfolio, an analysis is carried out on each transaction and the exposures underlying it, in order to gain full knowledge of the risks to which the Bank is exposed or would be exposed.

In particular, the Bank has verified:

- the maintenance by the assignor, on an ongoing basis, of the net economic interest;
- the provision of relevant information to perform due diligence;
- the structural characteristics of the securitisation that can have a significant impact on the performance of positions towards securitisation (e.g. contractual clauses, priority in redemptions, rules for the allocation of cash flows and related triggers, credit enhancement instruments, liquidity facilities, definition of default used, rating, historical analysis of the performance of similar positions);
- the risk characteristics of the assets underlying the securitisation positions;
- the communications made by the assignor/promoter regarding the due diligence carried out on the securitised assets, the quality of any collateral covering them, etc.

With reference to monitoring, in accordance with the provisions on the need for information to be assessed regularly at least once a year, as well as in the presence of significant changes in the performance of the transaction, the Bank has put in place processes and procedures for the acquisition of information on the assets underlying each transaction with reference to:

- nature of exposures, incidence of positions past due for more than 30, 60, 90 days;
- default rates;
- early repayments;
- exposures subject to enforcement procedures;
- nature of the collateral;
- creditworthiness of debtors;
- sectoral and geographical diversification;
- frequency of distribution of loan to value rates.

In relation to the above, periodic information flows have been agreed centrally with the servicer, to be made available to Affiliated Banks that have subscribed to securities of this type, to ensure their compliance with the regulatory requirement that they must be “constantly aware of the composition of the portfolio of securitised exposures” pursuant to Article 253 of the CRR.

The periodic flows received from the Institutional Guarantee Fund are transmitted to all Affiliated Banks and supplement the Investor Report produced by the Special Purpose Vehicle.

Quantitative information

C.1 Exposures deriving from primary "own" securitisation operations subdivided by type of securitised asset and type of exposure

TYPE OF SECURITISED ASSETS / EXPOSURES	On-balance exposures					
	Senior		Mezzanine		Junior	
	Book value	Value adjustments/ write-backs	Book value	Value adjustments/ write-backs	Book value	Value adjustments/ write-backs
A. Subject of full derecognition from the financial statements	**2,050**	**1**	**10**	**-**	**13**	**-**
IMPAIRED ASSETS	**2,050**	**1**	**10**	**-**	**13**	**-**
- Non-performing	2,050	1	10	-	13	-
- Unlikely to pay	-	-	-	-	-	-
- Past due	-	-	-	-	-	-
PERFORMING ASSETS	**-**	**-**	**-**	**-**	**-**	**-**
B. Subject of partial derecognition from the financial statements	**-**	**-**	**-**	**-**	**-**	**-**
IMPAIRED ASSETS	**-**	**-**	**-**	**-**	**-**	**-**
- Non-performing	-	-	-	-	-	-
- Unlikely to pay	-	-	-	-	-	-
- Past due	-	-	-	-	-	-
PERFORMING ASSETS	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised from the financial statements	**-**	**-**	**-**	**-**	**-**	**-**
IMPAIRED ASSETS	**-**	**-**	**-**	**-**	**-**	**-**
- Non-performing	-	-	-	-	-	-
- Unlikely to pay	-	-	-	-	-	-
- Past due	-	-	-	-	-	-
PERFORMING ASSETS	**-**	**-**	**-**	**-**	**-**	**-**

Off-balance-sheet

As at 31 December 2023, the scenario was not present.

C.2 Exposures deriving from primary third-party securitisation operations subdivided by type of securitised asset and type of exposure

TYPE OF UNDERLYING ASSETS/EXPOSURES	On-balance exposures					
	Senior		Mezzanine		Junior	
	Book value	Value adjustments/ write-backs	Book value	Value adjustments/ write-backs	Book value	Value adjustments/ write-backs
Lucrezia Securitisation S.r.l.-Securities	(71)	720				

C.3 Securitisation special purpose vehicles

SECURITISATION NAME / SPV NAME	Registered office	Consolidation	Assets			Liabilities		
			Loans	Debt securities	Other	Senior	Mezzanine	Junior
Buonconsiglio 4 S.r.l.	Conegliano (TV) - Via V. Alfieri 1	Not consolidated	82,275			78,650	16,500	5,893
Buonconsiglio II - Nepal S.r.l.	Milan - Via San Prospero 9	Not consolidated	1,415					54,525
Buonconsiglio 3 S.r.l.	Milan - Via Vittorio Betteloni 2	Not consolidated	92,806			103,944	21,000	4,541
Lucrezia Securitisation S.r.l. - Crediveneto	Rome - Via Mario Carucci 131	Not consolidated	6,104			35,056		
Lucrezia Securitisation S.r.l. - Padovana/Irpina	Rome - Via Mario Carucci 131	Not consolidated	7,876			95,175		
Lucrezia Securitisation S.r.l. - Castiglione	Rome - Via Mario Carucci 131	Not consolidated	2,299			31,943		

C.4 Not consolidated securitisation special purpose vehicles

The table has not been filled in as it is reportable in the consolidated financial statements.

C.5 Servicer activities - own securitisations: collections of securitised receivables and reimbursements of securities issued by the securitisation special purpose vehicle

The table has not been filled in because, as at the reporting date, there were no balances ascribable to the item in question.

D. DISCLOSURE ON STRUCTURED ENTITIES NOT CONSOLIDATED FROM AN ACCOUNTING VIEWPOINT (DIFFERENT FROM SECURITISATION SPECIAL PURPOSE VEHICLES)

Qualitative information

This information is not provided given that the Bank drafts the consolidated financial statements.

Quantitative information

D. Disclosure on structured entities not consolidated from an accounting viewpoint (different from securitisation special purpose vehicles)

This information is not provided given that the Bank drafts the consolidated financial statements.

E. DISPOSAL TRANSACTIONS

A. Financial assets sold and not fully derecognised

Qualitative information

Financial assets sold and not derecognised and financial liabilities related to assets sold and not derecognised shown in the tables of this section pertain mainly to repos carried out on own securities recognised as assets in the balance sheet.

Quantitative information

E.1 Financial assets sold and fully recognised and associated financial liabilities: carrying amounts

	Financial assets sold and fully recognised				Associated financial liabilities		
	Book value	of which: subject of securitisation transactions	of which: subject of repurchase agreements	of which impaired	Book value	of which: subject of securitisation transactions	of which: subject of repurchase agreements
A. FINANCIAL ASSETS HELD FOR TRADING	**-**	**-**	**-**	**X**	**-**	**-**	**-**
1. Debt securities	-	-	-	X	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**535,547**	**-**	**535,547**	**-**	**534,220**	**-**	**534,220**
1. Debt securities	535,547	-	535,547	-	534,220	-	534,220
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. FINANCIAL ASSETS MEASURED AT AMORTISED COST	**39,811**	**-**	**39,811**	**-**	**39,353**	**-**	**39,353**
1. Debt securities	39,811	-	39,811	-	39,353	-	39,353
2. Loans	-	-	-	-	-	-	-
Total 31/12/2023	**575,358**	**-**	**575,358**	**-**	**573,573**	**-**	**573,573**
Total 31/12/2022	**-**	**-**	**-**	**-**	**-**	**-**	**-**

E.2 Financial assets sold and partially recognised and associated financial liabilities: carrying amounts

The information and the table are not provided because, as at the reporting date, there were no balances ascribable to this item.

E.3 Disposals with liabilities with reimbursement exclusively on assets sold and not fully derecognised: fair value

	Fully recognised	Partially recognised	Total	
			31/12/2023	31/12/2022
A. FINANCIAL ASSETS HELD FOR TRADING	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
4. Derivatives	-	-	-	-
B. OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
C. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Loans	-	-	-	-
D. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**535,547**	**-**	**535,547**	**-**
1. Debt securities	*535,547*	-	*535,547*	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
E. FINANCIAL ASSETS MEASURED AT AMORTISED COST (FAIR VALUE)	**39,811**	**-**	**39,811**	**-**
1. Debt securities	39,811	-	39,811	-
2. Loans	-	-	-	-
Total financial assets	**575,358**	**-**	**575,358**	**-**
Total associated financial liabilities	**573,573**	**-**	**X**	**X**
Net amount 31/12/2023	**1,785**	**-**	**575,358**	**X**
Net amount 31/12/2022	**-**	**-**	**X**	**-**

B. Financial assets sold and fully derecognised with recognition of continuing involvement

Qualitative information

At the end of the reporting period, the Bank had not sold any financial assets that had been fully derecognised, and the related continuing involvement should be recognised in the financial statements.

C. Financial assets sold and fully derecognised

At the end of the reporting period, the Bank does not have any transactions attributable to this scenario.

D. Covered bond transactions

The information is not provided because, as at the reporting date, there were no balances ascribable to this item.

F. CREDIT RISK MEASUREMENT MODELS

At the end of the reporting period, the Bank does not use internal portfolio models to measure credit risk exposure. For more specific considerations, please refer to Section 1 - Credit Risk, Information of a qualitative nature, 2.2 Management, measurement and control systems.

Section 2 - Market risks

2.1 INTEREST RATE RISK AND PRICE RISK – REGULATORY TRADING BOOK

Qualitative information

A. General aspects

The Bank's Planning Department plans the investment choices relating to the trading book in accordance with the guidelines shared within the Group through the periodic portfolio management strategy documents and in compliance with any amounts of investment defined by the Board of Directors.

During the year, the management strategy for the proprietary portfolio established that the trading book activity was limited to financial instruments held for intermediation with banking and non-banking customers and to derivatives entered into for hedging risks (such as, for example, forward foreign exchange transactions for intermediation with customers or derivatives connected to the fair value option).

B. Management processes and measurement methods relative to interest rate and price risk

Interest rate risk - Regulatory trading book

The measurement of interest rate risk on the regulatory trading book is supported by the daily reports provided by the Risk Management Department of the Parent Company, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics applications, based on the historical method, over a 10-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk). The calculation of volatilities and correlations is made by assuming a future distribution of risk factor returns equal to the historical distribution over a given time horizon.

To support the definition of the structure of its internal limits, important strategic choices, or specific analyses, simulations of purchases and sales of financial instruments within its asset allocation are available, obtaining an updated calculation of the new risk exposure in terms of both VaR and effective duration.

The monitoring of market risk exposure is also carried out using the Montecarlo fat-tailed method, which uses a procedure to simulate the returns of risk factors on the basis of past volatility and correlation data, generating 10,000 random scenarios consistent with the market situation. An additional measure introduced to assess market risk is the expected shortfall, calculated with both the historical method and the Montecarlo method.

Additional risk statistics derived from VaR (such as marginal VaR, incremental VaR and conditional VaR), measures of sensitivity of income instruments (Effective Duration) and analyses linked to the evolution of correlations between the various risk factors present are monitored through reporting.

The analyses are available at different levels of detail: on the entire trading book and within the latter on groupings by type of instrument (Equities, Funds, Fixed Rate and Government, Supranational and Corporate variable rate), up to the individual securities present.

Of particular importance is also the backtesting of the VaR model used daily, carried out on the entire portfolio of securities owned by comparing the VaR - calculated at 99% and over the daily time period - with the actual changes in the theoretical market value of the portfolio.

Daily stress tests are available on the theoretical market value of the own securities portfolio through which changes in the theoretical countervalue of the trading book and the various groupings of instruments (Equities, Funds, Fixed Rate and Government, Supranational and Corporate variable rate) present in it are studied with respect to certain market scenarios. As part of risk management strategies, various scenarios on the bond and equity front are monitored for a complete and improved analysis of the portfolio.

The reports described are monitored by the Risk Management and Planning Departments and periodically submitted to the Board of Directors.

In addition, an automatic email alert is active if the attention thresholds and/or the maximum limits defined in the Group Regulations on the management of market and counterparty risk are exceeded.

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

Price risk - Regulatory trading book

In line with the section on interest rate risk - regulatory trading book, the measurement of price risk on the regulatory trading book is supported by the reports provided by the Management Department of the Parent Company, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics applications, on the basis of the historical method, over a 10-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (interest rate risk, equity risk, foreign exchange risk and inflation risk).

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

As at 31 December 2023, there were no securities in the regulatory trading book, according to the strategic guidelines established by the Parent Company.

Quantitative information

1. Regulatory trading book: Breakdown by residual duration (re-pricing date) of financial assets and liabilities in cash as well as financial derivatives

Euro

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 years and 10 years	Beyond 10 years	Indefinite maturity
1. CASH ASSETS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. CASH LIABILITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. FINANCIAL DERIVATIVES								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	134,734	26,871	29,257	58,856	-	-	-
+ Short positions	-	134,734	26,871	29,257	58,856	-	-	-
- Other derivatives								
+ Long positions	15,247	739,597	59,433	99,190	194,201	178,008	245,995	-
+ Short positions	15,247	810,982	74,796	99,178	193,415	178,008	245,995	-

Other Currencies

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 years and 10 years	Beyond 10 years	Indefinite maturity
1. CASH ASSETS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. CASH LIABILITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. FINANCIAL DERIVATIVES								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	92,730	22,002	3,704	-	-	-	-
+ Short positions	-	22,253	6,604	3,711	786	-	-	-

2. Regulatory trading book: breakdown of exposures in equities and stock market indices for the main countries of the listed market

The table is not reported given that a price risk sensitivity analysis for an internal model is supplied, as reported in the previous section.

3. Regulatory trading book: internal models and other methodologies for sensitivity analysis

The measurement of price risk on the trading book is supported by reports provided by the Risk Management Department, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics applications, based on the historical method, over a 10-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk).

The VaR measurement is available daily for monitoring and operational evaluations carried out by the Risk Management and Planning Departments and is calculated on various levels of detail which, in addition to the total portfolio, consider the Banking portfolio, the business models, the various groupings by type of instrument (equities, funds, fixed rate and government, supranational and corporate variable rate), up to the individual securities present.

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

2.2 INTEREST RATE RISK AND PRICE RISK - BANKING BOOK

Qualitative information

A. General aspects, management processes and measurement methods for interest rate and price risk

Interest rate risk – Banking book

Primary sources of interest rate risk

The sources of the interest rate risk to which the Bank is exposed can be identified mainly in the lending, funding and finance processes, since the banking book consists mainly of loans and the various forms of funding from customers.

In particular, 'fair value' interest rate risk is derived from fixed-rate items while interest rate risk from cash flows is derived from variable-rate items.

However, items on demand generally include asymmetrical behaviours, depending on whether one considers liability or asset items; the former - being characterised by greater stability - primarily refer to fair value risk while the second are more sensitive to market changes and therefore ascribable to cash flow risk.

Internal management processes and measurement methods for interest rate risk

The Bank has put in place appropriate mitigation and control measures aimed at avoiding the possibility of positions exceeding a certain level of objective risk.

These mitigation and control measures are applied within the framework of corporate regulations aimed at setting up monitoring processes based on position limits and systems of attention thresholds in terms of internal capital, beyond which appropriate corrective actions are triggered.

With regard to this point, the following are defined:

- policies and procedures for managing interest rate risk that are consistent with the nature and complexity of the activity carried out;
- measurement metrics consistent with the risk measurement methodology adopted by the Bank, on the basis of which an early warning system has been defined that allows for the timely identification and activation of appropriate corrective measures;
- operational limits and internal procedural provisions which aim to maintain exposure within limits that are consistent with the managerial policy and with the alert thresholds pursuant to prudential regulations.

From an organisational point of view, the Bank has identified the Planning Department as the structure responsible for overseeing this process of managing interest rate risk on the banking book.

The monitoring of interest rate risk exposure on the banking book is carried out on a monthly basis.

With regard to the risk measurement methodology in terms of change in economic value and change in interest margin, the Board of Directors of the Bank has decided to use the framework provided by the EBA guidelines (GL-2022-14) which is based on the following elements:

- sensitivity analysis to economic value: the calculation engine allows the quantification of the difference in fair value of financial statement items calculated according to the Discounted Cash Flow method using first a base curve (without shock) and then a shocked curve. The reports can be prepared individually or aggregated on the basis of their specific financial characteristics;
- margin sensitivity analysis: the calculation engine allows the quantification of the difference in the interest margin against specific expected rate scenarios (baseline or adverse) or one or more rate shocks (parallel or otherwise), assuming the reinvestment of maturing (assuming of constant volumes) or rate-revising flows (indexed ratios) at forward rates over a predefined time period (e.g. twelve months);
- treatment of behavioural models: the calculation engine allows for the behavioural models to be taken into account in the analysis (value and margin); in 2023, an update was applied to the model of items on demand, estimated using Group data and a new prepayment model was developed and put into production, applied to loans repayable in instalments.

The Bank determines the internal capital for interest rate risk according to the model of the change in economic value shown above, applying a parallel rate shock of +/- 200 basis points.

Additional stress scenarios, as indicated in the relevant legislation, are determined to assess the impacts of non-parallel curve shifts (steepening, flattening, short rates up and down) and from cases established internally within the Group. With the introduction by regulation of the SOT (supervisory outlier test) also on the NII (net interest income) from 30 June 2023, the Group has adapted its rate risk monitoring process on the Interest Margin by calculating and monitoring the respective levels of “large decline”.

The risk indicator is represented in the RAF (Risk Appetite Framework) by the ratio between the internal capital thus calculated and the value of CET1 Own Funds. At consolidated level, the Parent Company monitors the Group's positioning with respect to the thresholds including in relation to the CET1 value and the attention threshold of 15% for the Economic Value and 5% for the Interest Margin set by EBA’s Guidelines and Regulatory Technical Standards (RTS). If the risk indicator exceeds the thresholds set out in the RAF, the appropriate recovery initiatives are activated.

Price risk – Banking book

In line with the section on interest rate risk - regulatory trading book, the measurement of price risk on the banking book is supported by the reports provided by the Risk Management Department, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics applications, based on the historical method, over a 10-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk).

The VaR measurement is available daily for monitoring and operational evaluations carried out by the Risk Management and Planning Departments and is calculated on various levels of detail which, in addition to the total portfolio, consider the banking portfolio, the business models, the various groupings by type of instrument (Equities, Funds, Fixed Rate, Government, Supranational and Corporate variable rate), up to the individual securities present.

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

Information about the VaR calculations for the securities component of the banking book during the course of 2023 is reported below:

Figures rounded to nearest euro unit

VaR 31/12/2023	Average VaR	Minimum VaR	Maximum VaR
38,768,663	53,006,191	38,768,663	84,581,341

Control over the reliability of the model is implemented through theoretical backtesting activities which verify daily changes in the market value of the banking book, as calculated by the model with an estimate of the expected loss for the day. At portfolio level the previous model did not identify any significant overruns in the year.

The year 2023 saw a continuation, with respect to VaR, of the quantification of issuer risk for government securities and therefore country risk, understood as VaR relating only to the risk factor “Credit Spread”, expressed as the spread between the Italian government bond curve and the risk-free curve, understood as the reference monetary curve for each currency in which the bond is denominated. VaR and Expected Shortfall metrics were also calculated only on the Italian Government bonds segment.

With regard to stress tests, the outcomes of simulations of the impact of different shock scenarios on the theoretical value of the portfolio on 31 December 2023 is reported below. The shocks replicate parallel movements of +/-25 and +/-50 basis points for the primary rate curves that were used in the valuation of securities within the owned portfolio.

Figures rounded to nearest euro unit

Theoretical value at 31/12/23	Shock value changes -25 bps	Shock value changes +25 bps	Shock value changes -50 bps	Shock value changes +50 bps
3,993,226,085	23,358,105	-22,969,980	47,116,501	-45,559,709

Quantitative information

1. Banking book: breakdown by residual duration (re-pricing date) of financial assets and liabilities

Euro

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 years and 10 years	Beyond 10 years	Indefinite maturity
1. CASH ASSETS	**1,650,456**	**4,523,088**	**1,604,287**	**7,444,011**	**1,402,150**	**561,179**	**234,620**	**-**
1.1 Debt securities	-	774,055	1,310,044	433,125	952,232	445,223	219,198	-
- with early repayment option	-	435,021	9,944	122,572	12,047	12,340	13	-
- other	-	339,034	1,300,100	310,553	940,185	432,883	219,185	-
1.2 Loans to banks	30,124	3,611,437	229,012	6,894,457	20,098	370	1,003	-
1.3 Loans to customers	1,620,332	137,595	65,231	116,429	429,820	115,586	14,419	-
- current accounts	872,961	12,846	-	-	-	-	-	-
- other loans	747,371	124,750	65,231	116,429	429,820	115,586	14,419	-
- with early repayment option	456,596	106,445	63,016	106,873	398,594	39,646	6,923	-
- other	290,775	18,304	2,215	9,556	31,226	75,941	7,496	-
2. CASH LIABILITIES	**3,973,364**	**4,722,707**	**287,668**	**7,310,408**	**44,936**	**7,047**	**176,459**	**-**
2.1 Due to customers	985,833	1,580,993	15,435	65	44,536	7,047	812	-
- current accounts	585,374	116	4,893	-	42,144	-	-	-
- other payables	400,459	1,580,878	10,542	64	2,391	7,047	812	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	400,459	1,580,878	10,542	64	2,391	7,047	812	-
2.2 Due to banks	2,987,531	2,617,591	272,232	7,107,231	401	-	175,647	-
- current accounts	2,384,510	-	-	-	-	-	-	-
- other payables	603,021	2,617,591	272,232	7,107,231	401	-	175,647	-
2.3 Debt securities	-	524,123	-	203,113	-	-	-	-
- with early repayment option	-	524,123	-	203,113	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 years and 10 years	Beyond 10 years	Indefinite maturity
3. FINANCIAL DERIVATIVES								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	3	3,881	20	1,589	-
+ Short positions	-	2,197	214	-	3,081	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	5,000	-	-
+ Short positions	-	-	-	-	-	5,000	-	-
4. OTHER OFF-BALANCE-SHEET OPERATIONS								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

Other Currencies

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 years and 10 years	Beyond 10 years	Indefinite maturity
1. CASH ASSETS	**20,012**	**15,369**	**2,212**	**232**	**-**	**45,652**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	45,652	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	45,652	-	-
1.2 Loans to banks	19,963	15,369	2,168	-	-	-	-	-
1.3 Loans to customers	49	-	43	232	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other loans	49	-	43	232	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	49	-	43	232	-	-	-	-
2. CASH LIABILITIES	**97,230**	**17,913**	**11,937**	**175**	**39,255**	**-**	**-**	**-**
2.1 Due to customers	2,081	2,177	302	-	-	-	-	-
- current accounts	207	-	-	-	-	-	-	-
- other payables	1,874	2,177	302	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	1,874	2,177	302	-	-	-	-	-
2.2 Due to banks	95,149	15,736	11,634	175	39,255	-	-	-
- current accounts	94,671	-	-	-	-	-	-	-
- other payables	478	15,736	11,634	175	39,255	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-

TYPE/RESIDUAL DURATION	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 years and 10 years	Beyond 10 years	Indefinite maturity
3. FINANCIAL DERIVATIVES								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. OTHER OFF-BALANCE-SHEET OPERATIONS								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

2. Banking book: internal models and other methodologies for sensitivity analysis

For management purposes, the Bank quantifies on a monthly basis the impacts deriving from parallel and non-parallel curve shocks, both for the change in economic value and for the change in the interest margin.

On the basis of the analyses as at 31 December 2023, assuming a change in interest rates of +/-100 basis points, the effects relating to the change in the economic value and the interest margin are shown, then compared to the value of the Tier 1, therefore adapting the calculation to the new indicator established by RTS/2022/10.

.

CHANGE IN ECONOMIC VALUE	Scenario +100 basis points	Scenario -100 basis points
Banking book: loans	-31,113,088	33,379,041
Banking book: securities	-97,271,036	104,887,000
Other assets	-106,639	110,750
Liabilities	55,205,461	-66,831,046
Total	**-73,285,302**	**71,545,746**
Tier 1	1,180,986,036	1,180,986,036
% Impact on Tier 1	-6.21%	6.06%

CHANGE IN INTEREST MARGIN	Scenario +100 basis points	Scenario -100 basis points
Banking book: loans	108,961,303	-103,345,412
Banking book: securities	37,355,588	19,099,401
Other assets	-26,134,408	-36,845,551
Liabilities	-124,620,993	125,831,431
Total	**-4,438,509**	**4,739,870**
Tier 1	1,180,986,036	1,180,986,036
% Impact on Tier 1	-0.38%	0.40%

2.3 EXCHANGE RATE RISK

Qualitative information

A. General aspects, management processes and measurement methods for exchange rate risk

In line with the section on interest rate risk - regulatory trading book, the measurement of exchange rate risk relating to foreign currency income instruments held is supported by the reports provided by the Risk Management Department, which highlights the value at risk of the investment (VaR). This is calculated using RiskMetrics applications, based on the historical method, over a 10-day period and with a 99% confidence interval, taking into account the volatilities and correlations between the various risk factors that determine the market risk exposure of the invested portfolio (including interest rate risk, equity risk, foreign exchange risk and inflation risk).

The risk measurement model described is not utilised to determine capital requirements but represents a tool to support management and internal control of the risk.

B. Exchange rate risk hedging activities

Exchange rate risk hedging activities are implemented through a careful policy of essentially balancing booked foreign currency positions. To this end, in 2023 the Bank carried out transactions to hedge the exchange rate risk using outright derivatives.

Quantitative information

1. Breakdown of assets, liabilities and derivatives by currency

ITEMS	Currency					
	USD	CHF	GBP	JPY	CAD	OTHER CURRENCIES
A. FINANCIAL ASSETS	**63,784**	**14,808**	**874**	**933**	**570**	**2,507**
A.1 Debt securities	45,652					
A.2 Equities						
A.3 Loans to banks	17,807	14,808	874	933	570	2,507
A.4 Loans to customers	325					
A.5 Other financial assets						
B. OTHER ASSETS	**7,011**	**1,107**	**1,570**	**192**	**416**	**1,546**
C. FINANCIAL LIABILITIES	**135,768**	**15,938**	**8,182**	**1,141**	**1,725**	**3,756**
C.1 Due to banks	131,214	15,938	8,180	1,141	1,725	3,752
C.2 Due to customers	4,554		2			4
C.3 Debt securities						
C.4 Other financial liabilities						
D. OTHER LIABILITIES	**91**		**5**			**-**
E. FINANCIAL DERIVATIVES						
- Options						
+ Long positions						
+ Short positions						
- Other derivatives						
+ Long positions	107,881	1,457	6,632	180	1,541	745
+ Short positions	29,641	1,500	892	175	96	1,049
Total assets	**178,677**	**17,372**	**9,076**	**1,306**	**2,528**	**4,798**
Total liabilities	**165,500**	**17,438**	**9,079**	**1,316**	**1,820**	**4,805**
Imbalance (+/-)	**13,176**	**(66)**	**(3)**	**(10)**	**707**	**(7)**

2. Internal models and other methodologies for sensitivity analysis

The Bank's overall exposure to exchange rate risk is very limited: the effects of changes in exchange rates on net interest and other banking income, net profit for the year and equity, as well as the results of scenario analyses, are not reported.

Section 3 - Derivatives and hedging policies

3.1 DERIVATIVES HELD FOR TRADING

A. Financial derivatives

A.1 Financial derivatives held for trading: notional values at the end of the period

UNDERLYING ASSETS / TYPE OF DERIVATIVES	Total 31/12/2023				Total 31/12/2022			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. DEBT SECURITIES AND INTEREST RATES	**-**	**1,482,766**	**233,993**	**-**	**-**	**1,565,458**	**129,764**	**-**
a) Options	-	109,195	108,783	-	-	220,246	-	-
b) Swaps	-	1,373,571	125,211	-	-	1,345,211	129,764	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. EQUITIES AND STOCK MARKET INDICES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. CURRENCIES AND GOLD	**-**	**119,554**	**4,353**	**-**	**-**	**141,833**	**3,881**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	119,554	4,353	-	-	141,833	3,881	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. COMMODITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. OTHER	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**1,602,320**	**238,346**	**-**	**-**	**1,707,291**	**133,645**	**-**

A.2 Financial derivatives held for trading: Gross positive and negative fair value - breakdown by product

DERIVATIVE TYPES	Total 31/12/2023				Total 31/12/2022			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. POSITIVE FAIR VALUE								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	78,231	47	-	-	107,846	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	349	-	-	-	1,032	53	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**78,580**	**47**	**-**	**-**	**108,878**	**53**	**-**
2. NEGATIVE FAIR VALUE								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	74,493	1,914	-	-	101,874	4,243	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	1,290	159	-	-	2,875	13	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**75,783**	**2,073**	**-**	**-**	**104,750**	**4,256**	**-**

A.3 OTC financial derivatives held for trading: notional values, gross positive and negative fair value by counterparty

UNDERLYING ASSETS	Central counterparties	Banks	Other financial corporations	Other subjects
Contracts not part of netting agreements				
1) DEBT SECURITIES AND INTEREST RATES				
- notional value	X	-	143,600	90,393
- positive fair value	X	-	-	47
- negative fair value	X	-	751	1,163
2) EQUITIES AND STOCK MARKET INDICES				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) CURRENCIES AND GOLD				
- notional value	X	-	-	4,353
- positive fair value	X	-	-	-
- negative fair value	X	-	-	159
4) COMMODITIES				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts that are part of netting agreements				
1) DEBT SECURITIES AND INTEREST RATES				
- notional value	-	1,482,766	-	-
- positive fair value	-	78,231	-	-
- negative fair value	-	74,493	-	-
2) EQUITIES AND STOCK MARKET INDICES				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) CURRENCIES AND GOLD				
- notional value	-	119,554	-	-
- positive fair value	-	349	-	-
- negative fair value	-	1,290	-	-

UNDERLYING ASSETS	Central counterparties	Banks	Other financial corporations	Other subjects
4) COMMODITIES				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC financial derivatives held for trading: notional values

UNDERLYING/RESIDUAL LIFE	Up to 1 year	From 1 to 5 years	Beyond 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	429,161	439,592	848,007	**1,716,759**
A.2 Financial derivatives on equities and stock market indices	-	-	-	**-**
A.3 Financial derivatives on currencies and gold	123,121	786	-	**123,907**
A.4 Financial derivatives on commodities	-	-	-	**-**
A.5 Other financial derivatives	-	-	-	**-**
Total 31/12/2023	**552,281**	**440,378**	**848,007**	**1,840,666**
Total 31/12/2022	**424,655**	**340,904**	**1,075,377**	**1,840,936**

B. Credit derivatives

This section is not filled out given that the Bank does not hold credit derivatives.

3.2 ACCOUNTING HEDGES

Qualitative information

A. Fair value hedging

In 2023 an interest rate swap was negotiated on an Italian fixed-rate government bond present in the securities portfolio. The operation falls under a Fair Value Hedge. The nominal amount of the security is EUR 5 million, a quantity entirely hedged by the operation. The aim was to sterilise any changes in fair value in the security deriving from changes in the risk-free rates curve.

The derivative is not listed on regulated markets, but traded in the context of over-the-counter (OTC) circuits.

There are no other hedging transactions.

The Bank has equipped itself with the necessary organisational controls for an informed management of hedging transactions and related risks through the adoption of a specific policy on application of the Hedge Accounting Policy.

B. Cash flow hedging

The Bank does not engage in cash flow hedging transactions, i.e. hedging exposure to variability in cash flows associated with variable rate financial instruments.

C. Hedging of foreign investments

The Bank does not engage in foreign investment transactions, i.e. hedging exposure to variability in cash flows associated with variable rate financial instruments.

D. Hedging instruments

Refer to letter A.

E. Hedged elements

Refer to letter A.

Quantitative information

A. Financial hedging derivatives

A.1 Financial hedging derivatives: notional values at the end of the period

UNDERLYING ASSETS/TYPE OF DERIVATIVES	Total 31/12/2023				Total 31/12/2022			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. DEBT SECURITIES AND INTEREST RATES	**-**	**5,000**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	5,000	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. EQUITIES AND STOCK MARKET INDICES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. CURRENCIES AND GOLD	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. COMMODITIES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. OTHER	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**5,000**	**-**	**-**	**-**	**-**	**-**	**-**

A.2 Financial hedging derivatives: Gross positive and negative fair value - breakdown by product

DERIVATIVE TYPES	Positive and negative fair value								Change in the value used to detect the ineffectiveness of the hedging	
	Total 31/12/2023				Total 31/12/2022					
	Over the counter				Over the counter					
	Central counterparties	Without central counterparties		Organised markets	Central counterparties	Without central counterparties		Organised markets	Total 31/12/2023	Total 31/12/2022
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements			
POSITIVE FAIR VALUE										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
NEGATIVE FAIR VALUE										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	310	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**-**	**310**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

A.3 OTC financial hedging derivatives: notional values, gross positive and negative fair value by counterparty

UNDERLYING ASSETS	Central counterparties	Banks	Other financial corporations	Other subjects
Contracts not part of netting agreements				
1) DEBT SECURITIES AND INTEREST RATES				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) EQUITIES AND STOCK MARKET INDICES				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) CURRENCIES AND GOLD				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) COMMODITIES				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-

UNDERLYING ASSETS	Central counterparties	Banks	Other financial corporations	Other subjects
Contracts that are part of netting agreements				
1) DEBT SECURITIES AND INTEREST RATES				
- notional value	-	5,000	-	-
- positive fair value	-	-	-	-
- negative fair value	-	310	-	-
2) EQUITIES AND STOCK MARKET INDICES				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) CURRENCIES AND GOLD				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) COMMODITIES				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC financial hedging derivatives: notional values

UNDERLYING/RESIDUAL LIFE	Up to 1 year	From 1 to 5 years	Beyond 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	-	-	5,000	**5,000**
A.2 Financial derivatives on equities and stock market indices	-	-	-	**-**
A.3 Financial derivatives on currencies and gold	-	-	-	**-**
A.4 Financial derivatives on commodities	-	-	-	**-**
A.5 Other financial derivatives	-	-	-	**-**
Total 31/12/2023	**-**	**-**	**5,000**	**5,000**
Total 31/12/2022	**-**	**-**	**-**	**-**

B. Credit derivatives

This section is not filled out given that the Bank does not hold credit derivatives.

C. Non-derivative hedging instruments

This section is not filled out given that the Bank does not hold this type of instrument.

D. Hedged instruments

With regard to hedging transactions (hedge accounting), the Bank avails itself of the option, provided by the introduction of IFRS 9, to continue to apply IAS 39 in full with regard to both specific hedges and macro hedges.

D.1 Fair value hedging

	Specific hedges: book value	Specific hedges - net positions: book value of assets or liabilities (before offsetting)	Specific hedges			Generic hedges: book value
			Accrued fair value changes in the hedged instrument	Disposal of the hedge: accrued residual changes in fair value	Changes in the value used to detect the ineffectiveness of the hedging	
A. Assets			-	-		
1. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - HEDGING OF:	-	-	-	-	-	-
1.1 Debt securities and interest rates	-	-	-	-	-	x
1.2 Equities and stock market indices	-	-	-	-	-	x
1.3 Currencies and gold	-	-	-	-	-	x
1.4 Loans	-	-	-	-	-	x
1.5 Other	-	-	-	-	-	x
2. FINANCIAL ASSETS MEASURED AT AMORTISED COST - HEDGING OF:	5,339	-	294	-	-	-
1.1 Debt securities and interest rates	5,339	-	294	-	-	x
1.2 Equities and stock market indices	-	-	-	-	-	x
1.3 Currencies and gold	-	-	-	-	-	x
1.4 Loans	-	-	-	-	-	x
1.5 Other	-	-	-	-	-	x
Total 31/12/2022	**5,339**	**-**	**294**	**-**	**-**	**-**
Total 31/12/2022	**-**	**-**	**-**	**-**	**-**	**-**

	Specific hedges: book value	Specific hedges - net positions: book value of assets or liabilities (before offsetting)	Specific hedges			Generic hedges: book value
			Accrued fair value changes in the hedged instrument	Disposal of the hedge: accrued residual changes in fair value	Changes in the value used to detect the ineffectiveness of the hedging	
1. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST - HEDGING OF:	-	-	-	-	-	-
B. Liabilities						
1.1 Debt securities and interest rates	-	-	-	-	-	x
1.2 Currencies and gold	-	-	-	-	-	x
1.3 Other	-	-	-	-	-	x
Total 31/12/2022	-	-	-	-	-	-
Total 31/12/2022	-	-	-	-	-	-

3.3 OTHER INFORMATION ON DERIVATIVES HELD FOR TRADING AND HEDGING

A. Financial and credit derivatives

A.1 OTC financial and credit derivatives: net fair values by counterparties

UNDERLYING ASSETS	Central counterparties	Banks	Other financial corporations	Other subjects
A. FINANCIAL DERIVATIVES				
1) Debt securities and interest rates				
- notional value	-	1,487,766	143,600	90,393
- positive net fair value	-	78,231	-	47
- negative net fair value	-	74,802	751	1,163
2) Equities and stock market indices				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	119,554	-	4,353
- positive net fair value	-	349	-	-
- negative net fair value	-	1,290	-	159
4) Commodities				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
B. CREDIT DERIVATIVES				
1) Purchase of protection				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-
2) Sale of protection				
- notional value	-	-	-	-
- positive net fair value	-	-	-	-
- negative net fair value	-	-	-	-

Section 4 - Liquidity risk

Qualitative information

A. GENERAL ASPECTS, MANAGEMENT PROCESSES AND MEASUREMENT METHODS FOR LIQUIDITY RISK

Liquidity risk is defined as the possibility that the Bank may not be able to meet its payment commitments due to the inability to raise new funds and/or sell its assets on the market (Funding Liquidity Risk), or that it may be forced to incur very high costs to meet these commitments (Market Liquidity Risk). Funding liquidity risk can be divided into: (i) Mismatching Liquidity Risk, consisting of the risk associated with the different time profile of cash inflows and outflows determined by the misalignment of the maturities of financial assets and liabilities on (and off) the balance sheet; (ii) Contingency Liquidity Risk, i.e. the risk that unexpected events may require a higher amount of cash and cash equivalents than estimated as necessary; and (iii) Margin Calls Liquidity Risk, i.e. the risk that the Bank, in the event of adverse changes in the fair value of financial instruments, is contractually required to restore the reference margins by means of collateral/cash margins.

In this regard, it should be noted that the Delegated Regulation of the European Commission (EU) no. 61/2015 introduced the Liquidity Coverage Requirement (LCR) for credit institutions (hereinafter also "DR-LCR"). The LCR is a short-term rule aimed at ensuring the availability of liquid assets by individual banks that allow them to survive in the short to very short term in the event of acute stress, without recourse to the market. The indicator compares the liquid assets available to the Bank with net cash outflows (difference between gross outflows and inflows) expected over a 30-day time period, the latter developed taking into account a predefined stress scenario: a 100% requirement must be met. The DR-LCR integrates and, in part, amends the provisions of Regulation (EU) no. 575/2013 (CRR) which provides only for obligations of a reporting nature.

Liquidity risk can be generated by various factors both internal and external to the Bank. The sources of liquidity risk can therefore be distinguished in the following macro-categories:

- endogenous: represented by negative events specific to the Bank (e.g. deterioration of the Bank's creditworthiness and loss of confidence on the part of creditors);
- exogenous: when the origin of the risk can be traced back to negative events not directly controllable by the Bank (political crises, financial crises, catastrophic events, etc.) that cause situations of liquidity tension in the markets;
- combinations of the above.

The identification of the factors from which liquidity risk is generated is carried out by means of the following:

- the analysis of the time distribution of cash flows of financial assets and liabilities and off-balance sheet transactions;
- the identification of:

- items that do not have a defined due date (on demand and revocation items);
- financial instruments that incorporate optional components (explicit or implicit) that may change the entity and/or the time distribution of cash flows (e.g. early redemption options);
- financial instruments that by their nature determine variable cash flows depending on the performance of specific underlying assets (e.g. derivatives);

- the analysis of the level of seniority of financial instruments.

The processes in which the Bank's liquidity risk arises are mainly represented by the Finance/Treasury, Funding and Credit processes.

The internal regulation of liquidity risk management meets the requirements set out in the regulatory provisions and guarantees consistency between the management measurements and the regulatory ones.

The Bank adopts a liquidity risk management and governance system which, in accordance with the provisions of the Supervisory Authorities and on the basis of the guidelines defined by the Parent Company, pursues the objectives of:

- being liquid at all times and, therefore, to remain in a position to meet its payment obligations in situations of both normal business and stress;
- financing its activities at the best current and prospective market conditions.

To this end, in its function as a strategic Supervisory Authority, the Board of Directors of the Bank defines the strategies, policies, responsibilities, processes, risk objectives, tolerance thresholds and limits to exposure to liquidity risk (operating and structural), as well as instruments for liquidity risk management – related to membership of the Cooperative Banking Group – by formalising its internal regulations on liquidity risk management and governance.

The Bank's liquidity is managed by the Planning Department in accordance with the aforementioned strategic guidelines. To this end, it makes use of the commitment forecasts made through internal procedures where information on forecast cash requirements and availability can be found. The organisational controls of liquidity risk are defined in terms of line controls and activities of the control functions at level II and III. Liquidity risk is controlled by the Risk Management Department and is aimed at checking the availability of sufficient liquidity reserves to ensure solvency in the short term and diversification of sources of funding and, at the same time, to maintain a substantial balance between maturities of lending and funding in the medium/long term.

The Bank intends to pursue a dual objective:

- the management of operating liquidity aimed at verifying the Bank's ability to meet expected and unforeseen short-term (up to 12 months) cash payment commitments;
- structural liquidity management aimed at maintaining an adequate ratio between total liabilities and medium/long-term assets (over 12 months).

The Bank has structured its control of short-term operating liquidity on two levels:

- the first level provides for daily supervision of the treasury position;
- the second level provides for monthly monitoring of the overall operating liquidity position.

With reference to the monthly monitoring of the overall operating liquidity position, the Bank uses the analysis reports available on a regular basis.

Monthly measurement and monitoring of the operating liquidity position is carried out by means of the following methods:

- the LCR indicator, for the 30-day liquidity position, as determined on the basis of the DR-LCR and transmitted (according to the template developed by the EBA) on a monthly basis to the Supervisory Authority;
- its liquidity position by means of the time to survival indicator, designed to measure the ability to cover the liquidity imbalance generated by inertial operations of balance sheet items;
- a set of summary indicators aimed at highlighting vulnerabilities in the Bank's liquidity position in reference to the degree of concentration of loans and deposits with the main counterparties;
- analysis of the level of asset encumbrance and quantification of readily monetised assets.

In particular, as regards the concentration of funding sources at the end of the reporting period, the incidence of funding from the top 10 counterparties (private and Non-financial corporations) on the Bank's total funding from customers is 13.45% as at 31 June 2023.

The Bank's exposure to unexpected cash outflows mainly relates to:

- items that do not have a defined maturity (primarily current account liabilities and unrestricted deposits);
- liabilities at maturity (certificates of deposit, term deposits) which, at the request of the depositor, can be repaid early;
- its own bonds, for which the Bank operates in order to guarantee liquidity on the secondary market;
- commitments to exchange collateral arising from margining agreements relating to OTC derivative transactions;
- the margins available on the credit lines granted.

With reference to the management of structural liquidity, the Bank uses the analysis reports available monthly.

The Net Stable Funding Ratio, consisting of the ratio between stable sources of funding and medium/long-term assets, is measured monthly from reporting and management sources by means of the percentages set out in the EU Regulation no. 2019/876 (CRR2).

In order to assess its vulnerability to exceptional but plausible liquidity stress situations, the Bank calculates and monitors the LCR indicator as determined on the basis of the DR-LCR and transmitted (according to the template developed by the EBA) on a monthly basis to the Supervisory Authority. Periodic scenario stress tests are also conducted. The latter, conducted according to a qualitative approach based on the company's experience and the indications provided by the regulations and supervisory guidelines, cover two scenarios of liquidity, market/systemic and Bank-specific crises. In particular, the Bank performs the stress analysis by extending the scenario covered by the LCR regulation, with the aim of assessing the impact of additional load tests.

Over the last few years, additional stress scenarios have been introduced, e.g. linked to climate risk (physical and transition). The results of the analyses carried out are periodically documented to the Board of Directors, alongside the positioning on the operating and structural liquidity position.

In addition, crisis, system/market early warning indicators have been identified, i.e. a set of qualitative and quantitative measurements useful for identifying signs of a potential increase in exposure to liquidity risk. These indicators represent, together with the results of liquidity risk measurement, an important information element for the activation of liquidity risk mitigation measures.

With regard to the "Contingency Funding Plan" ("CFP"), i.e. the organisational and operational procedures to be implemented to deal with situations of alert or liquidity crisis, it should be noted that management is centralised at the Parent Company; it follows that in the event of any critical issues regarding the liquidity profile encountered at the level of individual banks belonging to the Group, it is the Parent Company that intervenes using the resources available to the entire Group. The CFP is therefore only activated if there is a problem with the consolidated values of the Cassa Centrale Group. The Group's CFP defines the statuses of non-ordinary operations and the processes and tools for their activation/management (roles and responsibilities of the corporate bodies and organisational units involved, systemic and specific crisis early warning indicators, procedures for monitoring and activating non-ordinary operations, crisis management strategies and tools).

Traditionally, the Bank has had a significant amount of liquid resources due to the composition of its liquidity buffer, consisting mainly of high-quality financial instruments eligible for refinancing operations with the Eurosystem.

At the reporting date of the financial statements, the amount of free cash reserves, understood as high-quality liquid assets calculated for the purposes of determining the Liquidity Coverage Ratio (LCR), stood at EUR 3.56 billion.

The recourse by the Bank to refinancing from the ECB amounted to EUR 9.1 billion and is mainly represented by funding from participation in the Targeted Longer Term Refinancing Operations (TLTRO):

CLASSIFICATION	31/12/2023
TLTRO-III loan	9,059,650,000
Total Auctions	**9,059,650,000**

Quantitative information

1. Time-based breakdown by residual contractual duration of financial assets and liabilities

Euro

ITEMS/TIME PERIOD BRACKETS	On demand	Between 1 day and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 month and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Indefinite maturity
A. CASH ASSETS	**1,039,947**	**192,050**	**77,527**	**243,609**	**2,067,650**	**680,750**	**8,092,328**	**3,741,756**	**1,041,065**	**572,844**
A.1 Government securities	136	-	-	49,930	9,928	336,911	530,411	1,740,867	348,357	-
A.2 Other debt securities	-	-	1	15	35,129	1,446	30,590	797,970	330,666	-
A.3 UCITS units	28,803	-	-	-	-	-	-	-	-	-
A.4 Loans	1,011,007	192,050	77,526	193,664	2,022,593	342,393	7,531,327	1,202,919	362,043	572,844
- Banks	31,188	191,130	75,864	162,380	1,952,423	238,453	7,339,887	360,103	1,373	572,557
- Customers	979,819	920	1,661	31,284	70,170	103,939	191,441	842,816	360,670	287
B. CASH LIABILITIES	**3,587,883**	**707,586**	**835,011**	**45,708**	**2,704,442**	**298,958**	**7,568,562**	**744,941**	**181,559**	**-**
B.1 Deposits and current accounts	3,192,339	-	10,032	-	689,916	59,922	108,068	42,144	172,208	-
- Banks	2,606,728	-	10,032	-	689,916	54,940	107,987	-	172,208	-
- Customers	585,610	-	-	-	-	4,982	81	42,144	-	-
B.2 Debt securities	-	-	-	-	29,425	-	11,830	700,000	-	-
B.3 Other liabilities	395,544	707,586	824,979	45,708	1,985,101	239,036	7,448,664	2,797	9,351	-
C. "OFF BALANCE-SHEET" OPERATIONS										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	9,942	2,366	2,217	7,208	6,649	3,722	786	-	-
- Short positions	-	38,062	12,367	15,887	26,802	22,013	3,709	-	-	-
C.2 Financial derivatives without exchange of capital										
- Long positions	78,267	-	-	-	-	-	3	3,881	6,609	-
- Short positions	76,396	422	-	1,613	162	214	-	3,081	5,000	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

ITEMS/TIME PERIOD BRACKETS	On demand	Between 1 day and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 month and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Indefinite maturity
C.4 Commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	1,857	-	-	-	-	23	1,530	147	255	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Other Currencies

ITEMS/TIME PERIOD BRACKETS	On demand	Between 1 day and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 month and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Beyond 5 years	Indefinite maturity
A. CASH ASSETS	**19,978**	**6,316**	**1,347**	**6,031**	**1,762**	**2,659**	**418**	**190**	**45,249**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	368	368	-	45,249	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	19,978	6,316	1,347	6,031	1,762	2,291	50	190	-	-
- Banks	19,928	6,316	1,347	6,031	1,762	2,241	-	-	-	-
- Customers	50	-	-	-	-	50	50	190	-	-
B. CASH LIABILITIES	**96,851**	**242**	**3,777**	**3,327**	**10,824**	**12,423**	**185**	**39,255**	**-**	**-**
B.1 Deposits and current accounts	94,878	181	3,717	3,025	9,071	12,121	185	-	-	-
- Banks	94,671	181	3,717	3,025	9,071	12,121	185	-	-	-
- Customers	207	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	1,972	60	60	302	1,754	302	-	39,255	-	-
C. "OFF BALANCE-SHEET" OPERATIONS										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	37,902	12,335	16,007	26,487	22,002	3,704	-	-	-
- Short positions	-	9,969	2,579	2,510	7,195	6,604	3,711	786	-	-
C.2 Financial derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	388	-	-	-	187	-	2,805	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Self-securitisation transactions

The Bank did not implement any self-securitisation transactions.

Section 5 - Operating risks

Qualitative information

A. General aspects, management processes and measurement methods for operational risk

Operational risk, as defined by prudential regulations, is the "risk of sustaining losses deriving from the inadequacy or dysfunction of procedures, human resources and internal systems or those caused by exogenous events".

This definition includes legal risk (i.e. the risk of suffering losses resulting from violations of laws or regulations, contractual or non-contractual liability or other disputes), but does not consider reputational and strategic risk.

Operational risk therefore refers to different types of events that are not individually relevant and are quantified jointly for the entire risk category.

Operational risk - which is inherent in the performance of banking activities - is generated across all company processes. In general, the primary sources of operating risk are internal fraud, external fraud, workplace employment and safety reports, professional obligations with respect to clients or the nature and characteristics of products as well as damages from external events and the breakdown of IT systems and deficiencies in the handling of transactions or process management, as well as losses due to positions with commercial counterparties and suppliers.

The following subcategories of risk are significant in terms of operational risks:

- "ICT and security" risk, namely the risk of incurring losses due to a breach of confidentiality, lack of integrity of the systems and data, inadequacy or unavailability of the systems and data or inability to replace the information technology (IT) within a reasonable time and cost limits, in case of changes to the requirements of the external environment or activity (agility), as well as security risks arising from inadequate or incorrect internal processes or external events, including cyber attacks or a level of inadequate physical security;
- "third-party risk", namely the risk of incurring economic losses, damage to reputation or market share losses arising from the outsourcing/supply of services and/or company functions.

Given that it is a transversal risk across processes, operational risk can be controlled and mitigated through currently effective regulations (regulations, executive provisions, proxies) which operate primarily for the purposes of prevention. Specific line controls are then set up on the basis of these regulations as a verification and additional system for monitoring this type of risk.

Currently effective regulations are also applied to IT procedures with the aim of constantly monitoring the correct assignment of authorisation as well as compliance with functional subdivisions on the basis of company roles.

Regulations and line controls are governed by the Board of Directors, implemented by the management and updated, as a rule, by specialist managers.

With reference to organisational controls, the establishment of the Compliance function is important, which is responsible for monitoring and controlling compliance with regulations and which provides support to the process of preventing and managing the risk of being subject to judicial or administrative sanctions as well as the risk of reporting significant losses following the violation of external regulations (laws or regulations) or internal ones (Articles of Association, codes of conduct, corporate governance codes). The Compliance Department also operates through its own representatives identified within the individual Group banks.

In addition, second-level controls are envisaged regarding the checks on the risks associated with the management of the IT system and the operations of employees.

The operational risk management process consists of the following steps:

- **identification and assessment,** which includes the detection, collection and classification of quantitative and qualitative information relating to operational risk; these risks are constantly and clearly identified, reported and relayed to top management;
- **measurement**, which includes the activity of determining operational risk exposure based on information collected at the identification stage;
- **monitoring and control**, which includes activities concerning the regular monitoring of the operational risk profile and exposure to significant losses, through the provision of a regular information flow that promotes active risk management;
- **risk management**, which includes activities aimed at containing operational risk consistently with the established risk appetite, implemented by intervening on significant risk factors or through their transfer, through the use of insurance coverage or other instruments;
- **reporting**, activities aimed at preparing information to be transmitted to corporate bodies (including control bodies) and to all corporate structures involved, regarding the risks assumed or assumable.

During the financial year, the Bank, under the coordination of the Parent Company, has implemented a procedure for the recognition of operational loss events and the related economic effects. It also carried out assessments for the prospective measurement of operational risk (Risk and Control Self-Assessment – RCSA). Furthermore, analysis activities were launched for the risk generated by operations with third parties (third-party risk management) using a tool provided by the Parent Company.

Finally, there are the third level controls carried out by the Internal Audit Department, which periodically reviews the functionality of the control system as part of the various corporate processes.

As part of the overall assessment, with specific reference to the risk component linked to the outsourcing of business processes/activities, it should be noted that the Bank mainly uses the services offered by the Parent Company and its instrumental companies. These circumstances constitute a mitigation of the risks assumed by the Bank in outsourcing important control or operational functions.

With regard to all the existing outsourcing profiles, the procedures have been activated to ascertain the correct performance of the supplier's activities by preparing, according to the different types, different levels of contractual protection and control with regard to the list of outsourcing of important operational functions and corporate control functions.

The Bank internally maintains the expertise required to effectively control the outsourced important operational functions (hereinafter also "IOF") and to manage the risks associated with outsourcing, including those arising from potential conflicts of interest of the service provider. In this context, an internal contact representative has been identified within the organisation for each of the outsourced activities, with adequate professional requirements, responsible for monitoring the level of services provided by the outsourcer and set out in the respective outsourcing contracts and for reporting to corporate bodies on the status and performance of the outsourced functions.

With reference to the regulatory measurement of the prudential requirement for operational risks, the Bank, in view of its organisational, operational and dimensional profiles, has approved the application of the Basic Indicator Approach (BIA).

On the basis of this methodology, the capital requirement for operating risks is measured by applying the regulatory coefficient of 15% to the average of the last three data recordings - on an annual basis - of an indicator of the volume of corporate operations (so-called relevant indicator, referring to the year-end situation).

If one of the observations shows that the relevant indicator is negative or zero, this figure shall not be taken into account in the calculation of the three-year average.

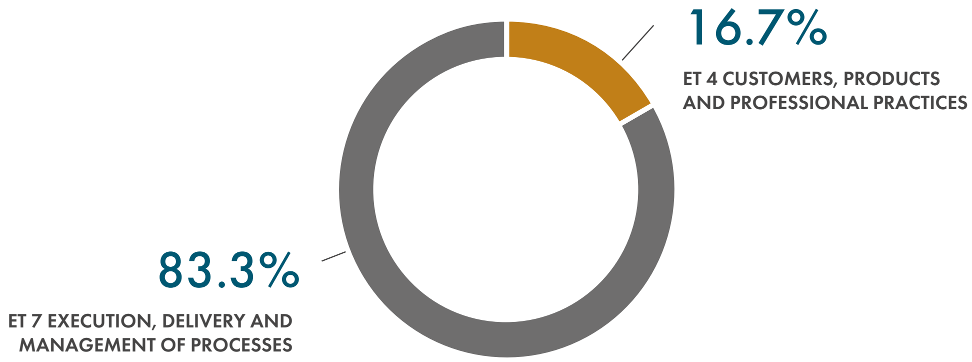
The adoption of a Business Continuity and Emergency Plan to protect the Bank against critical events that may affect its overall operations is also part of the measures to mitigate these risks.

YEAR	Amount
Year T	235,555
Year T-1	259,016
Year T-2	210,406
RELEVANT INDICATOR AVERAGE LAST 3 YEARS	**234,992**
CAPITAL REQUIREMENT (15% OF THE AVERAGE)	**35,249**

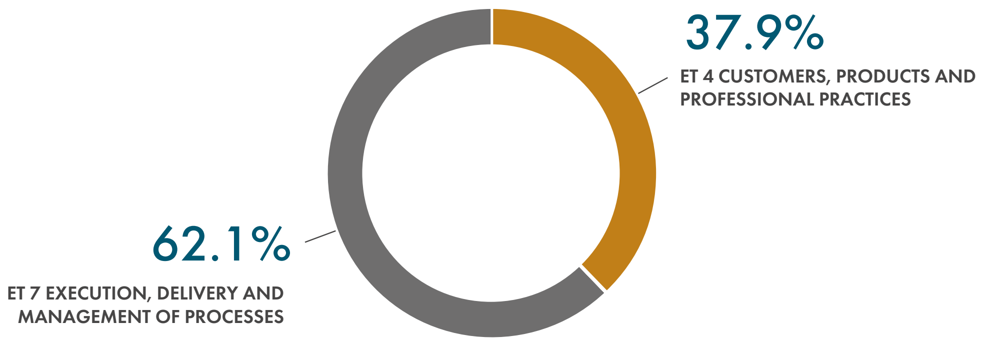
Quantitative information

With reference to the quantitative information, in continuation of the activity already started last year, in relation to the structured process of Loss Data Collection, the distribution by Event Type is reported for Cassa Centrale Banca.

Number of operational loss events with effects recorded in 2023



Net operating losses in 2023



The operational losses were mainly concentrated in the event type "ET 7 Execution, delivery and management of processes" (83.3% of frequencies and 62.1% of the total impacts detected), followed by "ET 4 Customers, products and professional practices" (16.7% of frequencies and 37.9% of the total impacts detected).

Legal risk

In carrying out their activities, the Bank companies may be involved in legal disputes and proceedings. For these disputes and proceedings, adequate provisions have been made in the financial statements based on the reconstruction of the amounts potentially at risk, the assessment of the risk carried out according to the degree of "probability" and/or "possibility" as defined by IAS 37 and taking into account the most consolidated case law on the subject. Therefore, although it is not possible to predict with certainty the final outcome, it is believed that any unfavourable result of these proceedings would not have, either individually or as a whole, a significant negative effect on the financial and economic situation of the Bank. For more detailed information, please refer to Part B, Section 10 - Provisions for risks and charges.

PART F - Information on equity

Section 1 - Equity

Qualitative information

Equity is the main safeguard against corporate risks associated with the Bank's activities. It represents a fundamental reference parameter for solvency assessments, conducted by the Supervisory Authorities and by the market, and is the best element for effective management, both from a strategic point of view and in terms of current operations, as it is a financial element capable of absorbing possible losses produced by the Bank's exposure to all the risks assumed. In addition, it also plays an important role in terms of guaranteeing depositors and creditors in general.

For this purpose, the international and local Supervisory Authorities have established strict requirements for determining the regulatory capital and the minimum capital requirements that credit institutions must comply with.

The capital to which the Bank refers is that defined by EU Regulation no. 575/2013 (CRR) in the notion of Own Funds and is divided into the following components:

- Tier 1 capital, consisting of Common Equity Tier 1 capital (CET 1) and Additional Tier 1 capital (AT1);
- Tier 2 capital - (T2).

In this, particular importance is represented by:

- a careful profit distribution policy, which in compliance with the provisions of the sector, entails a significant allocation to the profit reserves by the Bank;
- prudent management of investments, which takes into account the risk of counterparties;
- capital strengthening plans through the issue of equity instruments and subordinated securities.

All this is pursued within the scope of compliance with capital adequacy by determining the level of internal capital necessary to face the risks assumed, from a current and future perspective, as well as in stressful situations, and taking into account the company objectives and strategies in the contexts in which the Bank operates. These assessments are carried out annually in conjunction with the definition of the budget objectives and, if necessary, in view of extraordinary transactions involving the Bank.

Moreover, at least every quarter, compliance with the minimum capital requirements, established by the provisions in force, as per Art. 92 of the CRR shall be verified, based on which:

- the value of Common Equity Tier 1 capital in relation to total risk-weighted assets must be at least 4.5% (CET1 capital ratio);
- the value of Tier 1 capital in relation to total risk-weighted assets must be at least 6.0% (T1 capital ratio);
- the value of own funds in relation to total risk-weighted assets must be at least 8.0% (Total capital ratio).

The Capital Conservation Buffer of 2.5% was added to these minimum regulatory requirements.

Any failure by the Supervised Entity to comply with all these requirements (the Combined Requirement) will result in limitations on dividend distributions, variable remuneration and other elements of regulatory capital beyond pre-established limits, and as a result, Supervised Entities will be required to take appropriate action to restore the required level of capital.

Moreover, as of 1 January 2016, the Banks are required to hold a Countercyclical Capital Buffer. Starting from 1 January 2019, this reserve, consisting of Common Equity Tier 1, may not exceed 2.5% of the total amount of risk-weighted exposures.

Considering that, as per Bank of Italy notice of 22 September 2023, for the fourth quarter of 2023, the countercyclical buffer ratio for exposures to counterparties resident in Italy has been set at 0%, that countercyclical capital ratios have generally been set at 0%, and that the Bank has mainly exposures to domestic entities, the Bank-specific countercyclical ratio is close to zero.

At the reporting date of these financial statements, the Bank reports:

- a ratio of Common Equity Tier 1 capital - CET1 - to risk-weighted assets (CET 1 ratio) of 51.15%;
- a ratio of Tier 1 capital to risk-weighted assets (Tier 1 capital ratio - Tier 1 ratio) of 51.15%;
- a ratio of own funds to risk-weighted assets (total capital ratio) of 51,15%.

The amount of own funds is not only fully sufficient on all three binding capital levels, but also adequate to cover the Capital Conservation Buffer.

Quantitative information

B.1 Company's capital: breakdown

ITEMS OF EQUITY	Amount 31/12/2023	Amount 31/12/2022
1. Capital	952,032	952,032
2. Share premium	19,029	19,029
3. Reserves	191,270	171,051
- profit	191,252	171,033
a) legal	35,127	32,894
b) statutory	-	-
c) own shares	-	-
d) other	156,125	138,139
- other	18	18
4. Equity instruments	-	-
5. (Own shares)	-	-
6. Valuation reserves:	(6,108)	(18,454)
- Equities measured at fair value through other comprehensive income	1,385	(1,987)
- Hedging of equities measured at fair value through other comprehensive income	-	-
- Financial assets (other than equities) measured at fair value through other comprehensive income	(7,940)	(17,051)
- Tangible assets	-	-
- Intangible assets	-	-
- Hedging of foreign investments	-	-
- Cash flow hedging	-	-
- Hedging instruments (non designated elements)	-	-
- Exchange rate differences	-	-
- Non-current assets and groups of assets held for disposal	-	-
- Financial liabilities measured at fair value through profit or loss (changes in credit rating)	-	-
- Actuarial gains (Losses) from defined benefit plans	(449)	(312)
- Quotas of valuation reserves relative to shareholdings measured with the equity method	-	-
- Special revaluation laws	896	896
7. Profit (loss) for the year	31,123	44,660
Total	**1,187,345**	**1,168,319**

B.2 Valuation reserves for financial assets designated at fair value through other comprehensive income: composition

ASSETS/VALUES	Total 31/12/2023		Total 31/12/2022	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	152	(8,091)	399	(17,451)
2. Equities	3,884	(2,499)	910	(2,897)
3. Loans	-	-	-	-
Total	**4,035**	**(10,590)**	**1,309**	**(20,348)**

B.3 Valuation reserves for financial assets designated at fair value through other comprehensive income: annual changes

	Debt securities	Equities	Loans
1. OPENING BALANCES	**(17,051)**	**(1,987)**	**-**
2. POSITIVE CHANGES	**18,801**	**4,362**	**-**
2.1 Increases in fair value	12,778	3,622	-
2.2 Writedowns for credit risk	183	X	-
2.3 Reversals of negative reserves to the income statement: from sale	1,601	X	-
2.4 Transfers to other components of equity (equities)	-	-	-
2.5 Other changes	4,238	741	-
3. NEGATIVE CHANGES	**9,689**	**991**	**-**
3.1 Decreases in fair value	21	1	-
3.2 Write-backs for credit risk	178	-	-
3.3 Reversals of positive reserves to the income statement: from sale	754	X	-
3.4 Transfers to other components of equity (equities)	-	-	-
3.5 Other changes	8,737	990	-
4. CLOSING BALANCES	**(7,940)**	**1,385**	**-**

B.4 Valuation reserves relating to defined benefit plans: annual changes

ITEMS	31/12/2023	31/12/2022
1. OPENING BALANCES	**(312)**	**(421)**
2. POSITIVE CHANGES	29	150
2.1 Actuarial gains from defined benefit plans	-	150
2.2 Other changes	29	-
2.3 Business combinations	-	-
3. NEGATIVE CHANGES	**(166)**	**(41)**
3.1 Actuarial losses from defined benefit plans	(166)	-
3.2 Other changes	-	(41)
3.3 Business combinations	-	-
4. CLOSING BALANCES	**(449)**	**(312)**

Section 2 - Own funds and adequacy ratios

With regard to the contents of this section, please refer to the information on own funds and capital adequacy contained in the public disclosure ("Third Pillar"), prepared on a consolidated basis by the Parent Bank Cassa Centrale Banca Credito Cooperativo Italiano S.p.A. pursuant to Regulation (EU) no. 575/2013 of 26 June 2013 (CRR).

PART G - Business combinations regarding companies or branches

Section 1 - Transactions implemented during the year

During the year, the Bank did not implement business combinations with companies or company branches, as regulated by IFRS 3, nor did it carry out any business combinations with entities subject to common control (known as “Business combinations between entities under common control”).

Section 2 - Transactions implemented after the close of the year

After the end of the 2023 financial year and until the date of approval of the draft financial statements by the Board of Directors, the Bank did not carry out business combinations with companies or company branches, as regulated by IFRS 3, nor did it carry out any business combinations between entities under common control (known as business combination between entities under common control).

Section 3 - Retrospective adjustments

No adjustments relating to business combinations that occurred in the same year or in previous years were recorded during 2023.

PART H - Transactions with related parties

The Bank, in compliance with the procedures provided for by sector regulations, has adopted the "Group Regulations for the management of transactions with related parties".

The aforementioned Regulation, which takes into account the provisions of Bank of Italy Circular no. 263 of 27 December 2006 and subsequent updates, is intended to govern the identification, approval and execution of Transactions with Related Parties carried out by the Parent Company, the Affiliated Banks and Group companies, as well as the organisational structure and internal control system that the Group uses in order to preserve the integrity of decision-making processes in Transactions with Related Parties, ensuring constant compliance with the prudential limits and decision-making procedures established by the aforementioned Bank of Italy Circular.

For stricter accounting purposes, the provisions of "IAS 24 - Related Party Disclosures" also apply, for which the Bank has taken into account the information provided at Cassa Centrale Group level with regard to the identification of the related scope of consolidation.

More specifically, under the Cassa Centrale Group's internal regulations, the following are identified as related parties:

Natural persons:

- executives with strategic responsibilities (including Directors, Standing Auditors and General Management members) of the entity preparing the financial statements:
  - executives with strategic responsibilities are those who retain powers and responsibilities, directly or indirectly, pertaining to the planning, management and control of the Company's activities;
- the immediate family members of "executives with strategic responsibilities":
  - close family members of a person are those family members who are expected to influence, or be influenced by, that person in their dealings with the entity, including:
    - children (even if not living together) and the spouse (even if legally separated) or common-law spouse of that person;
    - the children of the spouse or common-law spouse of that person;
    - the dependants of that person or the dependants of that person's spouse or common-law spouse for tax purposes;
    - the brothers, sisters, parents, grandparents and grandchildren - even if not living together - of that person.
    - person who has significant influence over the entity preparing the financial statements

Legal Entity/legal person:

- entity controlled (direct, indirect or joint control) by one of the persons referred to in the previous point (natural persons);
- entity that has significant influence over the entity preparing the financial statements as well as their subsidiaries and related joint ventures;
- BCC-CR-RAIKA belonging to the Cassa Centrale Group;
- the companies belonging to the Cassa Centrale Group (direct, indirect or joint control) as well as their subsidiaries;
- associates and joint ventures and their subsidiaries;
- entity that has control (joint control or otherwise) over the entity preparing the financial statements;
- post-employment benefit plans for employees of the Group.

1. Information on compensation of executives with strategic responsibilities

Executives with strategic responsibilities are those which retain powers and responsibilities, directly or indirectly, pertaining to the planning, management and control of the Company's activities.

These include the following:

- Chief Executive Officer;
- Deputy General Manager;
- Chairperson of the Board of Directors;
- members of the Board of Directors;
- the Chairperson of the Board of Statutory Auditors and the Standing Auditors;
- executives who report directly to the Board of Directors or the Chief Executive Officer.

The table on the following page shows, in compliance with the requirements of section 17 of IAS 24, the amount of compensation paid during the year to the members of the Management and Control Bodies as well as the compensation relating to other executives with strategic responsibilities that fall within the notion of related party.

	MANAGEMENT BODIES		CONTROL BODIES		OTHER MANAGERS		TOTAL AT 31/12/2023	
	Amount due	Amount paid	Amount due	Amount paid	Amount due	Amount paid	Amount due	Amount paid
Salaries and other short-term benefits	3,186	3,052	458	458	5,408	5,408	**9,051**	**8,918**
Benefits relative to the post-employment period (social security, insurance, etc.)	-	-	-	-	194	-	**194**	**-**
Other long-term benefits	-	-	-	-	-	-	**-**	**-**
Compensation for termination of employment	-	-	-	-	-	-	**-**	**-**
Payments in shares	-	-	-	-	-	-	**-**	**-**
Total	**3,186**	**3,052**	**458**	**458**	**5,601**	**5,408**	**9,245**	**8,918**

2. Information on transactions with related parties

The table below provides information on the balance sheet and income statement transactions with related parties during the period.

	Assets	Liabilities	Guarantees given	Guarantees received	Revenues	Costs
Parent Company	-	-	-	-	-	-
Subsidiaries	12,287,687	3,461,851	18,761,029	10,349	503,035	173,145
Associates	27,454	4,726	13,852	-	581	46
Directors and Executives	1,593	2,528	165	-	274	66
Other related parties	2,664	3,486	21	2,414	850	79
Total	**12,319,399**	**3,472,591**	**18,775,067**	**12,763**	**504,740**	**173,335**

It should be noted that "Other related parties" include the close relatives of Directors, Statutory Auditors and other Executives with strategic responsibilities, as well as subsidiaries, jointly-controlled companies and associates of the same parties or their close relatives.

During the year there were no analytical value adjustments or losses for receivables from related parties. Only the collective write-down was applied to receivables from related parties in accordance with IFRS 9.

Relations and transactions with related parties are attributable to ordinary credit and service activities and have normally developed during the year according to contingent needs or benefits, in the common interest of the parties. The conditions applied to individual relationships and transactions with such counterparties do not differ from current market conditions, or are aligned, if the conditions are met, with the conditions applied to employees.

Transactions with related parties, excluding those with subsidiaries, do not have a significant incidence on the financial situation, economic result and cash flows of the Bank.

PART I - Payment agreements based on own equity instruments

This section is not completed given that the Bank has not entered into any payment agreements based on own equity instruments.

PART L - Segment reporting

Since the Bank is not listed nor is an issuer of widely distributed securities, it is not required to complete the segment reporting pursuant to IFRS 8.

PART M - Information on leasing

Section 1 - Lessee

Qualitative information

IFRS 16 has standardised the accounting treatment of operating and finance leases for the lessee, requiring the lessee to recognise:

- in the balance sheet: i) a financial liability, which represents the present value of future payments that the company undertakes to make in relation to the lease, and ii) an activity that represents the “right of use” of the asset involved in the lease;
- in the income statement: i) the financial expenses connected with the aforementioned financial liability and ii) the amortisation related to the above-mentioned “right of use”.

The lessee recognises in the income statement the interest deriving from the lease liability and the amortisation of the right of use. The right of use is amortised over the effective duration of the underlying contract.

As part of the highlighted accounting aspects, the Bank mainly has leasing contracts relating to buildings.

The choices made by the Bank

The choices made by the Bank regarding IFRS 16 are fully consistent with those applied by the entire Cassa Centrale Group.

More specifically, the Bank adopts IFRS 16 using the simplified prospective approach, which provides for the recognition of a lease liability equal to the present value of future lease payments and a right of use for the same amount. This approach does not therefore have an impact on equity.

The Bank, by adopting the practical expedient described in paragraph 6 of IFRS 16, excluded from the scope of application (i) contracts with a residual useful life at the date of first application of less than 12 months and (ii) contracts involving assets with a value of less than EUR 5,000. With reference to these two scenarios, rental fees have been recorded under operating costs in the income statement. The Bank has also applied IFRS 16 to embedded leases, i.e. contracts other than hire/lease/rental contracts that substantially contain long-term rental, lease or hire.

Discount rate

The Bank, in application of IFRS 16, uses the weighted average rate of funding at maturity.

Contract duration

The duration of the contract corresponds to the non-cancellable period during which the individual company is subject to an obligation to the lessor and has the right to use the leased property. The following form part of the duration of the contract:

- the periods covered by the option to extend the lease, if the lessee is reasonably certain to exercise the option;
- the periods covered by the option to terminate the lease, if the lessee is reasonably certain not to exercise the option.

Periods covered by an option to terminate the bilateral contract are not part of the duration of the contract. In such cases the duration of the contract is limited to the notification period for the exercise of the option.

Lease and non-lease components

The Bank has considered separating the service and lease components. Only the lease components participate in the definition of the lease liability, while the service components maintain the same accounting treatment as other operating costs.

Quantitative information

All the quantitative information relating to the rights of use acquired through lease, payables for leases and the related income statement components have already been presented in other sections of these Explanatory Notes.

Specifically:

- information on rights of use acquired through lease is provided in Part B - Information on the balance sheet, Assets, Section 8 - Tangible assets and Section 9 - Intangible assets;
- information on payables for leases is provided in Part B - Information on the balance sheet, Liabilities, Section 1 - Financial liabilities measured at amortised cost;
- the information on interest expense on payables for leases and other charges related to rights of use acquired through lease, profits and losses deriving from sale and leaseback transactions and income deriving from sub-lease transactions, can be found in Part C – Information on the income statement, in the respective sections.

Reference is therefore made to the considerations set out in the aforementioned information parts.

With reference to the costs relating to short-term leases, accounted for in accordance with paragraph 6 of IFRS 16, reference should be made to Part C – Information on the income statement.

Section 2 - Lessor

This is not applicable to the Bank.

Annexes to the financial statements of Cassa Centrale Banca

Annex A) Report on the guarantee scheme

Report on the Guarantee Scheme

The financial soundness of the Group is assured through the signing of the Guarantee Agreement, whereby the Parent Company and the Affiliated Banks (hereinafter also “the Parties”) jointly and severally guarantee, within the limits of their free capital, the external creditors and provide each other with support to preserve the solvency and liquidity of each Affiliated Bank and the Parent Company.

To this end, Cassa Centrale Banca and its Affiliated Banks have established, each for its share, the financial means readily available for the proper operations of the guarantee scheme. The contributions to the readily available financial means are determined using the results of the stress tests expressed in terms of Probability of Default and Loss Given Default of each Party to the Guarantee Agreement, calculated applying the method defined in a specific Regulation on the cross-guarantee system methodology. This regulation was approved by resolution of the Board of Directors of Cassa Centrale Banca on 10 June 2022. On the basis of this Regulation, the method for allocating the portions of contributions to the available financial means is based on the individual RWAs of the Parties to the agreement.

The readily available financial funds, as determined above, have been divided between the ex ante and ex post portions of the cross-guarantee.

The ex ante portion represents the portion of the Parent Company’s pre-established financial funds readily available to the Parties for the implementation of intra-group Support measures, while the “ex post portion” represents the portion of the financial resources allocated to the Parties’ financial statements but subject to readily available constraints, which may be called by the Parent Company if the “ex ante portion” is not available, as well as in the other cases indicated in the Guarantee Agreement.

The readily available financial means relating to the “ex ante portion” have been constituted through the instrument of financing allocated to a specific business pursuant to Article 2447-bis, letter b) and Article 2447-decies of the Italian Civil Code. This instrument is regulated by a loan agreement entered into between the Parent Company and the Affiliated Banks whereby the lending parties (Affiliated Banks) make available to the beneficiary (the Parent Company) the “ex ante portion” of their own for the sole purpose of the deal. The purpose of this deal is to set up and manage the “ex ante portion” for the implementation of intra-group support measures to safeguard the solvency and liquidity of each Party. With the conclusion of the financing contract for a specific business and the registration of the contract at the Companies’ Register, the segregation effects provided for in Article 2447-decies of the Italian Civil Code are applied and produced, according to which the sums collected with the financing itself, as well as the proceeds and profits of the business, constitute separate assets of the company, protected from the availability and actions of the company’s creditors. The separation of assets corresponds to a separation of accounts capable of achieving and guaranteeing the segregation effects referred to in Article 2447-decies of the Italian Civil Code.

The portion was invested by the Parent Company exclusively in liquid assets and/or assets which can easily be liquidated falling within the categories set out in Article 10 of Commission Delegated Regulation (EU) 2015/61 of 10 October 2014, which supplements Regulation (EU) no. 575/2013 (known as Level 1 assets).

The “ex post portion”, in order to make it immediately usable if required, has been incorporated directly in the financial statements of Cassa Centrale Banca, partly with the liquidity collected by the Affiliated Banks through a term deposit maturing over 12 months (30 June 2023 - 30 June 2024) and bearing interest at an annual rate of 1.80% and the remainder with the liquidity made available by the Parent Company itself. This portion was invested, as was the case for the “ex ante portion”, in Level 1 assets.

Having said all this, the Parent Company, following the stress tests mentioned above, determined the need for a total amount of readily available funds, for the 12-month period (1 July 2023 - 30 June 2024), of EUR 296 million, broken down as follows:

- ex ante portion amounting to EUR 183 million;
- ex-post portion amounting to EUR 113 million.

Intra-group support measures implemented until 31 December 2023

The use of readily available financial resources set up at the Parent Company for the implementation of intra-group support measures is subject to the assessment and consequent decision to activate the guarantee system by the body with strategic supervisory functions of the Parent Company, in compliance with the rules set out in the “Regulation on the cross-guarantee system methodology” and the “Regulation on the Risk Based Model”.

Before adopting such a resolution, the Parent Company is required to analyse all further possible recovery actions and, only if these are not feasible, it may proceed to activate the guarantee system.

The activation of guarantee measures can take different forms of intervention, such as:

- capital intervention, through the issuance by the Affiliated Bank of financing shares qualifying as CET 1 or additional equity instruments qualifying as AT 1 and Tier 2;
- liquidity initiatives, through the subscription of ordinary bond loans issued by the Affiliated Bank or through the subscription of term deposits.

During 2023, no measures were implemented in favour of the Affiliated Banks.

The separate assets of Cassa Centrale Banca as at 31 December 2023 include the subordinated bond issued by Cassa Padana on 15 September 2020 – for a nominal amount of EUR 20 million – resulting from the intervention related to the bank’s recovery plan approved by the Board of Directors of Cassa Centrale Banca in March 2020 and aimed at restoring a situation of normality in the main technical capital, asset quality and business model parameters, also through a series of capital interventions during the plan period by activating the cross-guarantee system.

The main characteristics of the subordinated bond issued by Cassa Padana and subscribed by Cassa Centrale Banca in 2020 are set below:

ISIN	IT0005421851
Description	CASSA PADANA 15/09/2027 2% SUB T2
Fixed rate	2%
Coupon expiry date	Annual deferred
Date of issue	15/09/2020
Maturity	15/09/2027
Nominal value	20,000,000

Composition of the investments of the "ex ante portion"

The composition of the investments of the "ex ante portion" established through the allocated loan as at 31 December 2023 is shown below, compared with the same composition as at 31 December 2022.

The investments in Italian government securities, as well as the instruments deriving from support measures that make up the "ex ante portion" as at 31 December 2023 and 31 December 2022, are measured at fair value through profit or loss as these instruments are measured at fair value.

ASSETS/VALUES	31/12/2023	31/12/2022
Italian government securities	164,861,395	158,772,694
Support measures	19,345,540	15,777,960
Liquidity	3,499,963	5,134,701
Total	**187,706,898**	**179,685,355**

Trend in the value of the "ex ante portion"

The value of the "ex ante portion" as at 31 December 2022 and 31 December 2023 is shown below, with evidence of the portion contributed by the Parent Company and Affiliated Banks:

	Ex ante portion		
	of which portion contributed by the Parent Company	of which portion contributed by Affiliated Banks (Allocated Loan)	Total ex ante portion
31/12/2022	10,763,111	168,922,244	179,685,355
31/12/2023	12,059,441	175,647,457	187,706,898
Change in ex ante portion 31/12/2022 - 31/12/2023	**1,296,330**	**6,725,213**	**8,021,543**

The change in the "ex ante portion" from 31 December 2022 to 31 December 2023 is due:

- for EUR -1,369,260, to the net contribution – which took place on 1 July 2023 – of readily available funds by the Parent Company – for EUR 713,316 - and the Affiliated Banks – for EUR -2,082,576;
- for EUR 9,390,804 to the valuation and/or realised income components, as detailed below, relating to the investments constituting the "ex ante portion".

	Economic components constituting the ex ante portion		
	of which portion contributed by the Parent Company	of which portion contributed by Affiliated Banks (Allocated Loan)	Total
Interest income	329,729	4,980,641	5,310,371
Interest expenses	-	-	-
Fees and commissions expenses	(35)	(534)	(570)
Trading profit/(loss)	12,885	194,688	207,573
Valuation profit/(loss)	**240,435**	**3,632,995**	**3,873,430**
Total	**583,014**	**8,807,790**	**9,390,804**

Financial statements of the loan allocated to a specific business

The special civil law regulation of the loan allocated to a specific business envisages a separation of accounts capable of achieving and guaranteeing the segregation effects referred to in article 2447-decies of the Italian Civil Code.

This accounting segregation was implemented in the accounts of Cassa Centrale Banca through the keeping of specific statement financial positions and income statements in the name of:

- investments in financial assets in which the liquidity raised through the allocated loan is invested;
- the liquidity on the demand deposit with the Bank of Italy dedicated to the management of the liquidity of the allocated loan;
- the financial liability to the Affiliated Banks for the allocated loan;
- any positive or negative income component deriving from the valuation of assets and liabilities constituting separate assets and from income or expenses related to the management of the specific business.

All positive or negative income components attributable to the business year determine the operating result of the business. This operating result is attributed to the lending parties through an accounting entry adjusting the fair value of the financial liability recognised through the funds received as "ex ante portion" from the lending parties themselves.

The financial statements of the loan allocated to a specific business as at 31 December 2023, consisting of the balance sheet, the income statement for the management of the business and further details, correspond to the results of the accounting records of Cassa Centrale Banca made on the specific accounts in the name of the allocated loan.

The balance sheet and income statement as at 31 December 2023 and – for comparative purposes – the same statements as at 31 December 2022 are shown below, in Euro.

Balance sheet

	ASSETS	31/12/2023	31/12/2022
10.	Cash and cash equivalents	3,499,963	5,134,701
20.	Financial assets measured at fair value through profit or loss	184,206,935	174,550,654
	b) financial assets designated at fair value	184,206,935	174,550,654
	Total assets	**187,706,898**	**179,685,355**

The item "cash and cash equivalents" includes the amount of cash and cash equivalents deposited on the Target 2 demand deposit with the Bank of Italy dedicated to the management of the liquidity of the allocated loan.

The item " financial assets designated at fair value" includes:

- the fair value of the financial assets that can easily be liquidated falling within the categories set out in Article 10 of Commission Delegated Regulation (EU) no. 2015/61 of 10 October 2014, which supplements Regulation (EU) no. 575/2013 (known as Level 1 assets);
- the fair value of the financial assets subscribed in implementation of the support measures.

The following table shows the composition of the portfolio of financial assets designated at fair value, as well as the related profit/(losses) from fair value measurement and interest income for the year:

ISIN	Security	Expiry date	Nominal value	Book value	Valuation profit (loss)	Trading profit (loss)	Interest income
IT0005332835	BTP IT-21MG26 0.55%	21/05/2026	10,000,000	9,625,537	(250,034)	-	565,659
IT0005421851	PADANA 9/2027 2% SUB	15/09/2027	20,000,000	19,345,540	(535,063)	-	399,680
IT0005451361	CCT-EU 15AP29 TV%	15/04/2029	10,000,000	10,053,646	(180,752)	-	387,104
IT0005500068	BTP-01DC27 2.65% 27	01/12/2027	10,000,000	9,943,921	(356,050)	-	250,320
FR0012517027	OAT 0.5% 25 EUR	25/05/2025	25,000,000	24,330,637	(56,302)	-	45,902
IT0005105843	BTP IT-20AP23 0.50%	20/04/2023	-	-	-	(337,247)	509,974
IT0005252520	CCT-EU 15OT24 TV%	15/10/2024	50,000,000	51,056,357	(4,326,604)	-	1,780,774
IT0005384497	BTP-15GE23 0.05% 23	15/01/2023	-	-	-	42,000	1,529
IT0005386245	BTP-01FB25 0.35% 25	01/02/2025	-	-	-	4,820	5,879
IT0005408502	BTP-01LG25 1.85% 25	01/07/2025	10,000,000	9,921,297	139,550	-	75,408
IT0005413684	BTP 0.3% 23 EUR	15/08/2023	-	-	-	498,000	81,671
DE000BU0E014	GERMANY T-BILL ZC 2	15/02/2025	50,000,000	49,930,000	-	-	1,206,473
Total			**185,000,000**	**184,206,935**	**3,873,430**	**207,573**	**5,310,371**

	LIABILITIES	31/12/2023	31/12/2022
30.	Financial liabilities designated at fair value	175,647,458	168,922,244
80.	Other liabilities	12,059,441	10,763,111
	Total liabilities	**187,706,898**	**179,685,355**

The item “Financial liabilities measured at fair value” includes the value of the “ex ante portions” contributed by the Affiliated Banks, adjusted to take into account the allocation of the portion of the operating result of the separate assets attributable to the lending parties.

The item “Other liabilities” includes the value of the “ex ante portion” of Cassa Centrale Banca adjusted to take into account the allocation of the portion of the operating result of the separate assets attributable to the Parent Company.

Income statement

	ITEMS	31/12/2023	31/12/2022
10.	Interest income	5,310,371	2,074,109
20.	Interest expenses	-	(33,211)
30	**Net interest income**	**5,310,371**	**2,040,898**
50	Fees and commissions expenses	(570)	(2,194)
60	**Net fees and commissions**	**(570)**	**(2,194)**
110	Net result on other financial assets and liabilities measured at fair value through profit or loss	(4,726,787)	(2,279,174)
	a) financial assets and liabilities designated at fair value	(4,726,787)	(2,279,174)
120	**Net interest and other banking income**	**583,014**	**(240,470)**
150	**Net income from financial activies**	**583,014**	**(240,470)**
200	Other operating expenses/income	**583,014**	240,470
210	Operating costs	-	-
260	**Profit (loss) before tax from current operating activities**	**-**	**-**
300	**Profit (Loss) for the year**	**-**	**-**

The item “Interest income and similar revenues” includes accrued interest related to financial assets designated at fair value.

The item “Interest expenses and similar expenses” includes negative interest accrued on cash and cash equivalents deposited on the Target 2 demand deposit with the Bank of Italy dedicated to the management of the liquidity of the allocated loan.

The item "Net result on financial assets and liabilities designated at fair value" includes valuation gains on financial assets designated at fair value and the change in fair value of financial liabilities to Affiliated Banks resulting from the allocation of the portion of the operating result for the year to the lending parties. The table below gives a breakdown of this item:

110 a)	NET RESULT ON OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS: A) FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE	(4,726,787)
	- of which financial assets designated at fair value	4,081,002
	- of which change in the fair value of the allocated loan contributed by the Affiliated Banks	(8,807,789)

The item "other operating expenses/income" includes the change in the "ex ante portion" resulting from the allocation of the portion of the operating result for the year of the Parent Company.

Annex B) Audit and non-audit fees

Annex B) Audit and non-audit fees

TYPE OF SERVICES	COMPANY OF THE DELOITTE NETWORK	Fees (thousands of Euros)
Auditing	Deloitte & Touche S.p.A.	580
Certification services	Deloitte & Touche S.p.A.	276
Other services	Deloitte Risk Advisory SB S.r.l.	38
Total		**894**

Please note that the fees indicated do not include VAT and out-of-pocket expenses.

Our values expressed by the accessibility of our reporting

We are a part of the Community; we are dedicated to creating shared value with People and the Territory. Our decision to draw up **reporting documents** in compliance with the highest standards of accessibility – **one of the first Banking Groups in Italy to do so** – expresses our way of being and the values we pursue every day.

The **Annual Financial Report 2023** and the **Consolidated Non-Financial Statement 2023** are easy to access from electronic devices and designed to offer a satisfying experience for readers of all abilities. Through these documents we communicate the actions carried out and results obtained during the year in an **accessible** way, making our **continuous dialogue** with stakeholders even more direct.

The table layout is imposed by stringent regulations established by the Bank of Italy and therefore may not be consistent with guidelines for full accessibility.

Listening will change the future

The wave drawn on the cover is the graphic representation of the sound of the word "**proximity**".
It shows who we are: close. Close to the people and regions that we serve.
It shows the values that underpin our daily actions.
The wave is therefore the image we have chosen to describe ourselves and how we listen to communities every day.

The FSC® Recycled label identifies a product obtained from the recovery, treatment and reuse of paper waste fibres. Compared to other processes, recycling saves more energy, water and wood.

Litografica Editrice Saturnia - FSC certified company INT-COC-001304

Cassa Centrale Banca - Credito Cooperativo Italiano S.p.A.

Registered office and General Management

Via Segantini, 5 - 38122 Trento

Tel. +39 0461 313111

Editorial coordination: Marketing Service

Graphic design and page-setting: Marketing Service and Message S.p.A.

GRUPPO CASSA CENTRALE

CREDITO COOPERATIVO ITALIANO

gruppocassacentrale.it