

# Consolidated Half-Yearly Financial Report at 30 June 2024





Cassa Centrale Banca Credito Cooperativo Italiano  
Cooperative Banking Group

# Consolidated Half-Yearly Financial Report

at 30 June 2024

This Consolidated Half-Yearly Financial Report (hereinafter also “Half-Yearly Report”) consists of the interim management report (hereinafter also “Report on Consolidated Operations”) and the condensed consolidated half-yearly financial statements (hereinafter also “Consolidated Financial Statements”).

The Explanatory Notes to the Half-Yearly Report have been prepared with reference to the explanatory notes structure envisaged by Bank of Italy Circular no. 262 of 22 December 2005, and subsequent updates, for consolidated financial statements, albeit with limited information, as they are half-yearly financial statements drafted in a condensed format.

For ease of reading, the numbering provided for in the aforementioned Circular has been maintained, although some parts, sections or tables may be omitted for the reasons explained above.

The condensed consolidated half-yearly financial statements provide, in addition to the accounting data at 30 June 2024, comparative information relating to the corresponding period of the previous year, with the exception of the balance sheet, which is compared with the latest financial statements approved at 31 December 2023.

The financial statements item “Profit (Loss) for the year (+/-)” refers to the consolidated half-yearly result for the period.

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# Composition of the corporate bodies and officers

# Cassa Centrale Banca list of Shareholders

## Ordinary shareholders

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**ASSICURA** - Società Responsabilità Limitata

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**BANCA ADRIA COLLI EUGANEI - CREDITO COOPERATIVO** - Società Cooperativa

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**BANCA CENTRO EMILIA - CREDITO COOPERATIVO** - Società Cooperativa

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**BANCA CENTRO LAZIO CREDITO COOPERATIVO** - Società Cooperativa

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**BANCA DEL TERRITORIO LOMBARDO CREDITO COOPERATIVO** - Società Cooperativa

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**BANCA DEL VENETO CENTRALE - CREDITO COOPERATIVO** - Società Cooperativa

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**BANCA DELL'ALTA MURZIA CREDITO COOPERATIVO** - Società Cooperativa

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**BANCA DI BOLOGNA CREDITO COOPERATIVO** - Società Cooperativa

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**BANCA DI CARAGLIO, DEL CUNEESE E DELLA RIVIERA DEI FIORI - CREDITO COOPERATIVO** - Società Cooperativa

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**BANCA DI CREDITO COOPERATIVO DEI CASTELLI E DEGLI IBLEI** - Società Cooperativa

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**BANCA DI CREDITO COOPERATIVO DEI CASTELLI ROMANI E DEL TUSCOLO** - Società Cooperativa

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**BANCA DI CREDITO COOPERATIVO DEL CIRCEO E PRIVERNATE** - Società Cooperativa

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**BANCA DI CREDITO COOPERATIVO DELLA ROMAGNA OCCIDENTALE** - Società Cooperativa

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**BCC CALABRIA NORD - CREDITO COOPERATIVO** - Società Cooperativa

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**BANCA DI CREDITO COOPERATIVO DI ABRUZZI E MOLISE** - Società Cooperativa

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**BANCA DI CREDITO COOPERATIVO DI ALBEROBELLO, SAMMICHELE E MONOPOLI** - Società Cooperativa

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**BANCA DI CREDITO COOPERATIVO DI ANAGNI** - Società Cooperativa

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**BANCA DI CREDITO COOPERATIVO DI AQUARA** - Società Cooperativa

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**BANCA DI CREDITO COOPERATIVO DI BARLASSINA (MILANO)** - Società Cooperativa

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**BANCA DI CREDITO COOPERATIVO DI BRESCIA** - Società Cooperativa

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**BANCA DI CREDITO COOPERATIVO DI CASSANO DELLE MURGE E TOLVE** - Società Cooperativa

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**BANCA DI CREDITO COOPERATIVO DI CHERASCO** - Società Cooperativa

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**BANCA DI CREDITO COOPERATIVO DI CONVERSANO** - Società Cooperativa



<b>BANCA DI CREDITO COOPERATIVO DI FLUMERI</b> - Società Cooperativa
<b>BANCA DI CREDITO COOPERATIVO DI LOCOROTONDO CASSA RURALE E ARTIGIANA</b> - Società Cooperativa
<b>BANCA DI CREDITO COOPERATIVO DI PIANFEI E ROCCA DE' BALDI</b> - Società Cooperativa
<b>BANCA DI CREDITO COOPERATIVO DI SAN GIOVANNI ROTONDO</b> - Società Cooperativa
<b>BANCA DI CREDITO COOPERATIVO DI SAN MARZANO DI SAN GIUSEPPE - TARANTO</b> - Società Cooperativa
<b>BANCA DI CREDITO COOPERATIVO DI SARSINA</b> - Società Cooperativa
<b>BANCA DI CREDITO COOPERATIVO DI SPELLO E DEL VELINO</b> - Società Cooperativa
<b>BANCA DI CREDITO COOPERATIVO LA RISCOSSA DI REGALBUTO</b> - Società Cooperativa
<b>BANCA DI CREDITO COOPERATIVO - LODI</b> - Società Cooperativa
<b>BANCA DI CREDITO COOPERATIVO VALDOSTANA - COOPERATIVE DE CREDIT VALDOTAINE</b> - Società Cooperativa
<b>BANCA LAZIO NORD CREDITO COOPERATIVO</b> - Società Cooperativa per azioni
<b>BANCA MALATESTIANA - CREDITO COOPERATIVO</b> - Società Cooperativa
<b>BANCA MONTE PRUNO - CREDITO COOPERATIVO DI FISCIANO, ROSCIGNO E LAURINO</b> - Società Cooperativa
<b>BANCA PREALPI SANBIAGIO CREDITO COOPERATIVO</b> - Società Cooperativa
<b>BANCA TERRITORI DEL MONVISO - CREDITO COOPERATIVO DI CASALGRASSO E SANT'ALBANO STURA</b> - Società Cooperativa
<b>BANCA 360 CREDITO COOPERATIVO FVG</b> - Società Cooperativa
<b>BANCO MARCHIGIANO CREDITO COOPERATIVO</b> - Società Cooperativa
<b>BCC FELSINEA - BANCA DI CREDITO COOPERATIVO DAL 1902</b> - Società Cooperativa
<b>BENE BANCA CREDITO COOPERATIVO DI BENE VAGIENNA (CUNEO)</b> - Società Cooperativa
<b>BVR BANCA - BANCHE VENETE RIUNITE - CREDITO COOPERATIVO DI SCHIO, PEDEMONTE, ROANA E VESTENANOVA</b> - Società Cooperativa
<b>BANCA PER IL TRENTO ALTO ADIGE - BANK FÜR TRENTO-SÜDTIROL - Credito Cooperativo Italiano</b> - Società Cooperativa
<b>CASSA PADANA BANCA DI CREDITO COOPERATIVO</b> - Società Cooperativa
<b>CASSA RAIFFEISEN DI SAN MARTINO IN PASSIRIA - RAIFFEISENKASSEN ST. MARTIN IN PASSEIER</b> - Società Cooperativa
<b>CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO</b> - Società Cooperativa
<b>CASSA RURALE ALTOGARDA - ROVERETO - BANCA DI CREDITO COOPERATIVO</b> - Società Cooperativa
<b>CASSA RURALE DI LEDRO - BANCA DI CREDITO COOPERATIVO</b> - Società Cooperativa
<b>FPB CASSA DI FASSA PRIMIERO BELLUNO - BANCA DI CREDITO COOPERATIVO</b> - Società Cooperativa
<b>CASSA RURALE ED ARTIGIANA DI BORGO SAN GIACOMO (BRESCIA) - CREDITO COOPERATIVO</b> - Società Cooperativa

<b>CASSA RURALE ED ARTIGIANA DI BOVES - BANCA DI CREDITO COOPERATIVO (BOVES-CUNEO)</b> - Società Cooperativa
<b>CASSA RURALE RENON - RAFFEISENKASSE RITTEN</b> - Società Cooperativa
<b>CASSA RURALE VAL DI FIEMME - BANCA DI CREDITO COOPERATIVO</b> - Società Cooperativa
<b>CASSA RURALE VAL DI NON - ROTALIANA E GIOVO - BANCA DI CREDITO COOPERATIVO</b> - Società Cooperativa
<b>CASSA RURALE VAL DI SOLE - BANCA DI CREDITO COOPERATIVO</b> - Società Cooperativa
<b>CASSA RURALE VALLAGARINA - BANCA DI CREDITO COOPERATIVO</b> - Società Cooperativa
<b>CASSA RURALE VALSUGANA E TESINO - BANCA DI CREDITO COOPERATIVO</b> - Società Cooperativa
<b>CASTAGNETO BANCA 1910 - CREDITO COOPERATIVO</b> - Società Cooperativa
<b>CAVIT - Cantina Viticoltori Consorzio Cantine Sociali del Trentino</b> - Società Cooperativa
<b>CON.SOLIDA</b> - Società Cooperativa Sociale
<b>CONSORZIO LAVORO AMBIENTE</b> - Società Cooperativa
<b>CONSORZIO MELINDA</b> - Società Cooperativa Agricola
<b>CORTINABANCA - CREDITO COOPERATIVO</b> - Società Cooperativa
<b>CREDITO COOPERATIVO - CASSA RURALE ED ARTIGIANA DEL FRIULI VENEZIA GIULIA</b> - Società Cooperativa
<b>CREDITO COOPERATIVO CENTRO CALABRIA</b> - Società Cooperativa
<b>DZ BANK AG DEUTSCHE ZENTRALGENOSSENSCHAFTSBANK FRANKFURT AM MAIN</b>
<b>FEDERAZIONE DEL NORD EST CREDITO COOPERATIVO ITALIANO</b> - Società Cooperativa
<b>FEDERAZIONE DELLE BCC DEL FRIULI VENEZIA GIULIA</b> - Società Cooperativa
<b>FEDERAZIONE TRENTINA DELLA COOPERAZIONE</b> - Società Cooperativa
<b>FONDO COMUNE DELLE CASSE RURALI TRENTINE</b> - Società Cooperativa
<b>LA CASSA RURALE - CREDITO COOPERATIVO ADAMELLO GIUDICARIE VALSABBIA PAGANELLA</b> - Società Cooperativa
<b>PRIMACASSA - CREDITO COOPERATIVO FVG</b> - Società Cooperativa
<b>PROMOCOOP TRENTINA</b> - Società per Azioni
<b>ROMAGNABANCA CREDITO COOPERATIVO ROMAGNA EST E SALA DI CESENATICO</b> - Società Cooperativa
<b>SAIT CONSORZIO DELLE COOPERATIVE DI CONSUMO TRENTINE</b> - Società Cooperativa
<b>SICILBANCA CREDITO COOPERATIVO ITALIANO</b> - Società Cooperativa
<b>TRENTINGRANA CONSORZIO DEI CASEIFICI SOCIALI E DEI PRODUTTORI LATTE TRENTINI</b> - Società Cooperativa Agricola
<b>ZKB ZADRUŽNA KRAŠKA BANKA TRST GORICA ZADRUGA ZKB CREDITO COOPERATIVO DI TRIESTE E GORIZIA</b> - Società Cooperativa

## Preference shareholders

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**BANCA IFIS** - Società per Azioni

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**BANCA POPOLARE ETICA** - Società Cooperativa per Azioni

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**CAMERA DI COMMERCIO INDUSTRIA AGRICOLTURA E ARTIGIANATO - TRENTO**

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**CASSA RAIFFEISEN BASSA VENOSTA** - Società Cooperativa

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

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**CASSA RAIFFEISEN DI SAN MARTINO IN PASSIRIA** - Società Cooperativa

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**COOPERATIVA PROVINCIALE GARANZIA FIDI** - Società Cooperativa

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**DZ BANK AG DEUTSCHE ZENTRALGENOSSENSCHAFTSBANK FRANKFURT AM MAIN**

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**MEDIOCREDITO TRENTINO-ALTO ADIGE** - Società per Azioni

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**PROMOCOOP TRENTINA** - Società per Azioni

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**PROVINCIA AUTONOMA DI TRENTO**

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# Corporate officers and Independent Auditors

## Board of Directors

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

## Board of Statutory Auditors

<b>Pierpaolo Singer</b>	CHAIRPERSON
<b>Lara Castelli</b>	STANDING AUDITOR
<b>Mariella Rutigliano</b>	STANDING AUDITOR
<b>Elisabetta Caldirola</b>	ALTERNATE AUDITOR
<b>Maurizio Giuseppe Grosso</b>	ALTERNATE AUDITOR

## General Management

<b>Sandro Bognesi</b>	GENERAL MANAGER
<b>Enrico Salvetta</b>	ACTING DEPUTY GENERAL MANAGER

## Independent Auditors

<b>DELOITTE &amp; TOUCHE S.p.A.</b>
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## Executive Committee

<b>Sandro Bolognesi</b>	CHAIRPERSON
<b>Carmela Rita D'Aleo</b>	MEMBER
<b>Emanuele di Palma</b>	MEMBER
<b>Claudio Ramsperger</b>	MEMBER
<b>Roberto Tonca</b>	MEMBER

## Risks and Sustainability Committee

<b>Maria Luisa Di Battista</b>	CHAIRPERSON
<b>Paola Brighi</b>	MEMBER
<b>Isabella Chiodi</b>	MEMBER
<b>Giorgio Pasolini</b>	MEMBER
<b>Livio Tomatis</b>	MEMBER

## Appointments Committee

<b>Enrico Macri</b>	CHAIRPERSON
<b>Maria Luisa Di Battista</b>	MEMBER
<b>Amelio Lulli</b>	MEMBER

## Remuneration Committee

<b>Isabella Chiodi</b>	CHAIRPERSON
<b>Enrico Macri</b>	MEMBER
<b>Amelio Lulli</b>	MEMBER
<b>Paola Brighi</b>	CHAIRPERSON
<b>Maria Luisa Di Battista</b>	MEMBER
<b>Enrico Macri</b>	MEMBER



Interim Report  
on Consolidated  
Operations and  
Condensed  
Consolidated  
Half-Yearly Financial  
Statements of the  
Cassa Centrale Group

# Interim Report on Consolidated Operations of the Cassa Centrale Group



# 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”, 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 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.

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

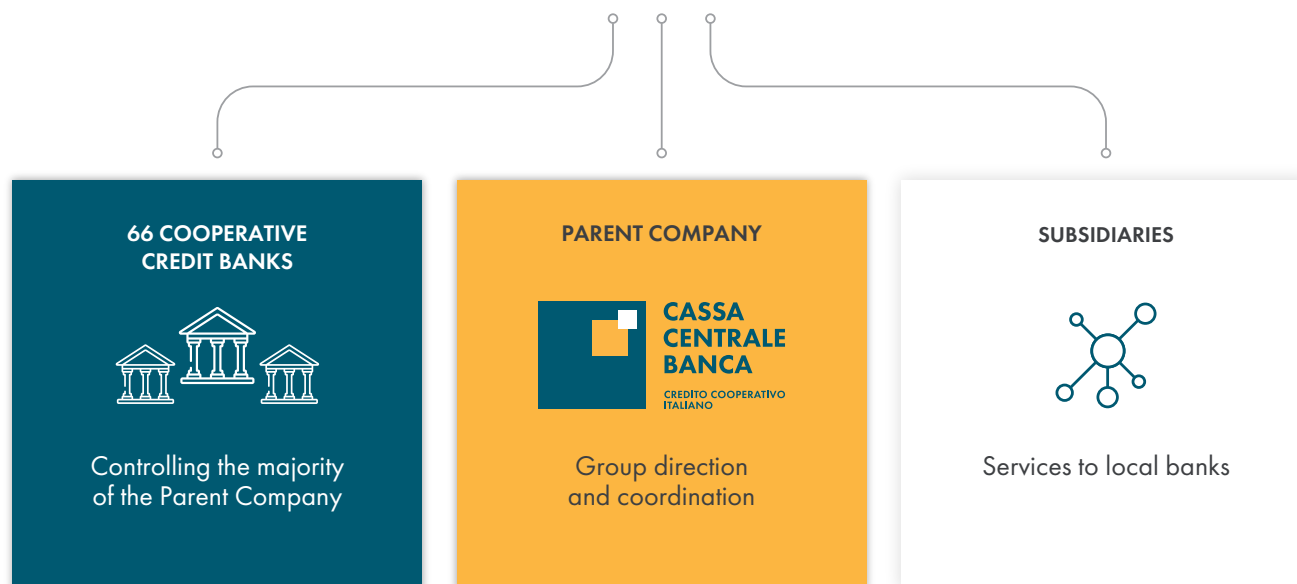
The reform of Cooperative Credit allowed to further strengthen the role of local banks typical of Cooperative Credit Banks. The Parent Company’s coordination role made it possible to eliminate certain weaknesses in terms of capital or business model that arose well before the Group’s operational start-up. 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 30 June 2024, 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.

## Anti-Money Laundering Officer or AML Officer

The AML Officer is the main point of contact between the head of the anti-money laundering function and the bodies with strategic supervision and management functions, and ensures that both parties have the necessary information to fully understand the relevance of the money laundering risks to which the recipient is exposed, for the purpose of exercising their respective powers. This role was introduced into national regulation by the update to the “Provisions on organisation, procedures and internal controls” of the Bank of Italy, which came into force on 14 November 2023, transposing and implementing the “EBA Guidelines on policies and procedures in relation to compliance management and the role and responsibilities of the anti-money laundering officer” (EBA/GL/2022/05).

## 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. In addition to said Committees, the Board of Directors established the Independent Directors’ Committee.

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 **Independent Directors Committee** 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.

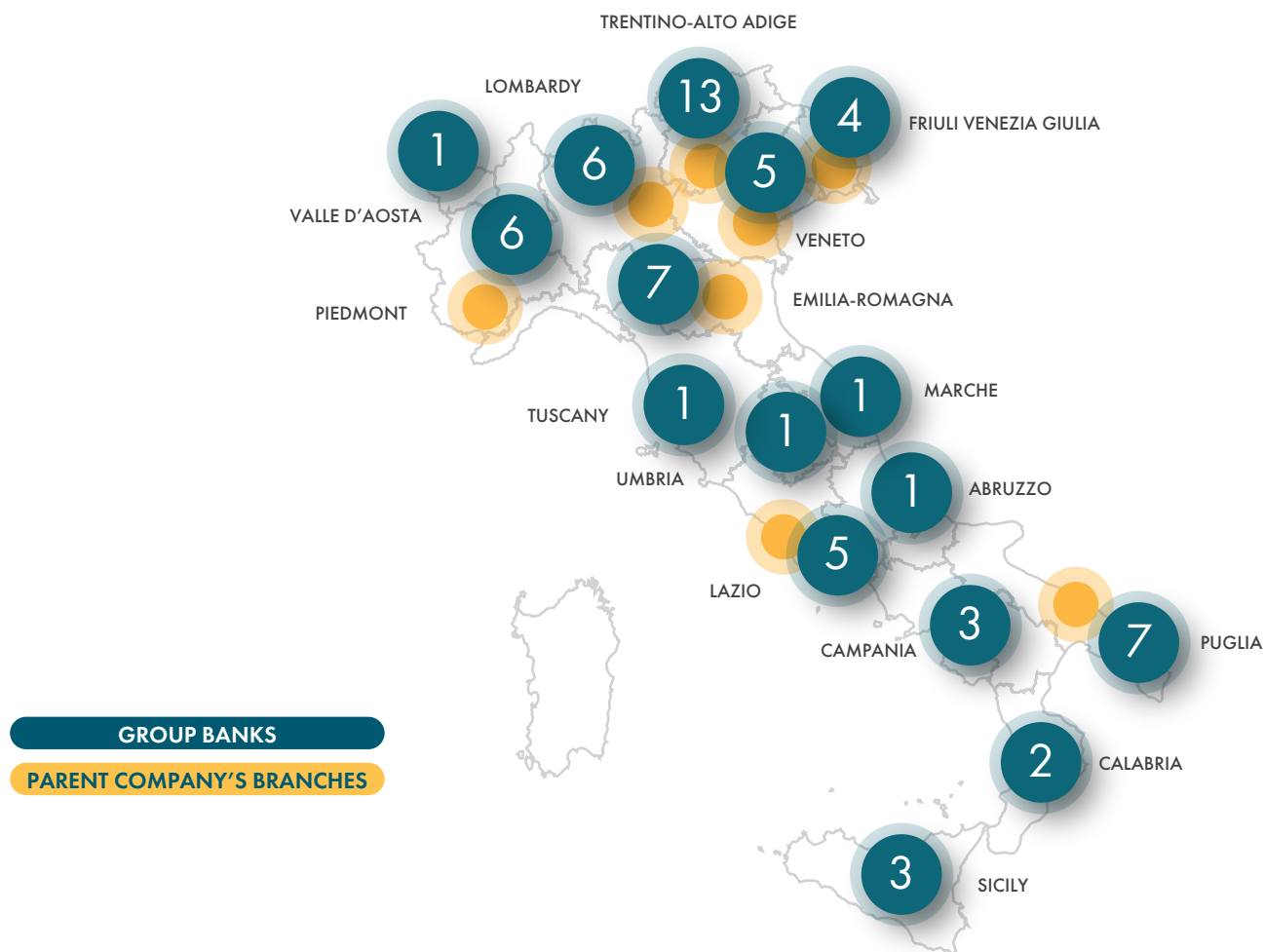
It should also be noted that, on the basis of the reference regulations, the Independent Directors meet separately from the other members of the Board of Directors periodically, at least once year, to discuss relevant issues.

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](http://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 30 June 2024, the Group's geographical presence is characterised by 66 Affiliate Banks with 1,478 branches located across Italy and 15 regional offices of the Parent Company.

PRESENCE ON THE TERRITORY	30/06/2024					Total 30/06/2024	Total 31/12/2023	Change
	Trentino-Alto Adige	North East	North West	Central	South and the Islands			
<b>OFFICES</b>								
Parent Company	7	2	3	2	1	15	14	1
Affiliated Banks	13	9	13	16	15	66	67	(1)
<b>BRANCHES*</b>								
Parent Company	1	-	-	-	-	1	1	-
Affiliated Banks (**)	283	324	365	321	185	1,478	1,479	(1)

\* Data referring to branches with CAB code.

\*\* Data calculated by allocating the branches in the Area in which the office of the Affiliated Bank to which they report is located.

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 30 June 2024 is approximately 482 thousand, mostly concentrated in the Central and North areas of the country and up by 8,062 compared to December 2023.

AREA	30/06/2024					Total 30/06/2024	Total 31/12/2023	Change
	Trentino-Alto Adige	North East	North West	Central	South and the Islands			
No. of Shareholders	134,604	97,000	116,275	102,993	31,646	482,518	474,456	8,062
% of total	27.90%	20.10%	24.10%	21.34%	6.56%	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

In the first half of 2024, the restrictive monetary policies at global level had an impact on the macroeconomic variables, leading to a decrease in inflation, but also resulting in a negative impact on production and growth prospects. According to International Monetary Fund forecasts updated to 2024, a 3.2% growth in global GDP is expected in 2024 and 2025, in line with the value recorded in 2023. Despite the global economy proving its resistance to increases in interest rates, the global growth forecast five years from now, at 3.1%, is the lowest in recent decades. Inflation is expected to fall in 2024 to +5.9% YoY and +4.5% in 2025.

In the United States, growth in real GDP for the first quarter of 2024 was 1.3%, down from the +3.4% of the previous quarter, affected by the restrictive monetary policy implemented by the Fed. In the euro zone, the increase in the real GDP was 0.3% in the first quarter of 2024, compared to the figure from the fourth quarter of 2023 when the GDP of the euro area had fallen by 0.1%. According to the latest figures published by the European Commission, a 1.4% growth is expected in 2025 for the euro zone countries.

The cooling-off trend in consumer price growth in the euro zone experienced a slowdown in the first months of 2024. From February, the annual growth rate hovered between 2.4% and 2.6%, influenced by the strength of the services component. According to estimates by the European Central Bank, overall inflation should stand at 2.3% in 2024 before dropping to 2.0% in 2025 and to 1.9% in 2026. As for the labour market, expectations are for an increase in unemployment to 6.7% in 2024 and a subsequent decrease to 6.6% in 2025 and in 2026.

Where Italy is concerned, in the first quarter of 2024 there was GDP growth of +0.3% QoQ and of 0.6% in terms of trend, driven by the construction and services sectors. A positive contribution also came from net exports. ISTAT forecasts for the current year see GDP growth of +1.0% YoY, while +1.1% is expected in 2025: the slowdown in the investments component set out by the reduction in tax incentives will only be partly offset by NRRP investments and the positive effects of the expected decrease in the rates.

Again according to ISTAT, employment in Italy will follow the GDP growth trend, and indeed a 0.9% increase in employed people is expected in 2024 and 1.0% in 2025, which should translate to an unemployment rate of 7.1% in 2024 and 7.0% in 2025. Growth in private consumption, supported by the labour market and by increases in real remuneration, will nevertheless be limited to 0.4% in 2024, whereas it should accelerate to +1% in 2025.

As regards the normalisation of consumer prices, the dynamics in Italy were more accentuated than those recorded in the main economies of the "old continent": the consumer price index in May 2024 (+0.8% YoY) was 2 points lower than in France and Germany. The deflator of household spending was also down compared to 2023 levels: the figure expected for 2024 is 1.6%, against +5.2% in 2023. A slight increase of +2.0% will follow in 2025.

Core inflation, net of energy goods and fresh food, fell below 3% in January 2024 before hovering at +2.0% YoY in May.

## 2.2 - Financial and currency markets

At the start of 2024 the drop in inflation came to a halt in the United States, whereas it continued in the euro area and in the United Kingdom. The main central banks then communicated that they might reduce the official rates in 2024, nonetheless reiterating that the monetary policy approach would remain restrictive until the disinflation process was consolidated.

At the meeting on 25 January 2024, the European Central Bank acknowledged the downward trend in core inflation in the euro zone, all the while deeming it necessary to maintain the restrictive lending conditions established with the previous hikes in the interest rates. The Governing Council also confirmed the gradual reduction in the portfolio as part of the financial asset purchase programme (FAPP), given that the Eurosystem would no longer reinvest the capital repaid on maturing securities. In the context of the Pandemic Emergency Purchase Programme (PEPP), on the other hand, the capital was fully reinvested in the first half of 2024, while from July a reduction at a pace of EUR 7.5 billion per month is envisaged before completing reinvestments at the end of 2024.

Nor did the European Central Bank make any changes to the rates at the subsequent two meetings on 7 March 2024 and 11 April 2024, but it did open up to the opportunity to reduce the level of monetary restriction should the data over the following months confirm the return of inflation back to the Governing Council's target level. This scenario took place at the meeting on 6 June 2024, when the Governing Council decided to reduce all three benchmark rates by 25 basis points, respectively bringing them to 4.25% (main refinancing operations), 4.50% (marginal lending facility) and 3.75% (deposit facility with the Central Bank), attenuating the level of restriction of the monetary policy after 9 months of no rate changes.

In the context of the TLTRO-III, in the first half of 2024 the seventh and eighth of the ten operations envisaged reached maturity. In addition, 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 76 billion still remain in mid-2024. In particular, during the first six months of the year a total of EUR 53 billion was repaid on a voluntary basis.

In light of the repayment of the final TLTRO-III operations, the European Central Bank also announced certain significant changes to its operational structure for the implementation of the monetary policy. With effect from 18 September 2024, the rate on main refinancing operations would be adjusted so that the differential between this rate and the one on deposits with the Central Bank would be reduced to 15 basis points, compared to the current 50. The Governing Council also confirmed that short-term refinancing operations – with weekly maturity – and longer term ones – with maturity at three months – would continue to be conducted at a fixed rate and with full allotment. Lastly, at a later stage, new longer-term structural refinancing operations would be introduced.

On the other side of the Atlantic, the less vigorous drop in inflation compared to Europe drove the Federal Reserve to keep the interest rates on Federal Funds unchanged in the first half of 2024, confirming a range of between 5.25% and 5.50%, where they have hovered since July 2023.

Due to the maintenance of more restrictive monetary conditions by the Fed compared to the ECB, on the Forex market the EUR/USD cross shifted in the first six months of 2024 from around 1.1050 to 1.0710, marking a recovery in the greenback compared to the end of 2023.

In the first six months of 2024, returns on European and American government bonds were affected by changing expectations on the evolution of the monetary policies. The decrease in returns that had characterised the final months of 2023, supported by expectations for an imminent and rapid process of cuts to the rates by the FED and ECB, came to an abrupt stop in early 2024 in tandem with the macro findings and comments from central bankers directed towards a more gradual approach to the normalisation of the rates.

Since the start of 2024, the 5Y BTP curve has seen an upswing in returns from around 3% to 3.4% at the end of February. Changes on the 10Y were more limited, and, net of temporary phases, exchanged at around 3.80%/3.90% for most of the first six months. In June, the climate triggered of greater aversion to risk drove the Italian 10Y yield above 4% again for several sessions.

The 10Y BTP/Bund spread in January 2024 was around 160 basis points and fell to the threshold of 120 basis points in March, before retracing an average value of 135 basis points in April-May. In June, the upswing in returns was accompanied by a widening of the spread, which returned to around 150 bps.

The climate of propensity to risk that favoured a reduction during the six-month period in the credit spreads on the bond markets was also behind the widely positive performance of the stock markets. Receding fears of a recession caused by restrictive monetary policies and the expectation for a decrease in the rates in the second half of the year underpin the growth in the prices. Since the start of 2024, the main US stock index recorded a return of slightly under 15%.

In line with the performance on the main European stocks, the FTSE MIB index recorded a swift increase in the first quarter (+14%) before settling at around 33,000 points in June. At sector level, the best performance came from bank securities and energy stocks.

## 2.3 - Italian banking system

ABI data confirmed the early signs of a reduction in the interest rates.

The drop was seen in the newly originated loans to purchase homes (3.56% in June 2024 vs 4.42% in December 2023) as well as in loans to businesses (5.25% in June 2024 vs 5.45% in December 2023).

As for assets, direct funding of banks in Italy in June 2024 was up slightly by 3.0% YoY, with an average rate (1.25%) slightly down compared to the figure from the previous month. The change in the amounts is the result of a decrease in customer deposits compared to values from the previous year, offset by a growth (+14.9% YoY in June) of funding via bonds. The return on new fixed-term deposits fell to 3.39% in June 2024 compared to the figure of 3.78% at the end of 2023.

As for loans, the downward dynamics already in place in the second half of 2023 continued in the first months of 2024, and are now stabilising: the drop in June in total loans to residents in Italy was 2.4% YoY, in line with the decreases in previous months. Loans to households and non-financial corporations also fell (-1.7% YoY).

With reference to credit quality, there was a slight decrease in net impaired loans, i.e. all non-performing, unlikely to pay and impaired past due and/or overrun loans calculated net of write-downs and provisions, falling from EUR 30.5 billion in December 2023 to EUR 30.3 billion in May 2024, accounting for 1.43% of total loans.

# 3. Significant events during the first half of the year

The main events that occurred during the first half of 2024 are shown below.

## 3.1 - Business combinations between Affiliated Banks

In the first half of 2024, the following business combination between Affiliated Banks was recorded, which brought the number of Affiliated Banks from 67 at the end of 2023 to 66 as at 30 June 2024.

- 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 für Trentino-Südtirol – Credito Cooperativo Italiano Società Cooperativa.

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 - 2024-2027 Strategic Plan

On 26 June 2024, the Board of Directors of Cassa Centrale Banca approved the Strategic Plan (hereinafter also referred to as “SP”) with a 2024-2027 time period, which updates the 2023-2026 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**, supporting the regional bank service model by flanking the physical network and multi-channel aspect, focus on expansion of the customer base and offer for younger generations, completing the range of products and aligning it with the new ESG framework;
- **operating efficiency** through evolution of the organisational model, supporting the Group identity and pushing for the centralisation of activities in the Group’s central structures;

- **focus on changes to the regulatory framework and internal control system** with growing use of technology to improve regulatory compliance and prudent management of current and prospective risks;
- **activation of enabling factors**, to be contextualised across the board, by developing and training human resources and constantly building on ICT investments.

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 growth path 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 2024, the Cassa Centrale Group, through the dedicated structures within the Parent Company and the Affiliated Banks, continued its careful monitoring of the quality of the loan portfolio and the management and reduction of impaired assets.

In this context, the Parent Company prepared the new NPE Strategy and the related Group Operating Plan, with a 2024-2026 time frame. The NPE Strategy and Operating Plan were presented for approval before the Board of Directors of the Parent Company on 28 March 2024 and subsequently sent to the ECB.

The NPE strategy was developed by maintaining a prudent approach in the estimate of impairment, whereas for the estimate of the default rate, as in previous strategies, the internal satellite model was adopted which factors in the baseline scenario of Prometeia, and which for the 2024-2026 three-year period returned a default rate considered more realistic since it was more in line with the trend recorded in previous years. According to this approach, the Group’s NPE Strategy predicts an acceleration in terms of reduction in the gross NPL ratio, which, at the end of the plan, is expected to fall to 3.3%. With regard to coverage levels, on the strength of the coverage levels that the Cassa Centrale Group had reached by the end of 2023 (84.8%), NPE Strategy forecasts a physiological decrease in the index, nevertheless retaining a provisional level for 2026 of 74.3%, 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 0.9% at the end of the plan, lower than the average for the main Italian banking groups.

The final figures as at 30 June 2024 showed results substantially in line with expectations, especially in terms of the default rate, which was similar to the default rate recorded in the first half of the previous year. At June 2024, the Cassa Centrale Group achieved a default rate of around 0.6%, which is therefore on track for the 1.3% estimate calculated during the preparation of the new NPE Strategy. On the other hand, with regard to the recovery performance of impaired loans, in the six-month period in question the total reductions deriving from internal workout (cure rate – collections and write-offs) were in line with expectations and with what was planned in the Strategy. Total performing loans decreased by approximately EUR 300 million compared to the figure at the end of 2023.

The combined effect of these dynamics on the entire loan portfolio led to the achievement as at 30 June 2024 of a gross NPL ratio of 4.2%<sup>1</sup> and a net NPL ratio of 0.7% against the targets for the end of 2024 of 3.7% and 0.8% respectively (the transfers that will take place in Q3 and Q4, as envisaged in the strategy, will make it possible to achieve the de-risking objective).

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 81.5%, placing the Cassa Centrale Group among the top performers in Italy and Europe in terms of coverage ratio.

### 3.4 - 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 (Gross Book Value) 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 on 2 April 2024, following the signing of the transfer contracts and related completion, the portfolio itself was deconsolidated.

### 3.5 - ECB decision - Climate and environmental risks

On 17 January 2024, the Group received from the ECB Supervisory Authority a communication on the “Decision relating to the risk identification process for climate-related and environmental risks” (also known as the “ECB Decision”), in response to which, first and foremost, a document was formalised to assess the relevance of the climate-related and environmental risks compared to traditional risks – assessment significantly reinforced compared to the similar one conducted in 2023 – and focused on the impacts in terms of credit risk, market risk, operational risk, liquidity and loan risk, real estate portfolio risk, strategic and business risk, reputational, dispute and legal risks, broken down by economic activity, geography and Affiliated Banks of the Group – and, therefore, approved an impact assessment of the climate-related and environmental risks on the Group’s operating context.

These analysis documents represented fundamental input for defining the entrepreneurial strategy outlined in the renewed Strategic and Operating Plan for the management of climate-related and environmental risks, in terms of positioning in the sustainable finance market and strategy to be implemented in relation to the Group’s business lines (loans, investments and asset management, real estate management).

In general, climate-related and environmental risk factors are decisive for the various categories of risk identified and, specifically, in the short term (2024-2026) are not significant, in the medium term (2027-2030) are partially significant, whereas they appear significant over the long term (2031-2050) mainly as a result of the impact on credit risk.

The impact of climate and environmental change on the Group’s operating context, including in relation to the individual drivers of change, is qualified (on a scale of four levels, “very positive”, “partially positive”, “partially negative”, “very negative”) as partially positive in the short term, very positive in the medium term and partially positive in the long term.

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<sup>1</sup> The calculation of the gross and net NPL ratio was carried out on the basis of the EBA data model (“EBA methodological guidance on risk indicators”, last updated in October 2021).

## 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 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) 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).

Cassa Centrale Banca appeared in the three lawsuits pending before the Court of Appeal, which were subsequently combined. The proceeding is in its final stage.

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

### DBRS Morningstar

Following the periodic update conducted on the creditworthiness of the Cassa Centrale Group, the ratings agency DBRS Morningstar, on 31 January 2024, confirmed all ratings of the Cassa Centrale Group, including the Long-Term Issuer Rating BBB (low), bringing the trend from stable to positive. The Group, therefore, retained its place in the “Investment Grade” category.

The improvement reflects the Group’s positive 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.

## 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 March 2024 to Cassa Centrale Banca, as the Group’s resolution entity, the Minimum Requirement of Eligible Liabilities (MREL<sup>2</sup>) 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 2023 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<sup>3</sup> (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 from March 2024. There are no subordination requirements to meet the above targets.

At the reference date of 30 June 2024, Cassa Centrale Banca complies with 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.

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<sup>2</sup> 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.

<sup>3</sup> “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.

### **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.

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.

The progress of the overall plan of remedial actions, currently in line with the agreed deadlines, is subject to quarterly reporting by the Parent Company to the Supervisory Authority.

### **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 an action plan to meet 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.

On 18 April 2024, the Board of Directors approved the "Group Action Plan", containing the remedial actions envisaged for each recommendation and related deadlines, which was subsequently shared with the JST.

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

On 28 March 2023, the European Central Bank informed 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.

The progress of the overall plan of remedial actions, currently in line with the agreed deadlines, is subject to quarterly reporting by the Parent Company to the Supervisory Authority.

### **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 2023.

On 6 May 2024 CONSOB, in a specific communication sent, called the Corporate Representatives to a meeting which was held on 28 June 2024. At this meeting, the profiles summarised in the Technical Note attached to the aforesaid communication were discussed, and news was acquired of the resulting corrective initiatives.

Following the meeting, CONSOB requested that, by the end of September, written feedback be provided to the requests formulated with the Technical Note, formalising the clarifications represented during the meeting and the corrective initiatives planned, accompanied by the estimated implementation 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.

The progress of the overall plan of remedial actions, currently in line with the agreed deadlines, is subject to quarterly reporting by the Parent Company to the Supervisory Authority.

### **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 activities are still ongoing.

### 3.16 - Targeted review on Cyber Resilience questionnaire

On 5 July 2023, the European Central Bank (ECB) 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.

Following completion of the questionnaire, in March 2024, the ECB returned a feedback letter containing recommendations intended to remedy and/or improve the IT security reference framework, for which the Cassa Centrale Group took prompt action to define and implement an action plan intended to meet the expectations of the Supervisory Authority. Its completion is expected within the first quarter of 2026.

### 3.17 - Cyber Resilience Stress Test

The European Central Bank (ECB) involved the Cassa Centrale Group in the first of the Cyber Resilience Stress Tests announced during 2023, with the aim of assessing the level of implementation of the cyber resilience control measurements.

Specifically, the Cyber Resilience Stress Test launched on 2 January 2024 consisted of a cyber incident simulation with an impact on the Group's core banking system, assuming that all preventive measures implemented had been circumvented or had failed, in order to verify the Group's capacity to react and manage the situation.

The assessment involved 109 financial entities, following which the Cassa Centrale Group filled out and returned the questionnaire forming part of the drill within the time frames requested by the Supervisory Authority; in turn, the latter provided a Report in July 2024 containing the outcomes of the exercise, including certain recommendations aimed at remedying and/or improving the Cassa Centrale Group's ability to react to and recover from a cybersecurity event.

Cassa Centrale's Action Plan, intended to satisfy the aforementioned recommendations, will be shared with the JST in the third quarter of 2024, subject to approval by the BoD.

### 3.18 - Strategic partnership agreement with Worldline Merchant Services Italia

Following the competitive tender called to identify the Cassa Centrale Group's strategic partner on the POS Acquiring service, the Board of Directors that met on 6 June 2024 awarded the tender to Worldline Merchant Services Italia S.p.A. (hereinafter "Worldline") for the outsourcing of the POS Service on the domestic circuit and the Worldline direct acquiring service with merchants with international acquiring.

The agreement with Worldline was signed on 28 June 2024 and is valid for 5 years.

The project envisages the supply and management of POS terminals, as well as 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.

### **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.

The surveys by the CNAIPIC (Italian National Anti-Crime Computer Centre for the Protection of Critical Infrastructure) show how the current geopolitical context compromises and permeates the cyber landscape. 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. Experts believe that war-related hacktivism linked to the war between Israel and Hamas will be present for the duration of the conflict, extending to organisations and countries directly and indirectly connected to developments in the disputed territory. In general, the number of adversaries deployed on both opposing fronts is high and includes hacktivism organisations, both known and emerging, in addition to APT (Advanced Persistent Threat) criminal associations, which use continuous and sophisticated hacking techniques to gain access to a system and ensure a silent persistence within it, remaining there for a prolonged period, generally with high-value targets. The events of the conflict were also accompanied by the spread of misinformation and the sharing of false or out-of-context videos, with the aim of fuelling digital chaos that would contribute to creating disorder.

In collaboration with Allitude, Cassa Centrale Banca raised and maintains the alert level and its continuous threat analysis. It also continues to collect and enhance indicators of compromise shared by cyber threat intelligence sources.

### **3.20 - Classification and measurement of loans to customers based on the general impairment model IFRS 9**

In order to calculate expected loss at 30 June 2024, 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 ongoing Russia/Ukraine conflict, the conflict in the Middle East 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 30 June 2024, levels of additional coverage (so-called add-on) to the exposure of variable rate mortgage loans in stage 2 were maintained, introduced in December 2023 to take into consideration 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.

Additionally, 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).

For the purposes of calculating the expected loss as at 30 June 2024, and in line with the contents of the “Group Regulations for governance of stress testing” approved by the Parent Company’s Board of Directors at the meeting on 27.06.2024, the Cassa Centrale Group used four scenarios (“benign”, “baseline”, “adverse plausible”, “adverse extreme”), appropriately averaging their contributions, in accordance with the assessment of macroeconomic projections updated to January 2024.

Furthermore, in order to reflect in the calculation of expected loss as at 30 June 2024 the initial impacts related to climate-related and environmental risks and, in a more extensive approach, the main ESG factors, the following aspects were integrated into the new IFRS 9 model:

- (i) a new notching system correlated with the internal rating system to take account of the ESG component (the latter gleaned from the ESG score acquired centrally from the external info provider CRIF);
- (ii) a corrective factor to reflect the territorial risk linked to seismic events in the recovery process (LGS) for all types of counterparty;
- (iii) a multiplier on the ECL of the IFRS 9 model (new Group Overlay) intended to include the prospective effects arising from the materiality assessment of climate-related and environmental risks on the Group’s allocations according to ECB expectations.

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

## 3.21 - Changes to the Parent Company’s organisational chart

### 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.

### Appointment of the new Chief Compliance Officer

Daniela Bragante was appointed Chief Compliance Officer, effective 18 March 2024, reporting directly to Chief Executive Officer Sandro Bolognesi.

## 3.22 - Significant regulatory events during the first half of 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 the first half of 2024, 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

#### Legislative Decree no. 207/2023 of 07.12.2023 indices used as benchmarks.

Italian Legislative Decree no. 207 of 27.12.2023 was published in Official Gazette no. 300 of 07.12.2023, containing adoption of Recommendation CERS/2011/3 of the European Systemic Risk Board of 22 December 2011, related to the macroprudential mandate of national authorities, in addition to implementation of Articles 23-*ter*, paragraph 7, and 28, paragraph 2 of Regulation (EU) 2016/1011 (the Benchmark Regulation) on indices used as benchmarks.

The Decree came into force on 11 January 2024 and:

- established the Committee for macroprudential policies, as an independent authority appointed to conduct macroprudential policies. In line with the objective of macro-prudential vigilance, the Committee pursues the stability of the financial system as a whole, including through strengthening the capacity of the financial system to absorb the consequences of events that threaten its stability, in addition to the prevention and combating of systemic risks, thus promoting a sustainable contribution of the financial sector to economic growth. The Committee involves the Governor of the Bank of Italy, who chairs it, the Chairperson of CONSOB, the President of IVASS, and the Chairperson of COVIP;
- amended the Consolidated Law on Banking (Legislative Decree no. 385/1993 – TUB), by introducing article 118-*bis*, in order to define a detailed regulation at national level for the application of the Benchmark Regulation rules on substantial change or cessation of a benchmark.

Art. 118-*bis* TUB states that banks and financial intermediaries must publish and keep updated plans on their websites envisaged by article 28, paragraph 2 of Regulation (EU) 2016/1011 (“robust written plans”), as well as insert so-called “fallback” clauses in contracts with customers that allow the latter to identify, including through reference to the aforesaid plans, the changes to the benchmark or replacement index for cases of substantial change or cessation of the benchmark applied to the contract.

Art. 3, paragraph 2 of Legislative Decree no. 207 of 7 December 2023 states that within one year of the entry into force of the aforesaid measure (11 January 2025), banks and financial intermediaries must notify customers of publication of the plans according to the provisions of art. 118-*bis*, paragraph 1, second sentence, TUB., and must communicate contractual changes to customers through “Proposal of unilateral amendment to the conditions” required to introduce the clauses envisaged by art. 118-*bis*, paragraph 2, TUB.

The Parent Company informed the Banks of the entry into force of Legislative Decree no. 207/2023 and outlined the scope of application of said decree (funding and lending products for most customers). Actions to bring the operations of the banks and the Parent Company into compliance were launched with the amendment and update of the Group Regulations “Plan for replacing rates in indexed products”, approved by the Board of Directors of the Parent Company on 28.03.2024.



Further corrective actions required to bring the operations into compliance with legislation will be carried out by 11.01.2025. The contractual models and the transparency documentation will be made compliant, and customers will be subsequently sent the communication of the update to the Plan and the Proposal of Unilateral Amendment required to adjust the existing relationships.

### **Bank of Italy communication of 12 April 2024 on customer protection in the context of the transfer of legal relationships**

On 12 April 2024, the Bank of Italy published a communication on its website related to transfers of legal relationships.

Bank of Italy highlighted that the market of banking and financial services has witnessed over the years a significant reorganisation of the business models and organisational and distribution strategies of intermediaries, driven, *inter alia*, by aggregation, the pursuit of targets to contain operating costs and the increasing digitisation of services. In this context, transfers of legal relationships have often led to problems for customers attributable both to the lack of information received and limits on the full use of their product and services, also as a result of non-compliance with the provisions in contracts.

The Bank of Italy therefore sent a communication to operators to remind them that they need to take due account of customers' needs when transferring legal relationships, even from the moment they begin to plan these transactions.

The objective is to raise the awareness of the intermediaries involved in these transactions of the need to adopt the necessary precautions to prevent possible inconveniences to customers and to enable them to fully understand the effects of the transfer of their legal relationships, so that they might assess whether to continue the relationship with the new intermediary and/or amend it, based on their rights (e.g. the right to renegotiation, subrogation, withdrawal, early termination).

The communication reminded supervised operators – when defining and implementing transfers of legal relationships – to consider customer protection aspects, carefully assessing them as early as the planning stage of a transfer. Specifically, adoption of specific control measures is required, indicated in detail in the Communication, both in terms of information to the customer (e.g. communication campaigns), and organisational and procedural measures.

Lastly, the Bank of Italy requires that the analyses and assessments conducted be brought to the attention of the Corporate Bodies and that the execution of every transfer be overseen by the Compliance Function.

In relation to this point, the Parent Company has launched the analysis activities necessary to define the scope of application and impacts of the Communication, including in terms of implementation of internal regulations and activities to be implemented during the transactions outlined in the Communication (for instance, mergers between Group Banks).

### **Bank of Italy communication of 15 April 2024: Outcomes of the mystery shopping pilot exercise. Full use of mystery shopping for customer protection supervisory purposes**

On 15 April 2024, the Bank of Italy published a communication on its website related to the mystery shopping pilot exercise, the first phase of which was conducted in relation to payment accounts.

Albeit finding substantial adequacy of the conduct of the institutes, the Bank of Italy believes that there remains a need to improve "*the use of transparency documentation*", listing aspects that Banks must focus on.

Lastly, the Bank of Italy informed that – having deemed the experience positive – it would continue to implement mystery shopping in the future.

The Parent Company made the Banks aware on 18.04.2024 of the publication of such Communication by the Bank of Italy and carried out the appropriate impact analyses.

### **Ruling no. 15130 of 29 May 2024 - Court of Cassation - Joint Divisions on fixed instalment repayment plan**

The Joint Divisions of the Court of Cassation, with ruling no. 15130 of 29 May 2024, published observations on the preliminary ruling by the Court of Salerno on 19 July 2023, establishing, in relation to fixed-rate bank loans repayable in equated monthly instalments, the following principle of law: *“Regarding fixed-rate bank loans repayable in instalments governed by a traditional standardised “equated monthly instalment” plan, the failure to indicate the method of amortisation and the “compound” interest regime of interest paid is not grounds for partial invalidity of the contract, due to the indeterminacy or indeterminability of the scope of the contract, nor due to violation of the regulations on transparency of the contractual conditions and the relationships between credit institutes and customers”*.

The Joint Divisions therefore resolved the conflict of case-law on equated monthly instalments, related to the consequences of the omitted indication, within a bank loan agreement, of the “compound” interest regime of interest paid, despite the provision in writing of the annual percentage rate (APR), as well as the method of “equated monthly instalments”.

Specifically, there were doubts as to whether the lack of express provision during negotiations could lead to:

- the indeterminacy or indeterminability of the related scope, with consequent structural invalidity in light of the combined provisions of articles 1346 and 1418, paragraph 2 of the Italian Civil Code;
- violation of the rules on transparency and those set out by art. 117, paragraph 4 of the TUB, which imposes, under penalty of nullity, that contracts must indicate the interest rate and any other price and condition applied, including, for credit agreements, any higher costs in case of arrears.

As regards the former profile, the Court of Cassation pointed out that: *“[...] it is excluded that the failure to indicate in the fixed-rate bank loan agreement, the so-called ‘equated monthly instalment’ repayment method and the compound interest regime would impact negatively on the requirements of determinacy and determinability of the scope of the contract, causing its partial invalidity”*.

In terms of the possible violation of art. 117, paragraph 4 of the TUB, the Joint Divisions highlighted that the higher interest charged deriving from the type of amortisation does not derive from a multiplication of interest in a technical sense, but constitutes the natural effect of the agreed decision for the repayment plan to be structured into the payment of a constant instalment (initially fixed) and not a decreasing one.

The ruling is particularly relevant for the Group, in which, at the end of February 2024, 97% of the mortgage loans existing or in any case paid off in the last 10 years (and therefore potentially affected by a negative ruling of the Supreme Court) are characterised by an equated monthly instalment plan.

The Parent Company proceeded to promptly inform the Banks of the contents of the ruling.

## Payment services

### ABI Circular - Prot. UPG/UAE/URG/001401 of 23 October 2023 - and Bank of Italy indications on the full balance transfer in payment services transfer procedures

With Circular dated 23 October 2023, the ABI provided the Banks, *“also regarding discussions with the Bank of Italy on the matter”*, with instructions to proceed, at the effective date, with the full credit balance transfer of the customer – in the context of requests for payment services transfer – without providing (as instead currently happens within the Group) for the curtailment of the amounts to be debited known to the banks but not yet accounted for (e.g. monthly balance of the credit card).

Subsequently, in March 2024, in the context of legal discussions for the finalisation of the Plan of Interventions resulting from the Transparency Inspection in 2021, the Bank of Italy further clarified and confirmed the obligation of the Bank to transfer in full the balance at the effective date, requesting that the Group adopt the appropriate adjustments.

Taking account of the above and the outcome of the analysis conducted, the Parent Company launched the adjustment of the Group’s internal process for transposing the Supervisory indications.

### Regulation (EU) 2024/886 as regards instant credit transfers in euro

Regulation (EU) 2024/886 was published in the Official Journal of the European Union on 19.03.2024, amending Regulations (EU) 260/2012 and 2021/1230 and Directives 98/26/EC and 2015/2366 (“PSD2”) as regards instant credit transfers in Euro. As regards the amendments to Regulation 260/2012, Regulation (EU) 2024/886, which came into force on 8 April 2024:

- introduced art. 5-*ter* to Reg. no. 260/2012 which prohibits the application of higher charges for instant credit transfers than those applied by the same PSP for sending and receiving corresponding types of other credit transfers and which establishes that the PSPs located in a Member State whose currency is the euro must comply with this article by 9 January 2025;
- introduced the new art. 5-*bis* to Reg. no. 260/2012, where it states in paragraph 8 that the PSPs located in a Member State whose currency is the euro must offer PSUs the payment service of receiving instant credit transfers in euro by 9 January 2025 and the payment service of sending instant credit transfers in euro by 9 October 2025;
- introduced art. 5-*quater* to Reg. no. 260/2012, where it states in paragraph 9 that there must be a service ensuring verification of the payee, and that such service must be offered by 9 October 2025;
- introduced art. 5-*quinqüies* to Reg. no. 260/2012, which provides for screening of customers by the PSPs to verify whether a customer is a person or entity subject to financial restrictive measures. The payment service providers must comply by 9 January 2025.

The Parent Company sent an information alert to the Banks on 28.03.2024.

At the moment, following the sharing of the impact analysis with the competent structures of the Parent Company, the appropriate checks are under way on the necessary IT implementations in order to adjust, within the time frames laid down by the Regulation, the Group procedures to the European legislation that has come into force.

### **Bank of Italy communication of 17 June 2024: Disputing unauthorised payment transactions. Communication to the system**

The Bank of Italy published on its website on 17 June 2024 a Communication addressed to payment service providers (PSPs) on disputing unauthorised payment transactions, in which it drew the attention of Banks to the need to adopt conduct that, on the one hand, complies with the rules on disputing unauthorised payment transactions and, on the other, is based on correct customer relations.

To this end, the Supervisory Authority asked Banks to perform a self-assessment of the compliance of their structures, procedures and practices in use with the regulatory provisions and the expectations of the Bank of Italy, and to adopt any necessary corrective actions within 12 months of publication of the indications contained in the communication (17 June 2025).

The assessments and analyses conducted by the Banks must be adequately formalised and will undergo verification during the ordinary supervision of the Bank of Italy, also taking into account the related guidelines of the ABF.

The Parent Company launched an analysis of the Communication in order to identify gaps in relation to the Supervisory indications and expectations, to be formalised in the requested self-assessment, and consequently to activate any related corrective actions, with the aim of respecting the time frames for adjustment indicated in the Communication.

### **Implementing legislation of the Corporate Sustainability Reporting Directive**

On 10 June 2024, the Council of Ministers approved the draft legislative decree transposing Directive (EU) 2022/2464 (amending Regulation (EU) 537/2014, Directive (EC) 2004/190, Directive (EC) 2006/43 and Directive (EU) 2013/34 as regards corporate sustainability reporting, and for the adjustment of national legislation) in relation to corporate sustainability reporting.

The draft legislative decree transposing the Corporate Sustainability Reporting Directive extends the sustainability reporting obligations imposed on undertakings by Directive (EU) 2014/95 (the “Non-Financial Reporting Directive” or NFRD).

Specifically, Directive (EU) 2022/2464, which reinforces and extends the sustainability reporting obligations already imposed on undertakings by Directive (EU) 2014/95 (the “Non-Financial Reporting Directive” or NFRD), concluding a process launched, at EU level, with the Paris Agreement in 2015 then continued with the Sustainable Action Plan of 2018, as well as the European Green Deal of 2019, envisages:

- extension of the non-financial reporting obligations to listed SMEs (other than micro-enterprises) while the obligations set out by the NFRD are only addressed to *“large undertakings which are public-interest entities and which, at the reporting date, have an average number of employees in excess of 500”*, the reporting obligations introduced by the CSRD also apply to small and medium-sized enterprises (with the exception of micro-enterprises) which are public-interest entities, in addition to all large undertakings;
- replacement of *“non-financial reporting”* (containing *“information to the extent necessary for an understanding of the undertaking’s development, performance, position and impact of its activity, relating to, as a minimum, environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters”*, pursuant to art. 1, paragraph 1, NFRD) with *“sustainability reporting”* (containing *“information necessary to understand the undertaking’s impacts on sustainability matters, and information necessary to understand how sustainability matters affect the undertaking’s development, performance and position”*).

The text of the draft legislative decree was submitted to the competent parliamentary committees, which returned a favourable opinion with observations. The definitive text of the legislative decree was approved on 30 August 2024.

## CRD VI and CRR III

On 24 April 2024 the European Parliament approved the package of amendments to the CRD and the CRR, intended to make EU banks more resistant to future economic shocks and to implement the Basel III international agreement, taking account of the specific nature of the EU economy.

In particular, the EU Parliament approved, with amendments:

- the Regulation amending the CRD VI – Capital Requirements Directive (Directive (EU) 2013/36) regarding supervisory powers, sanctions, branches in third countries and environmental, social and governance (ESG) risks;
- the Regulation amending the CRR – Capital Requirements Regulation (Regulation (EU) no. 575/2013) in relation to credit risk requirements, the risk of adjustment of the credit assessment, operational risk, market risk and the output floor.

The aim of the revision is to take account of the concrete conditions of the European banking sector in implementation of the Basel standards, introducing certain specific European qualities, where possible on a temporary basis.

In response to the 2007-2008 crisis, the Basel III provisions are intended to improve the prudential standards, the supervision and the risk management of banks, in the context of implementing these provisions, the European Commission had therefore presented, in October 2021, the proposed revisions to the CRR and CRD: the approval of the amendments in question therefore follows the subsequent trilogue with EU Parliament and Council on the text of the proposals, formalised with European Council letter dated 6 December 2023.

In summary, the approved proposals:

- define the methods for implementing the output floor, which limits the variability of banks' capital levels where the calculation is carried out using internal models, in addition to the transitional provisions intended to allow market operators to adapt with sufficient time frames;
- improve, from a more prudential perspective, the rules related to credit risk, market risk and operational risk;
- implement the principle of proportionality in an improved way, especially for small and non-complex entities;
- define a harmonised framework of requirements for Corporate Representatives (members of the governing bodies and holders of key functions) intended to assess their suitability according to criteria of professionalism and good repute;
- in relation to preserving the independence of supervision, provide for a minimum period of incompatibility for the personnel and members of the governance bodies of the competent authorities, between activity in the competent authorities and positions in supervised entities, in addition to a limit on the mandates of the members of the governance bodies;
- define a transitional prudential regime for crypto assets;
- reinforce the reporting and disclosure requirements for ESG risks (environmental, social and governance risks) of banks;
- contain measures intended to harmonise the minimum requirements for branches of third-country banks and supervision of their activities in the EU.

The texts approved by the EU Parliament were also approved by the EU Council and subsequently published in the Official Journal of the European Union. Member States will have 18 months to transpose the CRD VI Directive into their own national legislation.

The CRR III Regulation will come into effect twenty days after publication in the Official Journal, and will apply from 1 January 2025, with the exception of several points of art. 1, described in art. 2, which will apply from 9 July 2024 (namely from its entry into force).

## 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. The project was launched in 2022 and is continuing throughout 2024.

### 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.

## 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 (EC) 2004/39 (“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. 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. As a

result, the Parent Company then adjusted the document on the Group's 2024 remuneration and incentive policies approved by the Shareholders' Meeting on 7 June 2024.

## Anti-Money Laundering

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

Commission Delegated Regulation (EU) 2024/595 was published in the Official Journal of the European Union on 16 February 2024. The Regulation contains regulatory technical standards that specify the materiality of weaknesses, the type of information collected, the practical implementation of the information collection and the analysis and dissemination of the information contained in the anti-money laundering and counter terrorist financing central database. Furthermore, the Regulation specifies the content of the information the reporting authorities must provide to the EBA, be it general, in relation to the shortcomings identified or measures taken, specifying their time frames and additional communication obligations. The Function carried out an analysis of the said Regulation intended to explore the topics discussed and to assess any impacts. No regulatory updates were found to be necessary.

On 22 February 2024, following a joint vote between the Council of the European Union and the European Parliament, the head office of the future EU authority dedicated to anti-money laundering was assigned to Frankfurt. The AMLA (Authority for Anti-Money Laundering and Countering the Financing of Terrorism) will begin operating in mid-2025.

With note dated 11 April 2024, the Ministry of Enterprises and Made in Italy communicated that the Regional Administrative Court of Lazio had rejected the appeals presented for the cancellation of MIMIT Decree of 29 September 2023, relating to the Register of beneficial owners. Full application of the information established on beneficial ownership was therefore restored, with expiry of the related term on 11 April. Subsequently, following the appeal presented to the Council of State, the latter ordered the suspension of the enforcement of the rulings of the Lazio Regional Administrative Court on the assumption that the matters at issue in the ruling presented issues of complexity that would require in-depth analyses incompatible with the summary nature of the interlocutory stage. Pending definition of the regulatory framework, the Anti-Money Laundering Function distributed additional alerts and communications, in addition to an initial explanatory Circular, in order to provide operational support to the Affiliated Banks.

On 24 April 2024 the European Parliament definitively adopted the package of legislative measures on Anti-Money Laundering and Countering the Financing of Terrorism, formed of the sixth AML Directive, the EU "single rulebook" and the AML Authority. The new provisions ensure that persons with a legitimate interest, including journalists, civil society organisations, the competent authorities and supervisory bodies will have immediate, unfiltered, direct and free access to information about beneficial ownership contained in the national and interconnected records at EU level. In addition to the current information, the registers will also include data from at least five years ago. The new rules also grant the UIF (Italian Financial Intelligence Unit) greater powers to analyse and identify cases of money laundering and terrorist financing, and to suspend suspicious transactions. This measure is currently being analysed by the AML Function to assess the impacts on current regulations and possible needs for adjustment.

On 4 June 2024, IVASS published Measure no. 144 of 4 June 2024, which provided for amendments and integrations to IVASS Regulation no. 44 of 12 February 2019, containing implementing provisions intended to prevent the use of insurance companies and insurance intermediaries for money laundering and terrorist financing purposes in the context of organisation, procedures and internal controls and adequate customer verification. The most significant changes include the introduction of the definition of a Body with management functions and the identification of the tasks it is responsible for, as well as aspects related to: the Director responsible for AML, the Function in charge of verifying compliance with current regulations on preventing money laundering and financing of terrorism; outsourcing activities; Groups. Analyses are currently being carried out on the new IVASS Measure intended to make to necessary regulatory and organisational adjustments to the Group Companies involved.

In the first half of 2024, 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 22 February 2024, the Italian Data Protection Authority approved the launch of a public consultation to acquire observations and proposals on the appropriateness of the retention period of the metadata generated and collected automatically by electronic mail transmission and routing protocols and related to operations to send, receive and route electronic mail messages. With the same measure, the Authority postponed the validity of the guideline "IT programmes and services for electronic mail management in the employment context and processing of metadata". The public consultation was attended by the DPO, alongside other Data Protection Officers of the main Italian banking institutes, with their own position paper. The public consultation proceedings concluded with the adoption, on 6 June 2024, of the new guideline "IT programmes and services for electronic mail management in the employment context and processing of metadata". This document addressed many topics in detail. For instance, the scope of objective application of the metadata involved was defined in greater detail (limited only to those generated by server systems managing and routing electronic mail); the recommended retention period for logs generated is 21 days, without prejudice to the possibility to extend this period in accordance with the principle of accountability of the data controller. Further assessments are under way of the extent of the operational impact of the measure described.

On 7 March 2024, the Italian Data Protection Authority accredited the Monitoring Body of the telemarketing and teleselling code of conduct previously approved on 9 March 2023. With the accreditation of the Monitoring Body, the Code of Conduct becomes fully operational. In relation to this code of conduct, there are no changes to the assessments made at the time and to the fact that, albeit recognising the value of the contents of the document, the Parent Company assessed that it was not necessary to following this specific code of conduct.

## Administrative liability of entities

During the reporting period, the first half of 2024, Legislative Decree no. 231/2001 was subject to the following legislative amendments:

- Law no. 206 of 27 December 2023, containing provisions for the valuation, promotion and protection of Made in Italy (entered into force on 11.01.2024). In the 231 context, the amendment introduced by Law 206, through the provision set out by art. 52 of the same, concerns, in particular, art. 517 of the Italian Criminal Code, referenced by art. 25-bis 1 of Legislative Decree 231/2001. The aforesaid change therefore had a 231 impact in the sense that it inserted another punishable conduct pursuant to art. 517 of the Italian Criminal Code. In particular, the offence now punishable pursuant to art. 517 of the Italian Criminal Code would be that related to keeping for sale of intellectual works or industrial products with national or foreign names, brands or distinguishing marks, intended to mislead the buyer of the origin, provenance or quality of the work or product. In the section dedicated to the protection of national manufactured products, Law 206/2023 also introduces measures to reinforce the specialised training of legal practitioners on preventing alteration of brand names and upgrading the investigation tools of Public Prosecutor's Offices. For example, in the case of investigations for alleged "Counterfeit of geographic indications or denominations of origin of agrifood products" set out by art. 517-*Quater* of the Italian Criminal Code (this too also contained in the catalogue of 231 offences), undercover operations are now permitted. The penalty envisaged for this predicate offence is a fine up to 500 penalty units.



In light of changes in the reference regulatory context, broadly described above, the competent structures of the Parent Company carried out a preliminary analysis of the risks associated with the specific offence as amended by the aforesaid provisions, finding that, at present, the amendment did not entail any need to update the Cassa Centrale Banca Model.

- Law no. 6/2024 in force from 8 February 2024 containing sanctioning provisions on destruction, dispersion, deterioration, depletion, defacing and illicit use of cultural goods or landscapes and amendments to articles 518-*duodecies*, 635 and 639 of the Italian Criminal Code. This Law intervenes on one of the predicate offences indicated in art. 25-*septiesdecies* of Legislative Decree no. 231/2001, namely the “Destruction, dispersion, deterioration, depletion, defacing and illicit use of cultural goods or landscapes” pursuant to art. 518-*duodecies* of the Italian Criminal Code in order to circumscribe its criminal liability. In particular, the new formulation states, in the first paragraph of the regulation, the parenthetical element “where applicable”, thus limiting the criminal liability of those that render the goods in question entirely or partially unusable in the cases in which usability is pre-established by law.

Overall, the Legislator intervenes to reinforce the protection of cultural heritage, adding to the penal framework already introduced by Law 22/2022, which had also expanded the Catalogue of 231 Offences, an additional framework of administrative sanctions for certain detrimental conduct to cultural goods.

Considering the regulatory scope of the amendment to art. 518-*duodecies* of the Italian Criminal Code, referenced by art. 25-*septiesdecies* of Decree 231/2001, it is believed that, resulting in an amendment with purely formal effects, in relation to what is already mapped out in the context of the Protocol on offences against cultural heritage, it is necessary to update the 231 Model, at the first available opportunity, by adding the parenthetical element “where applicable” in line with the amended regulatory provision.

- Decree Law no. 19/2024 containing additional urgent provisions for implementation of the National Recovery and Resilience Plan (NRRP). On 2 March 2024, the Italian Legislator intervened once again to supplement the regulation with another paragraph, on the offence set out by art. 512-*bis* of the Italian Criminal Code (Fraudulent transfer of values) already belonging to the catalogue of predicate offences set out by Legislative Decree no. 231/2001 since last October. In particular, art. 3 of Decree Law (DL) no. 19/2024 extends the scope of application of the case, decreeing the criminal liability of the conduct of fictitious assignment of company positions, shares or units if intended to circumvent the rules on anti-mafia documentation.

In relation to the offence set out by art. 512-*bis* of the Italian Criminal Code, analyses are ongoing to assess the related impacts on the Group’s operations.

- In particular, with reference to the regulatory changes made with Law no. 137 of 9 October 2023, which (i) expanded 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 (ii) amended 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, the subject of the previous Report, it should be noted that analyses are ongoing to assess the related impacts on the Group’s operations.

## 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

### 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 2022. 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.

Cassa Centrale Banca also continued its adjustment plan in the first half of 2024, in addition to the coordination and alignment among the various functions involved, allowing for further cross-functional interdependencies to be addressed.

On 17 January 2024, the Regulatory Technical Standards (RTS) were published, which provided more information in relation to:

- the management of incidents with a new classification methodology for “*major incidents*” based on various criteria and different thresholds of severity;
- record-keeping and content of the register of information of third parties that offer ICT services and systems.

The next adjustment actions will be linked to the publication of the new RTS expected by 17 July 2024, relating, *inter alia*, to the procedure for reporting major incidents.

# 4. Operating performance of the Cassa Centrale Group

## 4.1 - Performance indicators of the Group

The main performance indicators for the period ended 30 June 2024 are shown below:

RATIOS	30/06/2024	31/12/2023	% change
<b>STRUCTURAL RATIOS</b>			
Loans to customers * / Total assets	54.1%	53.5%	1.1%
Direct funding / Total assets	81.3%	77.0%	5.6%
Net equity / Total assets	9.9%	9.2%	7.5%
Net loans / Direct funding from customers	66.5%	69.4%	(4.2%)
<b>PROFITABILITY INDICES</b>			
Net profit / Net equity (ROE)	13.3%	10.6%	25.3%
Net profit / Total assets (ROA)	1.3%	1.0%	34.7%
Cost / Income **	57.0%	60.8%	(6.2%)
Interest margin / Net interest and other banking interest	81.4%	84.5%	(3.7%)
Net fees and commissions / Net interest and other banking interest	26.2%	28.1%	(6.7%)
Net interest and other banking interest / Total assets	3.4%	3.2%	8.9%
<b>OPERATING EFFECTIVENESS INDICES</b>			
Operating costs / Traded volumes ***	1.0%	1.1%	(3.1%)
Traded volumes per employee (million) ****	13.5	13.2	1.8%

\* 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 (operating expenses, other provisions, other operating expenses/income) 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 in the first half of 2024.

With regard to structural ratios, loans to customers represent 54.1% 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 2023.

Direct funding from customers remained the Group's main source of funding, accounting for 81.3% of total assets, an increase compared to the end of 2023.

In light of the change in lending activities, the ratio of net loans to direct funding from customers at 30 June 2024 confirms the Cassa Centrale Group's high degree of liquidity, at 66.5%, a slight decrease on the figure at the end of 2023.

With reference to profitability ratios, the ROE, calculated as the ratio of annualised profit for the period to equity, is 13.3%, while the ROA, calculated as the ratio of annualised net profit to the financial statements total, is around 1.3%.

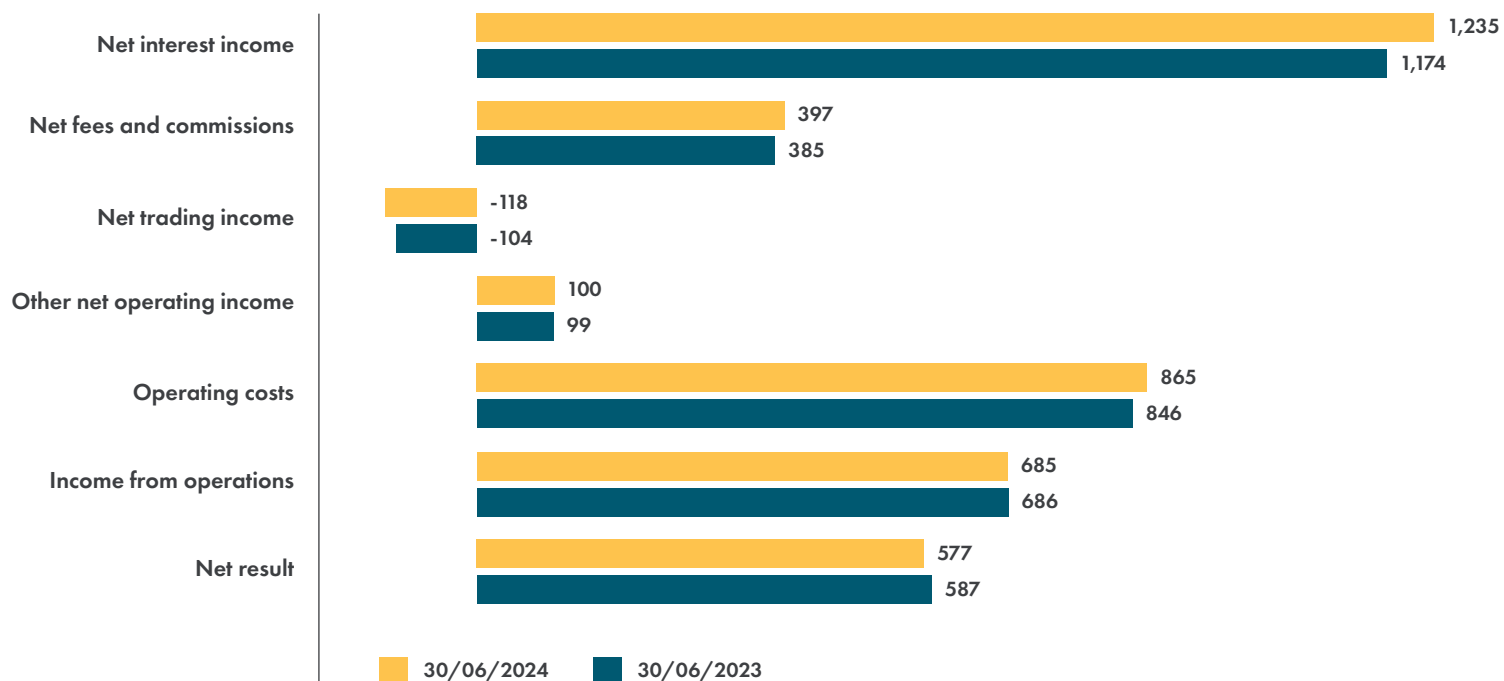
Productivity, measured through the index of traded volumes per employee, grew by 1.8% compared to the end of 2023, amounting to EUR 13.5 million and confirming the path undertaken by the Cooperative Banking Group to progressive increase industrial efficiency. The impact of operating costs on volumes traded was down slightly on the figure at the end of 2023, equal to 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.

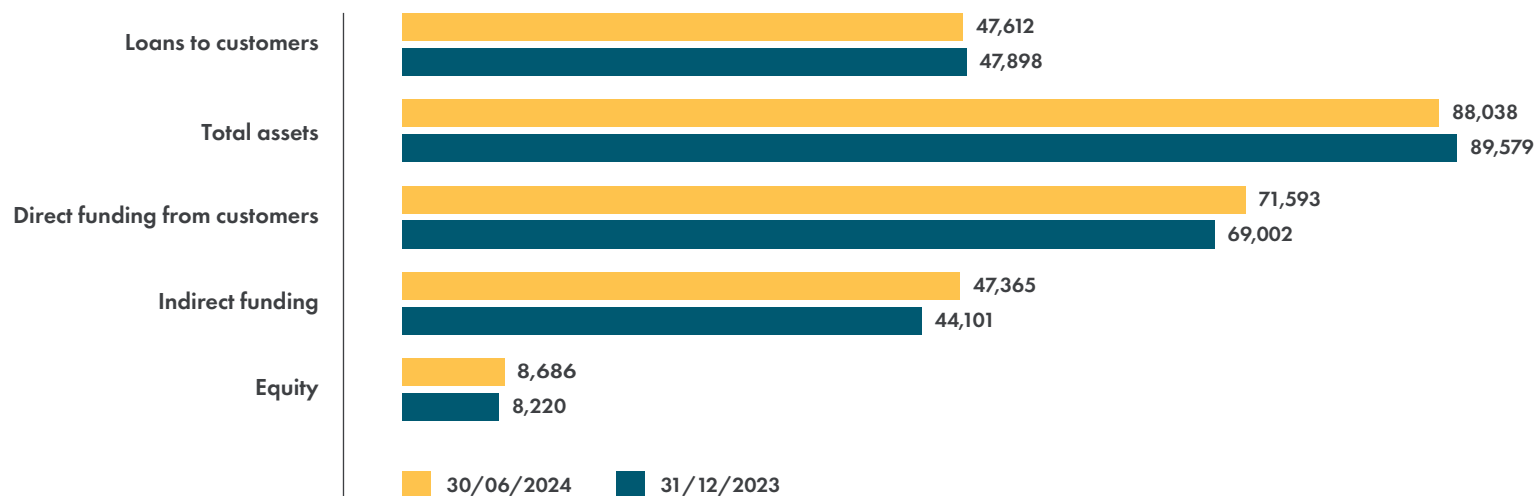
## 4.2 - Summary of results

A graphic representation of the results of the main items in the income statement and balance sheet is provided below. 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<sup>4</sup>

(Figures in millions of euro)	30/06/2024	30/06/2023	Change	% change
<b>Net interest income</b>	<b>1,235</b>	<b>1,174</b>	<b>61</b>	<b>5.2%</b>
Net fees and commissions	397	385	12	3.1%
Dividends	3	3	-	0.0%
Profits (Losses) on trading**	(118)	(104)	(14)	13.5%
<b>Net interest and other banking income</b>	<b>1,517</b>	<b>1,458</b>	<b>59</b>	<b>4.0%</b>
Net value adjustments/write-backs	35	73	(38)	(52.1%)
<b>Income from financial activities</b>	<b>1,552</b>	<b>1,531</b>	<b>21</b>	<b>1.4%</b>
Operating expenses*	(976)	(942)	(34)	3.6%
Net allocations to provisions for risks and expenses	14	-	14	100.0%
Other income (expenses)	97	96	1	1.0%
Profit (loss) from disposal of investments and equity investments	(2)	1	(3)	n.s.
<b>Gross current result</b>	<b>685</b>	<b>686</b>	<b>(1)</b>	<b>(0.1%)</b>
Income tax	(108)	(99)	(9)	9.1%
<b>Net income of the Parent Company</b>	<b>577</b>	<b>587</b>	<b>(10)</b>	<b>(1.7%)</b>

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

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

As at 30 June 2024, the net interest and other banking income of the Cassa Centrale Group stood at EUR 1.5 billion, up by EUR 59 million compared to June 2023. 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 397 million (26.2% of the net interest and other banking income), confirming the growing focus of the Cassa Centrale Group on the development of the service margin.

Profit (Losses) on trading were negative for EUR -118 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.

<sup>4</sup> 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, 7<sup>th</sup> Update.

In the first half of 2024, write-backs totalled EUR 35 million. Total allocation for impaired loans hovered at around 82%, confirming the constant credit risk monitoring.

The change in operating expenses, up on the same period in 2023 (+3.6%), mainly reflects the dynamic in staff expenses, as shown in the following paragraphs.

Profit before tax amounted to EUR 685 million, in line with the previous financial year (-0.1%), with the net profit pertaining to the Parent Company standing at EUR 577 million.

## Net interest income

(Figures in millions of euro)	30/06/2024	30/06/2023	Change	% change
Financial assets measured at amortised cost not comprising loans	307	386	(79)	(20.5%)
Other financial assets and liabilities measured at FVTPL	1	1	-	0.0%
Other financial assets measured at FVOCI	162	129	33	25.6%
<b>Financial instruments</b>	<b>470</b>	<b>516</b>	<b>(46)</b>	<b>(8.9%)</b>
Net interest to customers (loans)	847	839	8	1.0%
Debt securities in issue	(99)	(45)	(54)	n.s.
<b>Customer relations</b>	<b>748</b>	<b>794</b>	<b>(46)</b>	<b>(5.8%)</b>
<b>Net interest to banks</b>	<b>(43)</b>	<b>(177)</b>	<b>134</b>	<b>(75.7%)</b>
<b>Differentials on hedging derivatives</b>	<b>11</b>	<b>6</b>	<b>5</b>	<b>83.3%</b>
<b>Other net interest</b>	<b>49</b>	<b>35</b>	<b>14</b>	<b>40.0%</b>
<b>Total net interest income</b>	<b>1,235</b>	<b>1,174</b>	<b>61</b>	<b>5.2%</b>

The net interest income at 30 June 2024 stood at nearly EUR 1.2 billion, posting an increase of +5.2% (EUR +61 million) compared to the same period in the previous year.

This dynamic is mainly linked to the contribution of lending, totalling EUR 748 million (EUR -46 million compared to the comparable six-month period), 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 470 million (EUR -46 million compared to the first half of 2023). In the interbank sector, negative interest was recorded for a total of EUR -43 million, a sharp reduction compared to the same period in 2023 as a result of the gradual extinguishment of ECB refinancing operations.

## Net fees and commissions

(Figures in millions of euro)	30/06/2024	30/06/2023	Change	% change
<b>Fees and commissions income</b>	<b>478</b>	<b>447</b>	<b>31</b>	<b>6.9%</b>
Financial instruments	80	70	10	14.3%
Management of collective portfolios	40	36	4	11.1%
Custody and administration	3	3	-	0.0%
Payment services	215	199	16	8.0%
Breakdown of third party services	51	49	2	4.1%
Financial guarantees given	8	8	-	0.0%
Financing transactions	60	59	1	1.7%
Foreign currency trading	1	1	-	0.0%
Other fees and commissions income	20	22	(2)	(9.1%)
<b>Fees and commissions expenses</b>	<b>(81)</b>	<b>(62)</b>	<b>(19)</b>	<b>30.6%</b>
Financial instruments	(12)	(6)	(6)	100.0%
Custody and administration	(9)	(9)	-	0.0%
Collection and payment services	(48)	(39)	(9)	23.1%
Out-of-branch offer of financial instruments, products and services	(4)	(4)	-	0.0%
Other fees and commissions expenses	(8)	(4)	(4)	100.0%
<b>Total net fees and commissions</b>	<b>397</b>	<b>385</b>	<b>12</b>	<b>3.1%</b>

Net fees and commissions at 30 June 2024 stood at EUR 397 million, a +3.1% increase on the same period in the previous year, in line with the Group's strategy to consolidate this revenue item.

Comparison with 2023 shows a growing contribution of the Payment Systems and Finance and Bancassurance 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)	30/06/2024	30/06/2023	Change	% change
Financial assets and liabilities held for trading	9	(1)	10	n.s.
- <i>Derivative instruments</i>	7	(3)	10	n.s.
- <i>Other</i>	2	2	-	0.0%
Net income from the sale of financial assets and liabilities	(129)	(107)	(22)	20.6%
Net result from hedging	-	2	(2)	(100.0%)
Dividends and similar income	3	3	-	0.0%
Net change in value of other financial assets and liabilities	2	2	-	0.0%
<b>Total net result from financial operations</b>	<b>(115)</b>	<b>(101)</b>	<b>(14)</b>	<b>13.9%</b>

The net result from financial operations at June 2024 amounted to EUR -115 million, down from the same period in the previous year (EUR -14 million). This change is mainly attributable to the repositioning of the proprietary portfolio described above.

## Operating costs

(Figures in millions of euro)	30/06/2024	30/06/2023	Change	% change
Administrative expenses	(915)	(883)	(32)	3.6%
- <i>Staff expenses</i>	(526)	(479)	(47)	9.8%
- <i>Other administrative expenses</i>	(389)	(404)	15	(3.7%)
Operating amortisation/depreciation	(61)	(59)	(2)	3.4%
<b>Total operating expenses</b>	<b>(976)</b>	<b>(942)</b>	<b>(34)</b>	<b>3.6%</b>
Other provisions (excluding credit risk adjustments)	14	-	14	0.0%
- <i>of which on commitments and guarantees</i>	9	2	7	350.0%
Other operating expenses/income	97	96	1	1.0%
<b>Total operating costs</b>	<b>(865)</b>	<b>(846)</b>	<b>(19)</b>	<b>2.2%</b>

Operating costs amounted to EUR 865 million, up by EUR 19 million (+2.2%) compared to June 2023.

Staff expenses of EUR 526 million increased by EUR 47 million compared to the comparative period. The increase in the item is mainly attributable to Salaries and Wages, which includes the accounting of the "one-off" component envisaged by the new CCNL of cooperative credit employees equal to approximately EUR 16 million.

The Group recorded a decrease in other administrative expenses of EUR 15 million compared to the comparative period. The decrease is mainly concentrated in the Group's Affiliated Banks and is attributable to the failure to request contribution to the Single Resolution Fund (SFR) for financial year 2024 due to achievement of the target level of available financial means at 31 December 2023, which had been equal to approximately EUR 21 million at 30 June 2023. Furthermore, contributions to DGS (Deposit Guarantee Schemes) also fell from approximately EUR 52 million in June 2023 to approximately EUR 35 million in June 2024.

Depreciation/amortisation, amounting to EUR 61 million, was slightly higher than the figure from 2023 (+3.4%), while other operating expenses/income amounted to EUR 97 million, in line with 2023 (+1.0%).

In June 2024, the overall Cost/Income, calculated as the ratio of operating costs to net interest and other banking income, stood at 57%, while the Group's Primary Cost/Income net of extraordinary and non-recurring items, stood at 53%, down compared to the first half of 2023.

## Net value adjustments/write-backs to financial assets

(Figures in millions of euro)	30/06/2024	30/06/2023	Change	% change
Loans to customers	35	71	(36)	(50.7%)
- of which write-offs	(1)	(2)	1	(50.0%)
Loans to banks	1	2	(1)	(50.0%)
Contractual changes without derecognitions	(1)	-	(1)	100.0%
<b>(Net value adjustments)/write-backs</b>	<b>35</b>	<b>73</b>	<b>(38)</b>	<b>(52.1%)</b>

In June 2024, net write-backs totalled EUR 35 million. The Group's average coverage on impaired loans stood at around 82%, as proof of the Group's close attention to monitoring credit risk.

## 4.4 - Financial position aggregates

### Reclassified Consolidated balance sheet<sup>5</sup>

(Figures in millions of euro)	30/06/2024	31/12/2023	Change	% change
Cash and cash equivalents	520	579	(59)	(10.2%)
Exposures to banks	1,008	911	97	10.6%
Exposures to customers	47,612	47,898	(286)	(0.6%)
- of which at fair value	109	126	(17)	(13.5%)
Financial assets	34,358	35,575	(1,217)	(3.4%)
Equity investments	53	54	(1)	(1.9%)
Tangible and intangible assets	1,322	1,306	16	1.2%
Tax assets	507	585	(78)	(13.3%)
Other asset items	2,658	2,671	(13)	(0.5%)
<b>Total assets</b>	<b>88,038</b>	<b>89,579</b>	<b>(1,541)</b>	<b>(1.7%)</b>
Due to banks	5,689	10,216	(4,527)	(44.3%)
Direct funding	71,593	69,002	2,591	3.8%
- Due to customers	64,924	63,299	1,625	2.6%
- Debt securities in issue	6,669	5,703	966	16.9%
Other financial liabilities	6	9	(3)	(33.3%)
Provisions (Risks, expenses and personnel)	515	522	(7)	(1.3%)
Tax liabilities	37	49	(12)	(24.5%)
Other liability items	1,512	1,561	(49)	(3.1%)
<b>Total liabilities</b>	<b>79,352</b>	<b>81,359</b>	<b>(2,007)</b>	<b>(2.5%)</b>
Group equity	8,686	8,220	466	5.7%
<b>Consolidated equity</b>	<b>8,686</b>	<b>8,220</b>	<b>466</b>	<b>5.7%</b>
<b>Total liabilities and equity</b>	<b>88,038</b>	<b>89,579</b>	<b>(1,541)</b>	<b>(1.7%)</b>

<sup>5</sup> 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, 8<sup>th</sup> update.

As at 30 June 2024, the Cassa Centrale Group's assets amounted to approximately EUR 88 billion (-1.7% compared to EUR 89.6 billion at December 2023) and consisted mainly of exposures to customers, which included loans measured at amortised cost and at fair value totalling EUR 47.6 billion, equal to 54.1% of total assets. Financial assets were down compared to the end of 2023, with loans to banks at EUR 1 billion, up compared to the end of the previous financial year, and the securities portfolio was affected by the gradual repayment of the ECB refinancing operations.

Liabilities are mainly made up of direct funding from customers which in June 2024 stood at EUR 71.6 billion (+3.8% compared to EUR 69 billion in December 2023) and whose details are shown in the following table. Amounts due to banks, equal to EUR 5.7 billion, were significantly down compared to the figure at the end of the previous year (EUR -4.5 billion), and mainly refer to refinancing operations through the Eurosystem. Group equity was EUR 8.7 billion, including the profits made in the previous period.

## Total customer funding

(Figures in millions of euro)	30/06/2024	% impact	31/12/2023	Change	% change
Current accounts and deposits on demand	58,234	81.3%	57,588	646	1.1%
Fixed-term deposits	4,240	5.9%	3,049	1,191	39.1%
Repos and securities lending	1,621	2.3%	1,861	(240)	(12.9%)
Bonds	916	1.3%	956	(40)	(4.2%)
Other funding	6,582	9.2%	5,548	1,034	18.6%
<b>Direct funding</b>	<b>71,593</b>	<b>100.0%</b>	<b>69,002</b>	<b>2,591</b>	<b>3.8%</b>

The total amount of direct funding from customers of the Cassa Centrale Group is EUR 71.6 billion, recording a 3.8% increase (EUR +2.6 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 58.2 billion, slightly up compared to December 2023 (+1.1%).

Fixed-term funding, in the form of deposits, repos and bonds, amounted to EUR 6.8 billion, equal to 9.5% of total direct funding volumes, up compared to the previous year (EUR +911 million). At June 2024, repos include refinancing transactions on the market with the counterparty Cassa di Compensazione e Garanzia for a total of EUR 1.3 billion (compared to EUR 1.6 million in December 2023). The bonds product includes the Group's eligible MREL issue, for a nominal value of EUR 700 million.

(Figures in millions of euro)	30/06/2024	% impact	31/12/2023	Change	% change
<b>Assets under management</b>	<b>26,847</b>	<b>56.7%</b>	<b>25,235</b>	<b>1,612</b>	<b>6.4%</b>
Mutual funds and SICAVs	8,604	18.2%	8,092	512	6.3%
Asset management	10,068	21.3%	9,155	913	10.0%
Banking-insurance products	8,175	17.3%	7,988	187	2.3%
<b>Assets under administration</b>	<b>20,518</b>	<b>43.3%</b>	<b>18,865</b>	<b>1,653</b>	<b>8.8%</b>
Bonds	17,834	37.7%	16,435	1,399	8.5%
Shares	2,684	5.7%	2,430	254	10.5%
<b>Indirect funding*</b>	<b>47,365</b>	<b>100.0%</b>	<b>44,100</b>	<b>3,265</b>	<b>7.4%</b>

\* Indirect funding is expressed at market values.

Indirect funding of the Cassa Centrale Group, valued on the market, amounted to EUR 47.4 billion in June 2024 (+7.4% compared to the end of December 2023), 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 26.9 billion, an increase on the comparative period (+6.4%). The incidence of the AUM segment on total indirect funding is 56%. The Bancassurance segment, life, investments and pensions continued the growth trend of traded volumes (+2.3% compared to the end of 2023).

Assets under administration amounted to EUR 20.5 billion in the first half of 2024, up by 8.8% compared to December 2023, driven both by the bond sector (+8.5%) and equity (+10.5%).

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	30/06/2024	31/12/2023
Direct funding	60.2%	61.0%
Indirect funding	39.8%	39.0%

The Group's total funding, consisting of total assets under administration on behalf of customers, amounted to EUR 119 billion as at 30 June 2024 and consisted of 60.2% of direct funding with the remaining 39.8% represented by indirect funding. The managed assets component accounts for 23% of total volumes.

## Net loans to customers

(Figures in millions of euro)	30/06/2024	% impact	31/12/2023	Change	% change
<b>Loans at amortised cost</b>	<b>47,503</b>	<b>99.8%</b>	<b>47,772</b>	<b>(269)</b>	<b>(0.6%)</b>
Mortgage loans	37,912	79.6%	37,950	(38)	(0.1%)
- of which adjustment for macro-hedging	(91)	n.s.	(79)	(12)	15.2%
Current accounts	3,387	7.1%	3,726	(339)	(9.1%)
Other loans	3,745	7.9%	3,757	(12)	(0.3%)
Finance leases	855	1.8%	827	28	3.4%
Credit cards, personal loans and salary-backed loans	1,209	2.5%	1,185	24	2.0%
Impaired assets	395	0.8%	327	68	20.8%
<b>Loans at fair value</b>	<b>109</b>	<b>0.2%</b>	<b>126</b>	<b>(17)</b>	<b>(13.5%)</b>
<b>Total net loans to customers</b>	<b>47,612</b>	<b>100.0%</b>	<b>47,898</b>	<b>(286)</b>	<b>(0.6%)</b>

In June 2024 the Group's net loans to customers amounted to EUR 47.6 billion. Almost all of these are loans at amortised cost, amounting to EUR 47.5 billion, substantially in line (-0.6%) with December 2023. The aggregate consisted mainly of mortgages, which amounted to EUR 38.0 billion and accounted for 79.6% of total loans to customers, current accounts amounting to EUR 3.4 billion and other loans amounting to EUR 3.7 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. There was a slight increase in impaired assets, which at June 2024 stood at EUR 395 million (EUR +68 million compared to the end of 2023).

## 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 below.

## Customer loans

(Figures in millions of euro)	30/06/2024			
	Gross exposure	Writedowns	Net exposure	Coverage
<b>Impaired exposures at amortised cost</b>	<b>2,138</b>	<b>(1,743)</b>	<b>395</b>	<b>81.5%</b>
Non-performing	680	(622)	58	91.5%
Unlikely to pay	1,373	(1,085)	288	79.0%
Overdue/past due	85	(36)	49	42.4%
- of which forborne	910	(781)	129	85.8%
<b>Performing exposures at amortised cost</b>	<b>47,858</b>	<b>(659)</b>	<b>47,199</b>	<b>1.4%</b>
- of which forborne	699	(89)	610	12.7%
<b>Total customer loans at amortised cost</b>	<b>49,996</b>	<b>(2,402)</b>	<b>47,594</b>	<b>4.8%</b>
<b>Adjustment of the assets subject to macro-hedging</b>	<b>(91)</b>	<b>-</b>	<b>(91)</b>	<b>0.0%</b>
<b>Impaired exposures at fair value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Performing exposures at fair value</b>	<b>109</b>	<b>-</b>	<b>109</b>	<b>0.0%</b>
<b>Total customer loans</b>	<b>50,014</b>	<b>(2,402)</b>	<b>47,612</b>	<b>4.8%</b>

At June 2024, the Group had net loans to customers of EUR 47.6 billion, compared to a gross exposure of EUR 50.0 billion, and adjustment provisions totaling EUR 2.4 billion, allowing for an average portfolio coverage of 4.8%.

Net performing loans at the end of the first half 2024 amounted to EUR 47.3 billion and accounted for 99.4% of total loans, while net impaired loans, amounting to EUR 395 million, accounted for 0.8%. 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 June 2024 non-performing positions amounting to EUR 58 million written down by a total of EUR 622 million, and unlikely to pay amounting to EUR 288 million with value adjustments of EUR 1.1 billion, and overdue/past due for EUR 49 million with adjustments for EUR 36 million. Within impaired exposures, which are transversal to the degree of risk, there are forborne exposures of EUR 129 million, equal to 0.3% of total loans, a decrease of EUR 4 million compared to December 2023.

Performing loans, as at June 2024, show value adjustments of EUR 659 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 610 million (1.3% of net loans), with a coverage ratio of 12.7% (12.5% as at December 2023).

The provisions for performing loans, together with the significant coverage of non-performing and unlikely to pay positions, which stood at 91.5% and 79.0% respectively (compared to 93.8% and 82.6% in December 2024), 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)	31/12/2023			
	Gross exposure	Writedowns	Net exposure	Coverage
<b>Impaired exposures at amortised cost</b>	<b>2,150</b>	<b>(1,823)</b>	<b>327</b>	<b>84.8%</b>
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)	125	86.8%
<b>Performing exposures at amortised cost</b>	<b>48,200</b>	<b>(676)</b>	<b>47,524</b>	<b>1.4%</b>
- of which forborne	727	(91)	636	12.5%
<b>Total customer loans at amortised cost</b>	<b>50,350</b>	<b>(2,499)</b>	<b>47,851</b>	<b>5.0%</b>
<b>Adjustment of the assets subject to macro-hedging</b>	<b>(79)</b>	<b>-</b>	<b>(79)</b>	<b>0.0%</b>
<b>Impaired exposures at fair value</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Performing exposures at fair value</b>	<b>126</b>	<b>-</b>	<b>126</b>	<b>0.0%</b>
<b>Total customer loans</b>	<b>50,397</b>	<b>(2,499)</b>	<b>47,898</b>	<b>5.0%</b>

The table below shows the main credit risk management indicators<sup>6</sup>.

RISK MANAGEMENT RATIOS	30/06/2024	31/12/2023	Change
NPL ratio	4.2%	4.2%	0.0%
NPL coverage	81.5%	84.8%	(3.3%)
Texas ratio	20.5%	21.4%	(0.9%)

The NPL ratio as at 30 June 2024 was in line with the figure from December 2023, at 4.2%. This value 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 records a level of NPL coverage of 81.5%, a value much higher than the national and European average, despite the slight drop compared to the end of December 2023.

<sup>6</sup> 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).



The active management of impaired loans and their progressive reduction is reflected positively in the Group's Texas ratio, which in June 2024 stood at 20.5% (21.4% at the end of 2023). The cost of risk<sup>7</sup> of the loan portfolio amounts to 15 bps.

## Breakdown of the loan portfolio by sector of economic activity

(figures in millions of euro)

ECONOMIC SECTOR	30/06/2024		
	Gross exposure	Value adjustments	Net exposure
Central Governments	307	(1)	306
Financial and insurance companies	581	(13)	568
Non-financial corporations	23,613	(1,529)	22,084
Consumer households and other non-classifiable businesses	25,513	(859)	24,654
<b>TOTAL</b>	<b>50,014</b>	<b>(2,402)</b>	<b>47,612</b>

(figures in millions of euro)

ECONOMIC SECTOR	31/12/2023		
	Gross exposure	Value adjustments	Net exposure
Central Governments	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
<b>TOTAL</b>	<b>50,397</b>	<b>(2,499)</b>	<b>47,898</b>

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 47.2% of net exposures to customers, respectively.

<sup>7</sup> The Cost of risk index is determined as the ratio between net adjustments and write-backs for credit risk and net customer loans.

## Composition of financial instruments

(Figures in millions of euro)	30/06/2024	31/12/2023	Change	% change
<b>SECURITIES PORTFOLIO</b>				
Trading book assets (FVTPL)	130	163	(33)	(20.3%)
Financial liabilities	(1)	(1)	-	0.0%
Banking book assets (FVOCI)	11,015	11,050	(35)	(0.3%)
Financial fixed assets excluding loans (AC)	23,110	24,273	(1,163)	(4.8%)
<b>Total securities portfolio</b>	<b>34,254</b>	<b>35,485</b>	<b>(1,231)</b>	<b>(3.5%)</b>
<b>DERIVATIVES PORTFOLIO</b>				
Trading assets (FVTPL)	8	5	3	60.0%
Trading liabilities (FVTPL)	(3)	(4)	1	(25.0%)
<b>Total derivatives portfolio</b>	<b>5</b>	<b>1</b>	<b>4</b>	<b>n.s.</b>
<b>TOTAL FINANCIAL INSTRUMENTS</b>	<b>34,259</b>	<b>35,486</b>	<b>(1,227)</b>	<b>(3.5%)</b>

As at 30 June 2024, the portfolio owned by the Group amounted to EUR 34.2 billion, slightly down compared to December 2023 (EUR -1.3 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 23.1 billion) showed a EUR 1.2 billion decrease compared to the previous financial year, while banking book assets (FVOCI) remained substantially unchanged at around EUR 11.0 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)	30/06/2024	31/12/2023	Change	% change
<b>Debt securities</b>	<b>34,007</b>	<b>35,203</b>	<b>(1,196)</b>	<b>(3.4%)</b>
- Obligorily measured at fair value (FVTPL)	8	7	1	14.3%
- Measured at fair value through other comprehensive income (FVOCI)	10,889	10,923	(34)	(0.3%)
- Measured at amortised cost (AC)	23,110	24,273	(1,163)	(4.8%)
<b>Equity securities</b>	<b>143</b>	<b>146</b>	<b>(3)</b>	<b>(2.1%)</b>
- Obligorily measured at fair value (FVTPL)	17	19	(2)	(10.5%)
- Measured at fair value through other comprehensive income (FVOCI)	126	127	(1)	(0.8%)
<b>UCITS units</b>	<b>105</b>	<b>137</b>	<b>(32)</b>	<b>(23.4%)</b>
- Obligorily measured at fair value (FVTPL)	105	137	(32)	(23.4%)
<b>Total financial assets</b>	<b>34,255</b>	<b>35,486</b>	<b>(1,231)</b>	<b>(3.5%)</b>

At 30 June 2024, the Group's financial assets were nearly entirely formed of debt securities (99.3%). 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)	30/06/2024	31/12/2023	Change	% change
Loans to central banks	730	577	153	26.5%
Loans to other banks	278	334	(56)	(16.8%)
- Current accounts and deposits on demand	136	151	(15)	(9.9%)
- Fixed-term deposits	18	10	8	80.0%
- Other loans	124	173	(49)	(28.3%)
<b>Total loans (A)</b>	<b>1,008</b>	<b>911</b>	<b>97</b>	<b>10.6%</b>
Due to central banks	(5,115)	(9,708)	4,593	(47.3%)
Due to other banks	(574)	(508)	(66)	13.0%
- Current accounts and deposits on demand	(380)	(342)	(38)	11.1%
- Fixed-term deposits	(36)	(32)	(4)	12.5%
- Repos	(144)	(120)	(24)	20.0%
- Other loans	(14)	(14)	-	0.0%
<b>Total payables (B)</b>	<b>(5,689)</b>	<b>(10,216)</b>	<b>4,527</b>	<b>(44.3%)</b>
<b>NET FINANCIAL POSITION (A-B)</b>	<b>(4,681)</b>	<b>(9,305)</b>	<b>4,624</b>	<b>(49.7%)</b>

In June 2024, total loans to banks amounted to EUR 1.0 billion, an increase compared to the end of the previous year (EUR +97 million). This figure mainly reflects the liquidity held on the ECB target account, amounting to EUR 657 million. Interbank funding of EUR 5.7 billion was significantly down by EUR -4.5 billion compared to the previous period, as a result of the repayment of the ECB refinancing operations.

Eurosysteem refinancing operations in June 2024 amounted to a total of around EUR 5.1 billion, down sharply on the EUR 9.7 billion in 2023.

## Fixed assets

(Figures in millions of euro)	30/06/2024	31/12/2023	Change	% change
Equity investments	53	54	(1)	(1.9%)
Goodwill	27	27	-	0.0%
Tangible	1,225	1,222	3	0.2%
Intangible	70	57	13	22.8%
<b>Total fixed assets</b>	<b>1,375</b>	<b>1,360</b>	<b>15</b>	<b>1.1%</b>

Fixed assets as at 30 June 2024 amounted to EUR 1.4 billion (+1.1% compared to December 2023) 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)	30/06/2024	31/12/2023	Change	% change
Share capital	1,277	1,271	6	0.5%
Own shares (-)	(868)	(868)	-	0.0%
Share premium	77	76	1	1.3%
Reserves	7,662	6,889	773	11.2%
Valuation reserves	(40)	(20)	(20)	100.0%
Equity instruments	1	1	-	0.0%
Profit (loss) for the year	577	871	(294)	(33.8%)
<b>Group equity</b>	<b>8,686</b>	<b>8,220</b>	<b>466</b>	<b>5.7%</b>
<b>Consolidated equity</b>	<b>8,686</b>	<b>8,220</b>	<b>466</b>	<b>5.7%</b>

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

(Figures in millions of euro)	Equity	Result for the period
Accounting balances of the Parent Company	1,212	38
Effect of the consolidation of subsidiaries	7,378	591
Effect of the measurement of associates using the equity method	64	(1)
Reversal of write-downs of equity investments and recognition of goodwill impairment	(26)	1
Elimination of dividends received from subsidiaries and associates		(57)
Other consolidation adjustments	58	5
<b>Balances as per the consolidated financial statements</b>	<b>8,686</b>	<b>577</b>

## 4.6 - Own funds and capital adequacy

### Own funds and capital ratios

(Figures in millions of euro)	30/06/2024	31/12/2023
Common Equity Tier 1 capital - CET1	8,527	8,114
Tier 1 capital - TIER 1	8,528	8,115
Total own funds - Total Capital	8,528	8,115
Total risk-weighted assets	32,695	33,001
CET1 Capital ratio (Common equity Tier 1 capital/Total risk-weighted assets)	26.08%	24.59%
Tier 1 Capital ratio (Tier 1 capital/Total risk-weighted assets)	26.08%	24.59%
Total Capital Ratio (Total own funds / Total risk-weighted assets)	26.08%	24.59%

## Risk Weighted Assets

(Figures in millions of euro)	30/06/2024	31/12/2023	Change	% change
Credit and counterparty risk	27,159	27,549	(390)	(1.4%)
Credit valuation adjustment risk	38	35	3	8.6%
Market risk	154	73	81	n.s.
Operational risk	5,344	5,344	0	0.0%
<b>Total RWA</b>	<b>32,695</b>	<b>33,001</b>	<b>(306)</b>	<b>(0.9%)</b>

Own funds, risk-weighted assets and solvency ratios at 30 June 2024 were determined on the basis of the prudential regulations applied to investment banks and companies and contained in Directive (EU) 2013/36 (CRD IV) and in Regulation (EU) 575/2013 (CRR) of 26 June 2013, as amended by Directive (EU) 2019/878 (CRD V) and by Regulation (EU) 2019/876 (CRR II), respectively.

## Own funds

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 30 June 2024, 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 for the current year after application of the aforesaid regime, in the amount of 25%.

At 30 June 2024, in line with previous periods, own funds also took account of the deduction made following the authorisation received from the ECB to reduce own funds instruments for a predefined amount through the repurchase or repayment of Common Equity Tier 1 capital instruments.

Own funds also took account of the applicable amount, subject to deduction from CET1, correlated to the minimum loss coverage (MLC) on impaired exposures, on the basis of the provisions of Regulation (EU) no. 680/2019.

At 30 June 2024, the CET1, determined in accordance with the aforementioned standards and references, stood at EUR 8,527 million. Tier 1 amounted to EUR 8,528 million.

Own funds therefore amounted to EUR 8,528 million. Of the latter, CET1, which nearly accounts for the total (99.99 % of the total), has increased compared to the end of 2023 by a total of EUR 413 million (+5.09%) due to the algebraic sum of the performance of several of its constituent main items. In particular:

- the increase in reserves (EUR +527 million), mainly attributable to the interim profit as at 30 June 2024 included in CET1 (EUR +529 million), following the authorisation granted by the ECB on 8 August 2024, net of the decrease in OCI Reserves (EUR -20 million);
- the decrease in the IFRS 9 transitional regime component (EUR - 89 million) arising mainly from the lower contribution of the dynamic component (from 50% to 25%);
- changes in other items of CET1 were marginal.

The other two Own Fund aggregates, the Additional Tier 1 and Additional Tier 2 components recorded no changes in the period compared to 31 December 2023.

## Risk-weighted assets

Risk-weighted assets at 30 June 2024 amounted to EUR 32,695 million, down 0.93% compared to the figure as at 31 December 2023 (EUR 33,001 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.

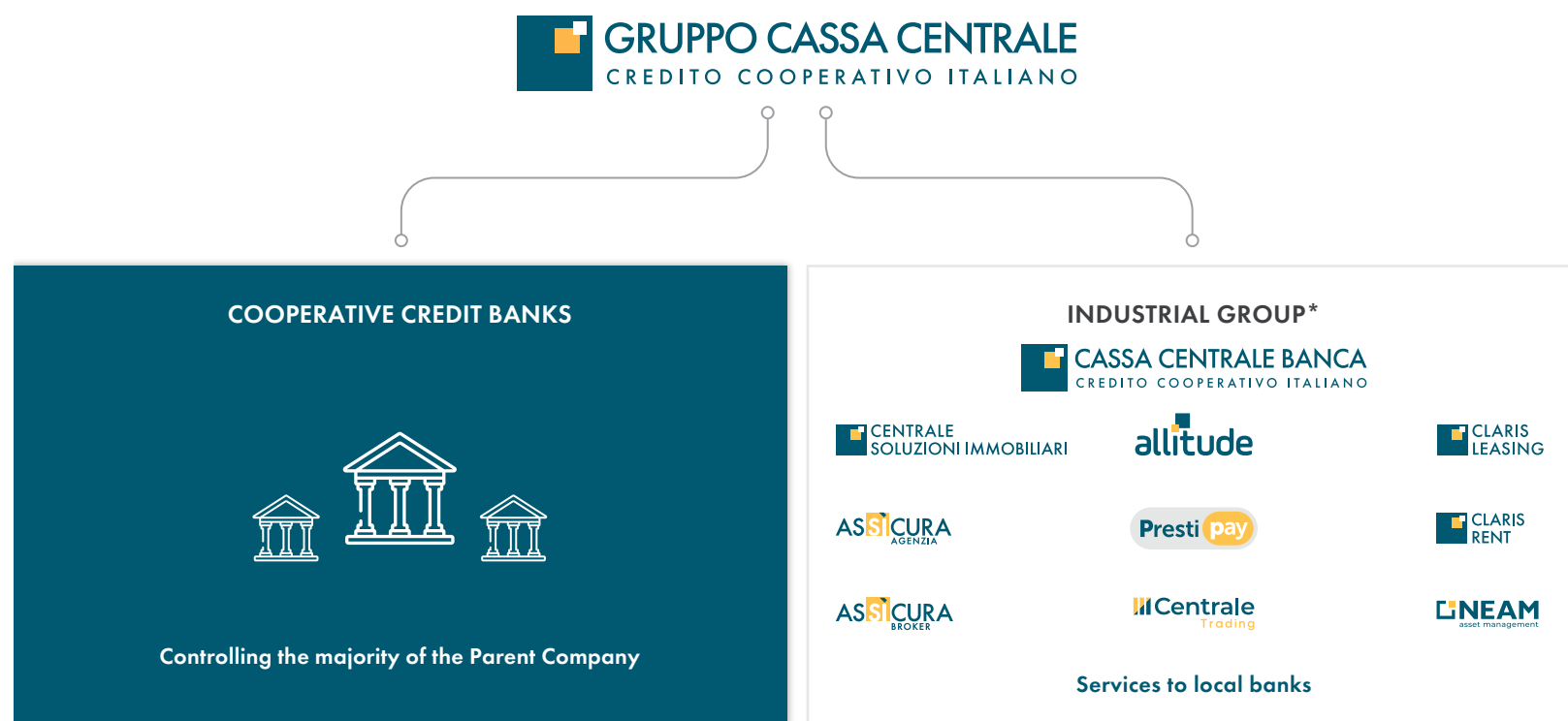
## Solvency ratios

As for the solvency ratios, the CET1 capital ratio stood at 26.08% (24.59% in December 2023), the Tier 1 capital ratio was 26.08 % (24.59% in December 2023) and the total capital ratio was 26.08% (24.59% in December 2023). 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 8,451 million and the related fully loaded CET1 capital ratio is 25.91%; fully loaded Tier 1 capital amounted to EUR 8,451 million and the related fully loaded Tier 1 capital ratio is 25.91%; and finally, Total capital fully loaded amounted to EUR 8,451 million and the related fully loaded Total Capital ratio was 25.91%.

# 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	30/06/2024					Total 30/06/2024	Total 31/12/2023	Change	% change
	Trentino- Alto Adige	North East	North West	Central	South and the Islands				
Gross customer loans	10,128	10,715	10,548	10,911	4,981	47,283	47,787	(504)	(1.1%)
- of which performing	9,629	10,349	10,159	10,441	4,628	45,206	45,698	(492)	(1.1%)
- of which non-performing	499	366	389	470	353	2,077	2,089	(12)	(0.6%)
Value adjustments	592	452	437	498	326	2,305	2,402	(97)	(4.0%)
Net customer loans	9,537	10,263	10,111	10,412	4,655	44,978	45,385	(407)	(0.9%)

Gross customer loans of the Affiliated Banks totalled EUR 47.3 billion as at 30 June 2024, down by -1.1% compared to the end of financial year 2023; 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 the first half of 2024, the decline in performing loans of the Affiliated Banks totalled EUR 492 million (-1.1%), with mixed dynamics across the various territorial areas. In particular, Trentino-Alto Adige (-3.2%) and the South and the Islands (-1.6%) decreased, the North-west (-0.8%) and the Centre (-0.8%) remained stable, while performing loans in the North-east increased (+0.7%).

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 the first half of 2024, 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 (-0.6% compared to the figure at the end of December 2023). In general, the ratio of impaired loans to gross loans to customers remained stable at 4.4%, compared to figures from the end of 2023, with a regional trend that varied from 3.4% in the North East area to 7.1% 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 stood at 82%, a slight decrease compared to 85% at the end of 2023. The average coverage levels of the Affiliated Banks remain among the highest in the national banking system.

(Figures in millions of euro)

FUNDING	30/06/2024					Total 30/06/2024	Total 31/12/2023	Change	% change
	Trentino- Alto Adige	North East	North West	Central	South and the Islands				
Overall funding	25,333	23,568	26,346	21,988	9,128	<b>106,363</b>	101,189	5,174	5.1%
Direct funding	15,526	15,164	16,089	14,136	7,320	<b>68,235</b>	65,682	2,553	3.9%
Indirect funding*	9,807	8,404	10,257	7,852	1,808	<b>38,129</b>	35,507	2,621	7.4%
- of which administrated	3,381	2,874	4,622	3,074	1,295	<b>15,246</b>	13,799	1,447	10.5%
- of which managed	6,426	5,530	5,635	4,778	513	<b>22,882</b>	21,708	1,174	5.4%

\* Indirect funding is expressed at market values.

Overall funding of the Affiliated Banks stood at EUR 106.4 billion as at 30 June 2024, +5.1% compared to the end of 2023, showing the ability to attract new funding even in a unique economic phase such as the current phase.

Direct funding stood at EUR 68.2 billion, an increase of EUR 2.6 billion (+3.9%) 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 increased for all geographic areas, ranging from the South and the Islands (+1.4%) to the North West (+6.9%).

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 38.1 billion<sup>8</sup> (+7.4% 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 35.8%, up compared to 35.1% at the end of 2023. The regional analysis shows that indirect funding as a percentage of total funding ranges from 39% in the Trentino-Alto Adige and North West areas to 35.7% in the North East and Centre, except for the South and Islands, where the ratio is 19.8%.

Looking specifically at the breakdown of indirect funding, the managed assets and insurance segment accounts for 60% of total indirect funding (substantially stable compared with the 61% at the end of 2023). This dynamic reflects the trend in indirect funding under administration described above.

The asset management, funds and SICAVs segment is still growing (+7.2%). The Bancassurance segment continued the trend of constant growth (+2.4% YoY).

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	30/06/2024					Total 30/06/2024	Total 30/06/2023	Change	% change
	Trentino- Alto Adige	North East	North West	Central	South and the Islands				
Net interest income	282	249	267	245	143	1,186	1,115	71	6.4%
Net fees and commissions	65	74	84	76	35	334	325	9	2.8%
Net interest and other banking income	290	298	341	314	173	1,416	1,364	52	3.8%

The net interest income of the Affiliated Banks in June 2024 totalled EUR 1.2 billion, recording a +6.3% increase compared to the first half of 2023, 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, compared to June 2023, much lower negative interest was recorded as a result of the gradual repayment of ECB refinancing operations (TLTRO-III).

Overall, as a result of the above, the contribution of the net interest income to the overall profitability of the Affiliated Banks grew to 84% of net interest and other banking income (compared to 82% at June 2023).

<sup>8</sup> Indirect funding is expressed at market values.

The net fees and commissions of the Affiliated Banks totalled EUR 334 million in the first half of 2024, up +2.7% compared to the same period in the previous year.

The commission margin contributes 26% on average to net interest and other banking income, with a regional incidence ranging from 25% 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 (+3.8% compared to the first half of 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.

## 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 30 June 2024 are shown below.

(Figures in millions of euro)

LOANS TO CUSTOMERS*	30/06/2024	31/12/2023	Change	% change
Gross customer loans	2,731	2,608	123	4.7%
- of which performing	2,670	2,547	123	4.8%
- of which non-performing	61	61	0	0.0%
Value adjustments	96	95	1	1.1%
Net customer loans	2,634	2,513	121	4.8%

\* 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 2.7 billion, up EUR 123 million on the end of the previous year (+4.7%). 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 down compared with the previous year (-33%).

Total gross allocations came to approximately EUR 96 million, in line with the EUR 95 million at the end of 2023.

As a whole, net loans to customers of the Industrial Group grew by EUR 121 million compared to the end of 2023 (+4.8%), reaching approximately EUR 2.6 billion.

(Figures in millions of euro)

<b>FUNDING*</b>	<b>30/06/2024</b>	<b>31/12/2023</b>	<b>Change</b>	<b>% change</b>
Overall funding	12,595	11,914	681	5.7%
Direct funding	3,358	3,320	38	1.1%
Indirect funding**	9,237	8,594	643	7.5%
- of which administrated	5,272	5,067	205	4.0%
- of which managed	3,965	3,527	438	12.4%

\* 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 12.6 billion and is almost entirely attributed to the Parent Company.

Direct funding (EUR 3.4 billion) was substantially in line with the EUR 3.3 billion at the end of the year.

Indirect funding was EUR 9.2 billion, with around EUR 3.9 billion (43%) represented by the assets under management segment (with transactions mainly related to asset management products), while assets under administration amounted to EUR 5.3 billion and represents around 57% 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, +4% and +12% respectively.

(Figures in millions of euro)

<b>MARGINS AND COMMISSIONS*</b>	<b>30/06/2024</b>	<b>30/06/2023</b>	<b>Change</b>	<b>% change</b>
Net interest income	49	59	(10)	(16.9%)
Net fees and commissions	63	60	3	5.0%
Net interest and other banking income	101	94	7	7.4%

\* 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 30 June 2024 was up on the previous financial year, at EUR 101 million (+7.8%). The breakdown is nearly unchanged compared to the same period in 2023. The net interest income contributed 49%, with the commission margin contributing 63% (against 63% and 64% in the previous year, respectively).

In particular, the net interest income amounted to EUR 49 million and was down on the EUR 59 million of the first half of the previous year. Net fees and commissions totalled EUR 64 million, an increase of EUR 3 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 the first half of 2024, it carried out transactions on bond markets for approximately EUR 25.1 billion (up by approximately 36% compared to the same period of 2023) and stock markets for approximately EUR 2.5 billion (up by 59% compared to the same period of 2023).

As regards the commercial offer aimed at customers, Cassa Centrale Banca provides the 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 first half of 2024 with EUR 12.9 billion<sup>9</sup> in assets under management and over 107 active accounts. Funding has been positively affected by the reintroduction of the PIP CASH option, which allowed the Affiliated Banks to offer – alongside the portfolio management service – remuneration of cash from time to time in the management account. The six-month period closed with positive funding of EUR 360 million, despite the strong appeal of Italian government securities, where a significant portion of customers' investments were focused. This, alongside a favourable market effect, made it possible to increase total AuM. The trend on the main financial markets in the first half of 2024 led to a general improvement in the performance of the management lines; only the bond components suffered partly during the volatility in the rates of return, remaining at rather high levels, continuing to offer interesting 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 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. 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 first half of 2024 amounted to around EUR 7 billion with regard to NEF and EUR 3.4 billion for third parties.
- **Advanced Advisory services:** the advanced advisory service is provided to customers of 13 Banks. Cassa Centrale Banca supports these Banks as advisor in identifying the best investment strategies.

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 (in 2024 it will be held in Trento on 25 October). During the event, evolution strategies for the Group's financial and insurance advisory model were shared with the Affiliated Banks.

Specialist **training** activity on the network of financial and insurance advisors of the Affiliated Banks remained in full swing, alongside financial/insurance education initiatives (including sustainable finance) with customers.

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<sup>9</sup> The amount refers to Asset Management opened directly with Cassa Centrale Banca for approximately EUR 3.6 billion, Asset Management placed through Affiliated Banks and Customer Banks for approximately EUR 7.4 billion, Institutional Asset Management for approximately EUR 760 million and pension funds, for which Cassa Centrale Banca has delegated management powers for EUR 1.2 billion.

## Project to change the model for the provision of financial advice and insurance check-up

The consolidation and development of the investment services provision model continued. After releasing the new MiFID customer profiling questionnaire in 2023 in line with the most recent regulatory developments and ESMA and CONSOB indications, in the first half of 2024 the most representative banks were involved in the evolution of the financial advisory and insurance check-up model, so as to integrate the insurance coverage needs of the customer with the requirements of financial planning. Specific training initiatives were scheduled to implement the changes in the networks of the Affiliated Banks.

### 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. Uncertainty, the effects of which reverberated across investments of businesses and demand for credit from households, mainly induced by: (i) the trend in market interest rates, (ii) the ongoing Russia/Ukraine conflict with the consequent international sanctions, (iii) the ongoing conflict in the Middle East with consequent geopolitical effects and, last but not least, (iv) the impacts arising from the physical and transition risks associated with climate change.

In particular, the dynamics of economic growth continue to depress demand for loans from businesses and households. Increased recourse to self-financing as a result of the cost of money also contributed to this decrease.

In this environment of great market 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; (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) implementing the credit appraisal process with methodologies intended to incorporate exposure to ESG risks.

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, new agreements were activated to allow for access to new forms of guarantee intended to incentivise the implementation of investments in line with the Taxonomy objectives (SACE Green) and the development of businesses in strategic sectors for the national economy (SACE Future).

During the first half of 2024, 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. With reference to acquisitions of tax credits from customers, a certain decrease



was recorded compared to previous years, including as a result of recent regulatory measures implemented by the Government, which introduced limitations on the Group's offsetting capacity and thus its tax capacity.

As regards subsidised credit, in the first half of 2024 Cassa Centrale Banca signed:

- a Memorandum of Understanding between *Agenzia Veneta per i Pagamenti in Agricoltura* (Veneto Agency for Payments in Agriculture – AVEPA), Cassa Centrale Banca 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 the Puglia Region for *MiniPia (Pacchetti Integrati di Agevolazione – Integrated Subsidy Packages)*, in order to facilitate access to credit by small enterprises, to support the positioning of small Italian and international enterprises and to develop regional employment, including female employment;
- an Agreement with *Fondo Veneto Competitività – “Transition Section”* that supports innovative programmes aimed at introducing technological product and process innovations, to modernise machinery and systems and to accompany company reorganisation and restructuring processes, including from the perspective of the promotion of digitisation and reconversion of production activities towards a model of circular economy and sustainable development;
- a Memorandum of Understanding with ANFIR (Italian National Association of Regional Financial Companies) and the Cassa Centrale Group, with the aim of reinforcing the existing collaboration across the country and accompanying the development of businesses through the identification of specific products, meeting the needs of the business fabric, and in synergy with the instruments managed by individual financial companies based on public and own funds;
- an Addendum to the Agreement with ENM (Italian National Microcredit Body) in order to aid the Affiliated Banks in identifying specialised partners for the provision of auxiliary microcredit services – according to current regulations;
- an Agreement with SACE for the use of the SACE Future Guarantee. First demand public guarantee that will allow all Group Banks to support business investments related to growth projects on the global markets, to support technological innovation and the digitisation process, to invest in infrastructure and sustainability, in strategic supply chains and in economically disadvantaged areas.

### 5.2.1.3 - 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 has launched numerous round tables to implement the necessary measures to satisfy the highest number of regulatory developments and the many projects.

In particular:

- Digital Euro, in collaboration with ABILAB, where analyses continued on the impacts on the banking system arising from the adoption of the digital currency;
- Instant Payments Regulation, which envisages numerous initiatives including the analysis and harmonisation of economic conditions for users; the expansion of distribution and acceptance channels; innovative verification of payee (VoP) services; evolution of fraud prevention systems with monitoring of subjects and new customer “sanction screening” methods;
- Open Banking: a topic associated with numerous projects including the new European “Request to Pay” schemes and the PSD3 review, which contain important elements for innovation, with a notable commitment in terms of effort and dedicated resources;
- the analysis and creation phases of the Data Hub Project continue for the mapping and control of data in preparation for the creation of reporting functions in favour of banks.

Lastly, the Service is engaged in activities relating to developments in the method for monitoring suppliers of key outsourced functions (FEI), specifically operating in cash management, intended to mitigate the risks associated with logistics management of monetary instruments.

## Foreign

In the first half of the year, the Group’s Banks were offered the new contract for the granting of loans in foreign countries (advances and import loans), Documentary Credit and First Demand International Guarantees. This contractual review required changes to be made to the SIB2000 operating procedures in order to bring them into line with the new regulatory framework and to integrate them with the documentation to be provided to the customers and banking transparency.

Lastly, by the end of the current six-month period, a new function will be distributed in SIB2000 which will make it possible to use the “advance invoices Italy” procedure also for the advance payment of invoices issued in Euro to foreign customers.

## Centralised Services

The start of 2024 was still characterised by the Group database’s project. In January, the second phase of the final design step for standardisation was launched, activating the production of the first four pilot Banks.

According to a pre-established schedule, the other Banks will follow.

In the first half of 2024, the first two lots (20 Banks) went into production and tests on the third lot (13 Banks) were completed.

On 1 January 2024, the CESOP (Central Electronic System of Payment Information) regulation came into force, which, in the context of combating international VAT fraud, provided for new quarterly reporting obligations on transnational operations for Payment Service Providers.

Our service managed the flows relating to the first report on the first quarter of 2024, as a business unit in charge of sending reporting pertaining to the Parent Company.

### **General Governments treasury**

The Payment Systems Department includes treasury activities carried out for several public bodies in Italy. As at 30 June, the number of bodies managed was 1,035, while 759 had an IT mandate, confirming the ongoing commitment to introduce advanced 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 oversee the management of products that fall within the scope of e-money, such as 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 following counterparties: Bancomat S.p.A. 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 activities associated with the project to reorganise the segment for POS acquiring were particularly demanding.

At the start of the current year, the process for assessing offers received declared Worldline's offer to be best suited to the Group's needs.

The main objectives of the initiative are: improvement of the quality of service for Banks and customers, the relaunch of the offer with innovative products and services, and the increase of competitiveness on the market in question.

Subsequent activities defined the target model and the project organisational chart, identifying the skills that would be developed in the project initiatives launched as well as the functions that would need to be involved.

The Service also actively participated in the projects activated and partially already released in the first six months.

These included the adoption and personalisation of a platform for fraud prevention in relation to payment cards.

Lastly, activities to release several functionalities on ATMs continued, in order to ensure the usability of Self Services even with international debit cards.

### **5.2.1.4 - Governance and support**

Also in the first half of 2024, the Parent Company's governance and support functions 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 2024-2027 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;
- management of the start of the strategic initiative in relation to the Group target distribution model.

In the first half of 2024, 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 40<sup>th</sup> update to Bank of Italy Circular no. 285/2013 and to the Digital Operational Resilience Act. In terms of strategy, the 2024-2027 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.

In the regulatory context, the Security and Resilience Service continued the activities to issue/update and accompany the adoption of the internal regulatory framework, as well as to coordinate the initiatives to adapt to the Digital Operational Resilience Act, according to a strategic roadmap of measures defined with the involvement of the Cassa Centrale Banca and Allitude structures most impacted.

The Security & Resilience Service, in collaboration with Allitude's Cyber Security Operations Service, also prepared the 2024-27 Multi-Year Strategy Security Plan, which updated the 2023-26 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.

The Security and Resilience Service 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. As regards the “Security by Design” process, with the involvement of interested stakeholders, the initiatives conducted sought to move towards an integration of Security measures as early as the initial stages of the solution design process, in order to ensure intrinsic security.

In the first half of 2024, the security training and awareness plan was defined and approved for the period between April 2024 and March 2025, and so training and awareness initiatives on information security continued in relation to Group employees as well as customers. With regard to the latter, the Group is taking part in the round tables organised by CERTFin to define further activities during the year. Furthermore, Cassa Centrale Banca actively takes part in CERTFin as a member of the Strategic Committee and the Governing Council, in the Digital Resilience & 3rd Parties Hub organised by Cefit (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. In particular, the new “First Level Service for Fraud Management” was prepared, intended to further improve the efficiency of fraud prevention control measures by making checks and interventions more prompt, expanding the operating hours of controls and contact with customers and relieving the member Banks of a large portion of operations.

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 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.

In the context of Services Governance, in the first half of 2024 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. A review of the back office operating model is also ongoing to allow the Group to increase the efficiency of operating processes in support of the business through the sharing of specialist skills available at the Group’s Banks and the creation of new specialist service hubs based on the regional distribution of the Banks. In relation to this initiative, a feasibility study will be produced on the polarisation of the Accounting and Budget process.

Furthermore, in line with the strategic desire to establish a Parent Company office in Milan, the iconic building for such function was identified. Its activation is gradually under way and will be completed in the second 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, defining Group guidelines during the six-month period intended to promote synergy among the Banks. 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.

The **General Counsel Department**, through the Corporate Affairs and Equity Investments Area, guaranteed operational and administrative support for the activities of the Board of Directors and the Board Committees of the Parent Company as well as their self-assessment exercise and appointment and suitability assessment pursuant to Art. 26 of TUB of the Corporate Representatives (including the AML Officer) and 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 appointment of the Group's Corporate Representatives and assessment process pursuant to Art. 26 of the TUB on the existence of the requirements and criteria of their suitability. In this context, the Area also provided assistance to the Affiliated Banks affected by the appointment and by the suitability assessment of AML Officers.

It coordinated the audit activities, in part still ongoing, of the Group regulations on so-called "high governance", including the Standard Articles of Association 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.

It also supported the functioning of the RBM (Risk-Based Model) Committee.

The Legal Area managed legal topics relating to the strategic projects included in the Bank and Group 2023-2026 Strategic Plan and supported the Bank's activities during the year and during implementation of the guidance, management and coordination objectives recognised by legislation and by the Cohesion Contract signed between the Bank and the Group's Affiliated Banks.

It oversaw topics of civil law, corporate law, capital market law, banking and insurance law across the board, also offering guidance at Group level on the aforesaid topics in relation to the Group Companies and the Affiliated Banks.

It supported the Group Companies and the Affiliated Banks in all aspects related to banking and financial contracts in relation to the products offered to customers.

In the first half of 2024 it continued the consolidation of the controls at Group level on complaint management, extra-judicial proceedings and disputes pending. In this regard, the internal regulations on handling complaints and managing extra-judicial proceedings and disputes pending at Group level were updated and integrated.

In the first half of 2024, under the coordination of the **ESG and Institutional Relations Department**, the following activities continued and, in some cases, were reinforced, also carried out with the contribution and collaboration of the Parent Company Departments and the Group's Affiliated Banks and Companies:

- providing support for the activities of the Risks and Sustainability Committee for issues within its remit through adequate information;
- ensuring the coordination and monitoring of Sustainability projects in support of the ESG Steering Committee;
- 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;
- studying and assessing the impacts of sustainability/ESG regulations including through constant and proactive dialogue with the relevant supervisory and control bodies;
- 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 38 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.

Lastly, the ESG and Institutional Relations Department carries out quarterly monitoring of the trend of the Group 2023-2026 Sustainability Plan and coordinates annual updates to the Sustainability Plan. With reference to the 2024-2027 Sustainability Plan, please refer to section 8.7.

## 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 2024 on the basis of the requirements formulated by the competent structures of Cassa Centrale Banca. These requirements were formalised in the document of the 2024 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 Customer Relationship Management (hereafter also "CRM").

The projects included in the 2024 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, the completion of the new modernised App with first release to end customers in June 2024; digitalisation of onboarding processes for prospective customers; continuation of activities for the definition of a Group Design System; launched activities to take over applications for CRM management;
- **banking information system:** standardisation of information system processes and configurations (register, transparency); 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; implementation of the Group's new electronic credit line procedure (PEF); for the Core Banking Modernisation programme, the release of the first "modernised" package was completed at all banks, which, in addition to Safes, includes transversal components to support management of relations (Contracts, Conditions, KYC Questionnaire, Graphometric Signature and Customer Offer); other projects envisaged in the plan are also under way, involving the Product Catalogue, the Italian Central Credit Register Messaging Function, Owned Derivatives, the Database of Financial Products, Asset Management and Advanced Financial Consulting;

- **data management and analytics:** architectural development of the Data Platform with complete retirement of the functions on old architecture and population of the new architecture based on the Data Hub layer; activation of the business intelligence capabilities with self service functionalities and gradual onboarding of the various offices to make them autonomous in consulting databases; enrichment and extension of the business glossary with numerous databases in the context of the changing data governance framework; upgrading the data quality dashboard with the implementation of a new set of controls; expansion and optimisation of a commercial datamart dedicated to customer insight, enabling the creation of Business Intelligence dashboards distributed to the user Banks; ongoing enrichment and expansion of the information database contained in the Group Data Hub repository;
- **synthesis systems:** guidance on adjustments to the rating calculation engine and the EWI/EWS (early warning indicators/early warning systems) 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, Corporate Control Functions (CCFs), etc.); following activation of the round tables to analyse projects related to the evolution of reporting from a Basel IV prudential approach, activities were launched to analyse user requirements, finalise the feasibility studies of the various projects and launch the first implementation activities;
- **technology/infrastructure:** completed the consolidation of the data centres to increase efficiency and lower risk; completed the technology refresh of computational hardware components offer the SIB2000 service; 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 user Banks and launch of the service with onboarding of the first user 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 and launch of the first pilot Banks; start of the cloud journey for defining the Guidelines and architectural framework to adopt the public cloud;
- **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, with maturity December 2024 and intended to meet the expectations of the Supervisory Authority.

In the first half of 2024, the Allitude Services Department continued its development programme aimed at strengthening the Group outsourcer role, in particular by increasing the volumes managed and developing additional new administrative and banking back-office services, in line with the needs of the Cassa Centrale Group. In line with the discussions held with the first panel of Banks in 2023, intended to analyse the operational and organisational models for managing back offices, the Group-level efficiency strategy was consolidated, expanding the Allitude service catalogue and planning a gradual centralisation process aimed at Allitude or other suppliers.

In relation to the expansion of the offer of services, various initiatives were launched, some still in the design stage and others already released in the first half of 2024:



## Design

- Credit Back Office: management of subrogation of loans due and payable, research for the magistracy;
- Finance Back Office: Transfer of securities;
- Tax Back Office: Preparation of statements and communications (Revenue Stamps and Presidential Decree 601), printing of mandatory accounting records;
- Administrative Management of Personnel Back office: monthly technical closure of time sheets.

## Releases

- Tax Back Office: management of VAT obligations;
- Succession Back Office: declaration of existence, asset management and disposition;
- Collections, Payments and e-Money Back Office: ATM cash management, management of ATM deposited cheques.

The first phase of the programme to increase productivity and operational efficiency in delivering back-office services was completed through the introduction of new technology tools (process automation) and organisational levers. The programme, created in close collaboration with the Services Department and the ICT Department of Allitude, provided for sub-initiatives across all areas of the Services Department (Collections, Payments and e-Money, Administrative Management of Personnel, Accounting and Tax, Finance, Supervisory Reports, Credit), and provides for the achievement of target benefits in terms of increased performance as soon as all solutions are fully operational (by 2024). In line with the results achieved, analyses are under way to assess the application of the technological instruments, including application to new services, in order to launch them from a digital native perspective.

Furthermore, the tactical tool (the so-called "Operations Tracker") for monitoring the operational performance of the Back Office processes of the Allitude Services Department is constantly updated, with the aim of introducing continuous improvement logics for the efficiency and quality of services through the analysis of collected data (e.g. economic, volume and productivity data).

### 5.2.3 - Consumer credit services

Prestipay S.p.A. is the Cassa Centrale Group Company specialised in consumer credit.

Using specialist know-how, prompt risk oversight and a complete range of products and services, Prestipay now represents the reference point for the production of credit products aimed at the household customers of the Group's Banks, distributed through the widespread network of branches across Italy and through the online direct channel.

At 30 June 2024, the Company reported positive half-yearly results in line with the budget and income statement objectives. Disbursements of personal loans recorded volumes of EUR 164 million, with a 5.9% increase on the same period in the previous year.

In relation to the number of transactions, there was a notable increase in cases managed compared to the first half of the previous year, with significant contribution from amounts received on the internet channel, where refusal rates are high, and a significant increase in amounts received on the physical channel of the branches. The service levels offered to the partner Banks were improved on this latter aspect, thanks to major investments in the digitisation of processes, including through the implementation of new technologies that made it possible to halve response times compared to the first half of the previous year.

In the context of contractual documentation, the use of the certified digital signature service continued, which reached overall penetration of over 95% of total contracts, allowing for a significant reduction in paper consumption and related CO<sub>2</sub> equivalent emissions.

In relation to the trend on the domestic consumer credit market, the growth recorded by Prestipay in the first six months of the year was in line overall with that of the main operators of reference. In the first half of 2024 the Assofin (the Italian association of the main banking and financial operators in consumer credit) associates recorded growth in the average amounts financed with flows disbursed equal to +9.1%, and an increase in the number of transactions equal to +0.3% compared to the same period in the previous year.

The market prospects for the second half of the year, including in relation to the reference context characterised by forecasts of weak economic growth and slow decrease in inflation and interest rates, suggest a limited expansion of the credit activity and that the offer policies of the main operators will remain cautious, faced with an increase in the expected level of risk.

In relation to the main internal activities, the Company remains strongly committed to carrying out all development projects in order to ensure products and services capable of competing on a constantly evolving market.

Of particular relevance, in relation to the first half of the year, note the reinforcement of the internet channel and the finalisation of the complex insourcing project of the pension backed loan product, which will ensure that the Company and the Group's Affiliated Banks have direct control over this market segment, which represents a significant portion of the volumes on the consumer credit market, equal to approximately EUR 10 billion in annual throughput.

Having concluded the production pilot test, the roll-out of the product is expected to begin this autumn, as is the gradual extension of the distribution of the pension backed loan to all Group Banks. The new type of loan will be conveyed to customers through the "Prestipay Five" brand in continuity with the Company's product range.

Lastly, the Company's process of strengthening the internal organisational structure continued with the hiring of specialised resources to support the development of important project activities intended to expand the range of new products and services and strengthen the commercial structure.

#### **5.2.4 - Leasing services**

The offer of leasing services makes it possible for the Cassa Centrale Banca Group to strengthen the range of services offered in the territories, 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.

In the early months of the year, the domestic economic context recorded a slight growth in the level of economic activity despite the uncertainty around developments in geopolitical tensions, while inflation appeared to slow thanks to the drop in the prices of energy raw materials and the efficacy of the restrictive monetary policies.

In this scenario, the first six months of 2024 saw the Italian leasing sector record a slight decrease YoY, influenced by the contraction of the capital goods segment, which was affected by the expectation for the implementing decree of the Industry 5.0 Plan, only partially offset by the positive contribution of transactions in the motor vehicle and real estate segments.

The performance of the market is also reflected in the final figures recorded by the Company, with particular reference to the decrease shown by the capital goods segment, which, in this case, was still more than offset by the growth recorded in the real estate and motor vehicle segments, thus showing a significantly better evolution compared to the Italian market.

Through placements made by the distribution network of the Affiliated Banks of the Cooperative Banking Group, Claris Leasing concluded 840 new finance lease contracts for a total of EUR 152.9 million in new investments in the first half of the year. Compared to figures from the first half of 2023, there was nearly a 1% increase in the number of contracts signed, with sector dynamics consistent with those of the Italian leasing industry. From a commercial perspective, the Company pays maximum attention to 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.

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 3.1% in June 2024, a slight improvement from 3.2% in December 2023 and 4.6% at the end of 2022. Supported by a prudent provisioning policy, the ratio of net impaired exposures to total leasing receivables was approximately 1.1%, substantially in line with the figure at December 2023 and an improvement on the 1.6% for FY 2022, while impaired position coverage stood at 66.8%, down slightly on the 68.8% at the end of 2023.

In the first half of the year, Claris Leasing S.p.A. posted a positive result of EUR 2.2 million.

The commercial offer of the Cassa Centrale Group was enriched by the contribution from Claris Rent S.p.A., which, through the significant distribution channels of the Affiliated Banks, offers the territories lease services on capital goods and long-term rental of motor vehicles in partnership with leading sector operators.

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 the first half of 2024, this agreement allowed the distribution network of the Cooperative Banking Group to sign 73 contracts for a total amount of approximately EUR 9.3 million.

## 5.2.5 - Insurance services

Development of the insurance sector continued in the first half of 2024, confirming the growing interest of customers – households or businesses – in the offer developed by their bank of solutions for asset protection, individual protection and retirement planning.

This is attested to by the growth in new business, which recorded total completion of 143 thousand new policies at the end of June, collecting over EUR 726 million.

The gradually spreading awareness of the higher frequency and extent of risks arising from multiple fast-changing factors and, in some cases, unprecedented factors, has led to increased interest in insurance coverage, especially in the non-life segment.

This trend is fully confirmed by the development of the protection segment, which in the first six months of the year saw the placement of over 62 thousand new contracts, for over EUR 40 million in premiums. In particular, 30 thousand new policies in the primary lines of business were finalised with a volume of premiums close to EUR 8 million (up +33%), 15.4 thousand new motor TPL policies for EUR 6.6 million (up +60%), in addition to the significant development in

the placement of policies contracted by companies, premiums for which reached EUR 1.1 million and +22% growth. The placement of CPI policies recorded a +13% increase, coming to EUR 20.3 million, against a provision of mortgage loans similar to the previous year. Similarly, the offer of Temporary Life Insurance cover grew by +25%, with most policies not combined with loans.

The financial life segment continued to be heavily affected by the trend in the rates and the competition of assets under administration, which fuelled the phenomenon of redemptions, partly eroding growth of assets under management. Lastly, with over EUR 561 million in new investments, net funding was limited to EUR 78 million (down -40% compared to the net funding recorded at the end of June in the previous year, despite the +9% increase in the number of new contracts signed) as a result of more than EUR 485.7 million redeemed or liquidated.

To facilitate the banks' development of their ability – as of yet still mixed across different institutes – to intercept the needs of customers, many projects were launched – the majority of which will be activated in summer – intended to streamline and raise the efficiency of certain operating processes, as well as provide innovative tools and services to interact with customers.

In addition to the review of the processes to calculate estimates and issue policies combined with financing, ensuring the correct calculation of the APR and EAPR in accordance with regulations on transparency, the former include the new model for collecting complaints and documentation pertaining to claims, which will guide the operator in branch by providing the operator with many corroborated data, allowing the operator to swiftly verify the operation of the coverage and preventing errors and incompleteness, guaranteeing a faster and more prompt management of cases – improvement of over +21% in the first half of the year, having opened nearly 12 thousand claims in the first five months.

The latter include the insurance check-up tool, which will make it possible to provide the customer with an overview of any gaps in coverage in relation to their main protection needs on an individual and family basis.

The activation of all projects will be supported by the provision of adequate targeted training for a correct and prompt preparation of the network, as will occur when the new products are issued, as well as in the case of the mandatory guarantee on catastrophic risks for companies under definition with the company Assimoco, and which will be provided to the banks once the implementing decrees have been issued.

The action taken in terms of new business and in terms of maintaining the existing portfolio led to more than EUR 8 billion of premiums under management at the end of June, of which EUR 6.7 billion related to investment instruments, over EUR 994 million to supplementary pension plans and more than EUR 376 million of insurance coverage in the protection sector.

Overall, compared to June 2023 the portfolio has grown by +2.6%, net of significant redemptions in the financial area and limited terminations in the protection segment, where high retention confirms the appreciation for cover purchased, with primary lines of business increasing by +12%, motor TPL by +20%, CPI by +12%, temporary life insurance by +9%, and social security by +18%.

As a result of the sum of acquisition commissions with retention commissions, profits accrued at the end of June exceeded EUR 36.4 million, a +7.8% increase compared to the same period in the previous year. It should be noted that over 56% of the remuneration accrued was generated by the protection area, granting greater prospective stability to the flow of revenues generated by the insurance sector.

Revenues from net fees and commissions for Assicura Agenzia recorded in the first half of the year amounted to EUR 5.3 million, an increase of +8.47%, determining a net profit of over EUR 3 million, an increase on the result posted in the first half of the previous year (+27.33%) and in line with the budget.

In the first six months of 2024, Assicura Broker was involved in managing and reporting to customers the activity carried out during renewal. This activity made it possible to improve the level of security for the Group, to continue aligning the levels of coverage of the individual Affiliated Banks and Group Companies.

During renewal of the D&O policies expiring in June, Assicura Broker analysed the limits insured by the individual Affiliated Banks of the Group, advising on a minimum upper limit, which many of them followed. In light of this, the renewals of the D&O policies of the Group Companies and member banks were managed, which made it possible to limit the increases in costs while guaranteeing coverage for all Group Companies. At the same time, renewal was negotiated for the Group's Cyber policy, taken out in February 2023 and expiring on 30 June 2024, also including the special purpose vehicles in the coverage.

In relation to the company/SME area, thanks to the commercial activity carried out in 2023 in favour of the most active companies and Group Banks, the number of customer businesses continued to grow, with a particular focus on policies to hedge trade receivables. Various regional meetings were held with the Group's Banks to represent the company and the potential of the services offered by it.

Overall, there was an increase in brokered premiums and commissions collected during the first half of 2024. The latter amounted to EUR 4 million, equal to a 10.74% increase compared to the first half of the previous year, bringing the quarterly net profit to EUR 1.9 million compared EUR 1.6 million in the first half of 2023.

### 5.2.6 - 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 17 different sub-funds (NEF Ethical Total Return Bond was merged with NEF Ethical Bond Euro at the end of the six months).

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 7.567 billion with a 8.7% increase since the start of 2024 (EUR +606 million).

Increased assets under management were the result of positive net funding of EUR 356 million and a positive market contribution of over EUR 250 million. During the period, capital accumulation plans (CAPs) made a positive contribution of around EUR 396 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 14,798 new openings during the year, for a total of 542,407 units, which are equal to monthly deposits of over EUR 66 million.

Specifically, the data show a significant growth since the start of the year in a number of sub-funds, including: NEF Ethical Balanced Conservative I for EUR 26 million, NEF Ethical Bond Euro R for EUR 51 million (net of the merger), NEF Ethical Short Term Euro R for EUR 41 million and NEF Target 2028 for EUR 207 million. Other significant transfers occurred on the institutional classes, which offset divestments primarily in the equity segments.

In the NEF range, four sub-funds exceed EUR 500 million in size (Ethical Balanced Dynamic 850, Ethical Global Trends SDG 761, NEF Global Equity 540 and Euro Equity 671), 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 segment thanks to the merger and in the NEF Target 2028 segment, now EUR 462 million.

In confirmation of the high quality of its operations, in 2024 NEAM once again received very important awards: At the Refinitiv Lipper Fund Awards, Lipper awarded NEF Risparmio Italia R, a balanced fund focused on Italian enterprises, with the title of Best Fund Mixed Asset EUR Cons – EuroZone over 5 Years. Two NEF sub-funds were also included in the 300 Best Funds 2024 by CFS Rating: NEF Global Equity and NEF Risparmio Italia.

### 5.2.7 - 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. A single apartment with garage in the Province of Rovigo was sold, with a book value of EUR 235 thousand.

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: 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 141 affiliated institutions at 30 June 2024.

# 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 the management and control of risks, in order to ensure prudent and stable management of banking activities, in compliance with 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.

The proper functioning of the Internal Control System is based on a successful interaction of the direction, implementation, verification and assessment tasks between the Corporate Bodies and the Corporate Control Functions. This interaction involves the sharing of the underlying operational and methodological aspects, and the corrective actions to be taken in case of critical findings in order to prevent inefficiencies.

In particular, the Parent Company exercises strategic control over the evolution of the various areas of activity in which the Group operates and the risks incumbent upon the activities exercised, controlling both the performance of the activities carried out by the individual Group Companies, and their disposal and acquisition policies.

Furthermore, it exercises direct management control to ensure the balanced maintenance of economic, financial and equity conditions of the individual Group Companies as well as the Group as a whole, through the preparation of plans, programmes and budgets (individual and Group) and through the analysis of periodic situations, interim accounts, annual financial statements of the individual Group Companies and consolidated financial statements, both in reference to homogeneous business sectors and in reference to the entire Group.

Lastly, it exercises technical/operational control to assess the various risk profiles contributed by the individual Group Companies to the Group and the overall risks of the Group.

In light of the above, the Corporate Control Functions (CCFs), in their role as Parent Company Functions, exercise control over the risks arising from the activities carried out by all the Group Companies in order to assess the various risk profiles contributed by these Companies and the overall risks of the Group. These elements translate into the performance of specific monitoring and verification activities concerning the Group as a whole and/or individual Group Companies, which guarantee adequate information flows, timely responses to specific requests and collaboration in the event of remote or on-site verification.

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, with the definition of general principles of risk appetite and resulting structure of the monitoring of:

- the Group's overall risk profile;
- 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.

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.

Therefore, it represents the overall approach, including an integrated set of governance policies, processes, flows, controls and systems through which the risk appetite of the Group and each Group Company is established, communicated and monitored. It is 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. It is distributed and promoted at all levels of the organisation, facilitating the integration, understanding and adoption of the concept of risk appetite within the corporate culture. It includes the Risk Appetite Statement (RAS), the Risk Limits, and an overview of the roles and responsibilities of those who oversee the implementation and monitoring of the RAF. It must be able to ensure consistency between business models and strategic guidelines, capital planning and the employee remuneration plan.



The development of the RAF involves the implementation of an integrated set of corporate regulations, operational processes, information flows, and controls through which risk appetite is established, communicated, and monitored. To ensure the timely identification, measurement and assessment of risk, the RAF is supported by the company's information and management reporting systems. The RAF takes into account the specific operations and related risk profiles of each of the entities belonging to the Group to ensure their integration and provide consistency in terms of the Group's operations, complexity and size.

As such, the definition and implementation of the RAF cannot be separated from the company's strategic decisions and the related budgets/implementation plans, the specific business model used, and the overall level of risk involved in terms of exposure. 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 represent the relevant risks of the Group's business model, the Group's RAF is based on a structured and detailed risk identification process, which, in turn, constitutes the basis for the current and prospective ICAAP (Internal Capital Adequacy Assessment Process). 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 Risk Management Department is responsible for preparing and managing the Group's RAF and has the task of proposing the qualitative and quantitative parameters necessary for its definition, as well as drafting the Group's Risk Appetite Framework Regulation, which defines the management process and illustrates the underlying principles of the RAF.

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. In this regard, the corporate bodies perform their duties considering not only to the business reality of the Parent Company, but also by assessing the overall operations of the Group and the risks to which it is exposed.

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.

So that the Corporate Bodies of the Group Companies are aware of the RAF process management policies defined by the Corporate Bodies of the Parent Company, individual RASs are defined. 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 RAS defines the following thresholds:

- Risk Appetite, i.e. the level of risk that the Group intends to assume in order to pursue its strategic objectives;

- Alert, i.e. the threshold at which the Risk Tolerance will be approached or exceeded 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, is set in such a way as to ensure sufficient margins to operate, even under 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 through the Internal Representative, and the Head of the Risk Management Function for the other Group Companies with an independent risk management function. The process is formalised in an adequate quarterly risk report that 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.

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.

The Group's "Risk Map" valid for 2024 is shown below, with reference to the first level of risk identified<sup>10</sup>, 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.

### **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.

### **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.

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<sup>10</sup> The risk hierarchy is structured across four levels.

### **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.

### **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.

### **Climate and environmental risks<sup>11</sup>**

Risks arising from climate change and environmental degradation, which give rise to structural changes affecting economic activity and, consequently, the financial system.

## **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 definitions 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 on credit positions, whether on- or off-balance sheet, 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 further expose the Group to credit risk.

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<sup>11</sup> This risk is considered to be a second level risk within the following risk categories: credit and counterparty risk, market risk, operational risk, reputational risk, strategic and business risk, real estate portfolio risk, and liquidity and funding 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.

As for second level controls on the sector, the activity is the responsibility of 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 control 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 system of credit policies guiding the overall allocation policy of the single associate alongside the "Group Regulations for the granting of loans", which defines the methodological standards to oversee the technical appraisal of new business. The strategy and related operational plan for impaired exposures at Group level is also defined annually. It identifies 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 to safeguard against impaired exposures.

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 into the phases of planning, granting of credit, credit monitoring and classification 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, at the level of individual phases on the loan chain, is ensured by a methodological framework developed from a substantial overhaul of the work started off at the Banking Group's inception, launched under the Group Risk Management Department organisational shake-up in July 2020 and also the establishment of the Credit Risk Management Service as part of a two-year roadmap (2020-2022) that governed its gradual implementation.

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).

The control framework is subject to a continuous process of evolution and consolidation both through the refinement and recalibration of risk indicators, and through the integration of additional focus areas or areas of analysis and control over risk components deemed relevant, also in line with the internal and external dynamics of the Banking Group (geopolitical context, regulations, etc.).

The Risk Management Department also provides preliminary opinions on the consistency of the most significant transactions (MSTs) with the RAF by acquiring, based on the nature of the transaction, the judgement of the other departments involved in the risk management process. 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 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 Treasury Rules" and other relevant Risk Management Policies/Regulations, the "Group Regulation for the Management of Owned Portfolios" 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, saving accounts, 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 and intermediation by the Parent Company, 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 Group Regulation for the Management of Owned Portfolios 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 Planning 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 Planning 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.

Operational risks also include the risk profile associated with 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.

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 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 operational and structural liquidity is the Treasury Service, which acts on the basis of the strategic guidelines defined by the Board of Directors, as well as the indications given by the Finance and Treasury 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 Service and to the structure that oversees Treasury at 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 (HQLA) 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. In September 2023, the Group prepared the SLT template (Liquidity Exercise Weekly), which provides a weekly snapshot of the consolidated liquidity position, concentration of secured and unsecured funding and the distribution of on demand deposits in relation to the type of counterparty. 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 LIP – 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 treasury service 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 Parent Company's 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 III – 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 and Treasury 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 6 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 +100bps; Parallel -100bps; Parallel +200 bps; Parallel -200 bps, Steepener; Flattener; Parallel Down; Parallel Up; Short Up; Short Down) and an additional two management shocks, baseline and adverse, created internally on the basis of the Prometeia Forecast Report published quarterly;
- 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 demand liability items (borrowing and lending with retail counterparties and corporate SMEs) is developed using a behavioural benchmark model estimated on the historical series of the Group's volumes and rates;
- the repayment profile of mortgage loans is developed through a prepayment behavioural model, estimated on the historical series of volumes and early repayment events (partial and/or total). This study found four models, based on the type of rate (fixed/variable) and the type of loan (mortgage/unsecured);
- 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 Supervisory Review and Evaluation Process (SREP) 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.

Lastly, with reference to the Resolution regulatory framework, in application of the European Directive establishing a framework for the recovery and resolution of credit institutions and investment firms (the so-called BRRD), during the 2023 Resolution Cycle discussions continued with the SRB (Single Resolution Board), in order to define the MREL (Minimum Requirement of Eligible Liabilities) targets to be assigned to the Group. These targets were 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 on 27 March 2024. 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

The integration and management of climate and environmental risks (i.e. C&E) in the regulatory and prudential supervisory framework is of major importance for European Supervisory Authorities. As also indicated in the ECB “Guide on climate-related and environmental risks”, the process leading towards a transition to a more sustainable economy entails – simultaneously – risks and opportunities for the entire economic system and for financial institutions; on the other hand, damage from physical events caused by climate change and environmental degradation can generate very significant impacts on the real economy and the financial sector.

This includes the provisions of the “ECB’s Supervisory Expectations on climate-related and environmental risks”, which aim to ensure that climate and environmental risks are fully integrated into the Group’s strategy, as well as into the overall risk management system, in order to mitigate and communicate them in accordance with the relevant regulatory requirements.

Over the last three years, also in response to discussions with the Supervisory Authority, the Group has started a progressive process of self-assessment and alignment to the “Supervisory Expectations on C&E risks” articulated in the following main stages:

- in 2021 with the first self-assessment questionnaire with respect to the degree of alignment with the ECB’s “Supervisory Expectations on climate-related and environmental risks” (the “ECB Guidelines”) and the related definition of an initial Action Plan aimed at enabling full alignment. As part of the ICAAP and ILAAP process, the Group already in 2021 had identified a number of evolutionary areas required to respond to the changing needs of the business and regulatory environment related to the analysis of climate and environmental risks and the need to incorporate assessments related to the evolution of these risks and their impacts on the Group’s business model and control framework. Similarly, within the Risk Appetite Framework (RAF), the process of gradually integrating climate and environmental risks was initiated with the provision of initial monitoring indicators, as an expression of the Group’s adaptation process, in line with the Group’s ICAAP/ILAAP Report;
- in 2022, the Group was then involved in two separate exercises: firstly, the Thematic Review on C&E risks aimed at assessing the Group’s overall compliance with the aforementioned ECB Guidelines and then the first regulatory stress test on climate and environmental risks (CST 2022). The stress test was structured around three modules aimed at assessing exposure to climate and environmental risks through:
  - a qualitative questionnaire on the stress test framework on climate and environmental risks covering 11 subject areas;
  - definition of two climate metrics aimed at assessing the Group’s level of exposure and sensitivity to the risk of transition to an economy with a lower environmental impact through the analysis of revenues and exposures related to counterparties belonging to carbon-intensive sectors;
  - bottom-up projections to quantify the economic impacts of climate and environmental risks resulting from the adjustment process towards a more sustainable economy and from extreme weather events in terms of credit, market and operational risk;
- in 2023, with the formalisation of the first materiality analysis of climate and environmental risks and the definition of a new “Strategic and Operational Climate and Environmental Risk Integration Plan” aimed at ensuring a sound, effective and integrated management of climate and environmental risks in terms of operating environment and strategy, governance and risk appetite, and more generally of the risk management system. This Plan consists of 21 initiatives – over the 2023/2025 plan period – divided into five macro areas (materiality assessment, operating context and strategy, governance and risk appetite, risk management system, and credit risk), for each of which the intermediate and final phases and objectives are described;
- in the first half of 2024, the Group was therefore involved – at the same time – in two different exercises: on the one hand, feedback to the requirements and recommendations contained in the “ECB Decision relating to the risk identification process for climate-related and environmental risks” (for details, please refer to the specific section on significant events during the first half of the year and related chapter “3.5 ECB Decision – Climate-



related and environmental risks”), then the one-off “Fit for 55 climate risk scenario analysis” exercise, intended to assess the level of resilience of the financial sector to the package of reforms (“Fit for 55”) presented by the European Commission in 2021 and found in the Green Deal and, in general, to assess the capacity of the same system to support the transition to a low-carbon economy under stress conditions. As for the “Fit for 55” exercise, it is worth noting the opinion of high quality of the data assigned, which, similar to what was found in the previously mentioned climate stress test exercise in 2022 (CST2022), confirms the Group’s position as top performer in the sample group, with a very low number of quality problems compared to the average.

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.

In general, the Group has provided for a structured set of monitoring indicators within the individual and consolidated Risk Appetite Statement (RAS) panel. With particular reference to the latter, the level of concentration of the NFC portfolio on climate policy relevant sectors (CPRSs) was identified, as were NFC exposures exposed to hydrogeological and landslide risks and, in relation to liquidity, specific shocks of physical and transition risk compared to regulatory liquidity indicators.

With regard to reporting, the Group has supplemented its quarterly risk reporting with a specific section on climate and environmental risks, both at consolidated and individual level, including through the integration of additional monitoring indicators in the RAS, with the aim of ensuring regular and transparent reporting with precise, clear, concise and substantial information. This section will be the subject of further developments and refinements that will result in the creation of dedicated reporting aimed not only at monitoring risks, but also at analysing the main ESG factors and their impact on the various existing risk categories (financial, operational, counterparty and related sub-categories), namely in order to improve the monitoring and identification of these risks; to enable changes in the operating environment to be dealt with more readily and flexibly and, informing the company strategy, to determine the actions to be taken in response to these changes in the short, medium and long term.

## 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:

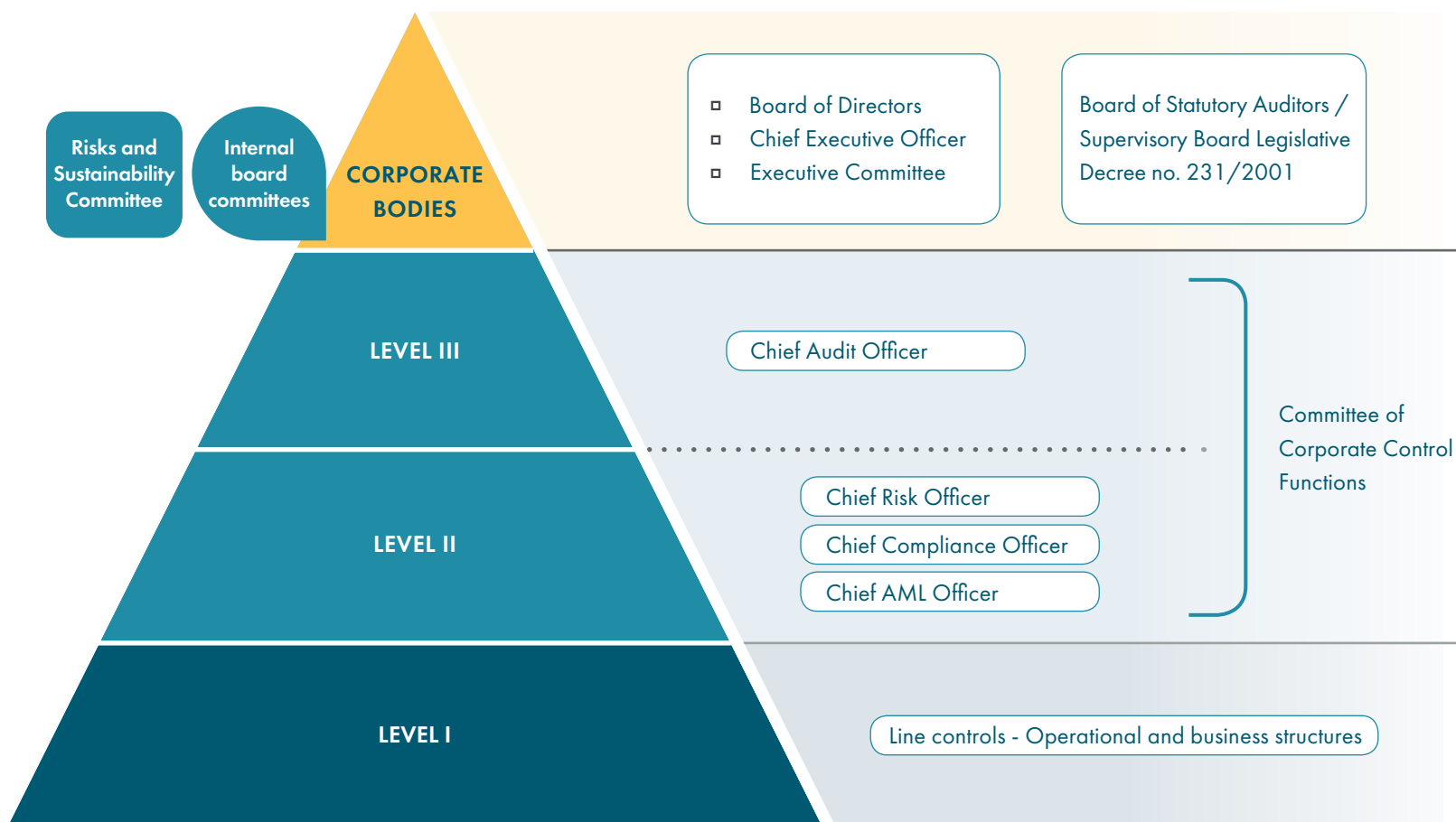
- verification of the implementation of company strategies and policies;
- containment of risks within the limits indicated in the Group's Risk Appetite Framework (RAF);
- safeguarding the value of assets and protection against losses;
- effectiveness and efficiency of business processes;
- reliability 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** ("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** ("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 shares 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 accordance with the reference standards, and 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;
- includes personnel (i) who are adequate in number, technical/professional skills and updated; (ii) who are not involved in activities that the Function must control, and (iii) whose remuneration criteria do not compromise their objectivity and help to create a system of incentives in line with the goals of the Function itself.

## 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;



- is responsible for the analysis and assessment of the Model Lifecycle Management (MLM) process, ensuring the proper performance of controls of process steps and the supervision of the corresponding flow of reporting;
- 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 assessment is issued as described in the internal Group regulations for managing internal regulations and information flows;
- 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;
- identifies the corrective actions required to overcome any critical issues detected during the annual programme, communicates such actions to the owner structures and periodically monitors the implementation status and compliance with deadlines of the corrective actions by the owner structures;
- 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., Intervention 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;
- coordinates the recovery and resolution management processes;
- contributes to the dissemination of a control culture within the Group.

In the performance of their roles and responsibilities, the Risk Management Department also oversees the integration of risk factors associated with climate-related and environmental aspects in the risk governance process, in line with Supervisory Authority expectations. In particular, it documents this category of risk, specifying its transition channels and impact on the Group's overall risk profile, taking due account of the vulnerabilities of the economic sectors, the Group's operations and the counterparties with which it operates, on the basis of both quantitative and qualitative information. It therefore guarantees that this risk category, like other categories, is identified, assessed, measured, monitored, managed and adequately communicated within the Group, including through regular and transparent reporting.

The Risk Management Department, in its role as ICT and security risk control department performs the monitoring and control of these risks, and ensures 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 Department, the Compliance Department or any findings reported by the Internal 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 30 June 2024 stood at 12,226 employees, compared to 12,016 as at 31 December 2023.

## 7.1.1 - Staff composition by category and gender

NUMBER OF EMPLOYEES BY CATEGORY AND GENDER	30/06/2024			31/12/2023	Change	% change
	Men	Women	Total	Total		
Executives	179	19	198	193	5	2.60%
Middle managers	2,585	941	3,526	3,370	156	4.60%
Office staff	4,130	4,372	8,502	8,453	49	0.60%
<b>TOTAL</b>	<b>6,894</b>	<b>5,332</b>	<b>12,226</b>	<b>12,016</b>	<b>210</b>	<b>1.70%</b>

## 7.1.2 - Staff composition by age group

NUMBER OF EMPLOYEES BY CATEGORY AND AGE GROUP	30/06/2024			31/12/2023	Change	% change	
	<30	30-50	>50	Total			Total
Executives		44	154	198	193	5	2.60%
Middle managers	1	1,668	1,857	3,526	3,370	156	4.60%
Office staff	1,191	5,153	2,158	8,502	8,453	49	0.60%
<b>TOTAL</b>	<b>1,192</b>	<b>6,865</b>	<b>4,169</b>	<b>12,226</b>	<b>12,016</b>	<b>210</b>	<b>1.70%</b>

The average age of the Group's personnel is in the 30-50 bracket with about 56% of employees in that bracket.

The long-term strategy of the Group is always oriented towards the value of its human resources, with a primary commitment in promoting the continuous development of individual and Group capabilities and skills.

In line with Group principles, the Human Resources Department undertakes to promote a fair working environment that encourages a proactive approach and adaptability to change. It strives to support company growth through a careful selection of candidates and professional growth through targeted training and development courses. Furthermore, it spreads a culture that incentivises active participation in projects, while providing instruments and methods for the emergence of innovative ideas, making a significant contribution to the success of the organisation.

## 7.2 - Corporate culture and brand identity

In the first half of 2024, 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 added value of the integrated use of innovative technological systems to enable and facilitate interaction between people is confirmed. 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.

The online communities tool is increasingly being used by the various Services of the Parent Company to engage with those operating at the Banks who deal with certain issues. The communities are above all 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.

Well-being at the company remains a pillar in the strategy to build the Group's corporate culture, which is why the psychological well-being awareness project continued in the first half of 2024.

The psychological well-being project, 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.

In 2024, the Cassa Centrale Group again continues to promote the "Manifesto for psychological well-being at work", created by the Mental Well-being Council of which the Group is a member. The Manifesto seeks to shape the future of the human dimension at work. It promotes an organisational culture inclusive of mental health through alignment of values, sharing of intentions and tangible and widespread commitment among the signatory companies. In tandem, it strives to be an opportunity for exchange and mutual growth, offering indications and best practices that are useful for achieving the goal of complete psychological well-being.

Activities for the entire Group to raise awareness and improve understanding of ESG issues also continue. Workshops, seminars, and communities of practice for experts aim to involve bank and company employees at various levels to encourage them to take responsibility for Environmental, Social and Governance impacts.

In relation to Diversity, Equity and Inclusion topics, the HR Department has worked hard to allow the Parent Company to achieve Gender Equality Certification – UNI PdR 125:2022 in January 2024. After this important milestone, in the first half of 2024 initiatives were promoted at Group level to support the Affiliated Banks interested in the certification process.



## 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 shared parenting and care-related tasks to the best of their abilities.

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 - Selection and development

In an increasingly competitive labour market within a growing organisation, recruitment becomes even more complex and challenging, not just in reference to attracting and hiring the people who meet the Group's needs, but also engaging and retaining them.

For this year, in 2023 and throughout the first half of 2024, an initial revision of the organisational structure was carried out to enhance the relationship between the recruitment and HR management processes, with the aim of successfully managing the life cycle of employees in the company and generating more value for the Group.

To better manage company needs, a review was launched of the processes associated with employer branding, in addition to an overhaul of the onboarding process.

Recruiting activities rely on the SAP SuccessFactors platform, LinkedIn Recruiter and, where necessary, head-hunting companies.

Employer branding activities are focused on and envisage participation in sector and in-house events, with the aim of building a quality network capable of attracting new generations and increasing our competitiveness at market level.

In line with Inclusivity values, the HR Department also oversees activities to hire protected categories with a focus on their constructive integration within the organisation.

## 7.5 - Partnerships to innovate and compete

The well-established partnership with SDA Bocconi School of Management also continued in 2024 for most of the finance and core banking courses. In particular, for the long-term training of the Group's top management, with the "Executives in Banking Management" course and the new "Wealth Management" experience.

The valuable and mutual collaboration with ABIFormazione continues, enhanced by important and complex projects for strategic ESG training for the Group and new professional courses on Anti-Money Laundering.

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 alike, aiming especially to support the UNI PdR 125:2022 Gender Equality Certification, achieved by the Parent Company in January 2024.

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 light of the fact that the Cassa Centrale Group is interested in attracting new generations and helping them to understand the unique and distinctive features of the Group, relations with the University of Trento and with JobGuidance were ramped up in 2024. The constant commitment to attracting young new talent was implemented through the organisation of two fundamental events for the creation of a significant and innovative network: Career Fair and Open Day.

## 7.6 - Developing human capital: training and skills development within 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 affiliated 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.

The 2024 Training Programme of the Group Academy strives for people to become the protagonist of their own growth and career.

Employee development continues to be one of the Group's main objectives and is achieved through activities that oversee the planning of the entire training cycle, monitoring the context and regulatory changes, listening to and collecting feedback on training needs, even in a classroom setting, and designing and

planning courses – or pathways – for professional and personal development. Continuous monitoring of training activities and the analysis of results and surveys also allows us to refine our training proposal.

Banking Care has always been the daily focus, continuously aiming to enhance the centrality of individuals. In 2024, firm convictions remained about how important it is to have an up-to-date approach to training, transitioning from being designers to learning experience designers, thinking about the overall growth of the individual and – consequently – of the organisation.

The world of work is facing years of radical transformations: technological evolution enables new organisational methods and there is an increasing focus on flexibility and people's needs. Training in this context is strategic as it allows skills to evolve in order to successfully cope with change, it helps attract and retain the best talent, creates a sense of belonging and sharing of the company mission.

The new version of the Banking Care Academy 2024 Training Programme was launched on 4 March, once again on the SAP SuccessFactors platform, but this time with a new look.

By virtue of their success in 2023, certain pathways were proposed again, but the 2024 Catalogue was designed with many new developments. As always, the structure of the catalogue is dynamic and is enriched throughout the year with new initiatives and projects to support the Banks and offer encouragement, which makes it possible to accompany the evolution of people in various roles, "promoting" employees to become the protagonists of their professional development, and thus capable of implementing changes and achieving results.

The entire Academy is committed to designing and finalising training pathways with the aim of building the future of the Group, together. 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.

Five years after the Group was formed, a decision was made to dedicate an opportunity to present and discuss the 2024 training offer. Six sessions were organised in various territories: Cuneo, Bologna, Trento, Padua, Bari, Rome to meet with the Training Representatives of the cooperative credit banks (BCC). Appreciation was shown for the plan to include Allitude and Assicura training in the Banking Care Catalogue, in order to provide the BCC with a single space to browse the different proposals.

Also with a view to enhancing this role, the first half of 2024 saw the launch of "HR BUSINESS LEADERS. Guiding organisational changes and entrenching them in business strategy", an advanced programme created in partnership with POLIMI – Graduate School of Management. Designed in 2022 and 2023, it took shape in 2024 thanks to the Politecnico di Milano, with the aim of integrating banking skills and the world of HR. From the perspective of a modern and contemporary business strategy, the management of human resources cannot avoid a profound overhaul of the concept of relational capital and the resulting review of the related business networking tools available to management.

There were many classroom, webinar and blended proposals in the first half of 2024, confirming the added value of an in-person approach, which unquestionably consolidates the network among Group professionals. In particular, the following courses continued: the "Executives in Banking Management" course with SDA Bocconi for the Group's top management, the long-standing course for private consultants, the evolution of the "Become an ESG Expert in the Cassa Centrale Group" proposal into a Masterclass, still delivered by AbiFormazione, and "Middle Managers of the Cassa Centrale Group: Leadership and Team Management", aimed at increasing the skills of management personnel and which successfully ended on 14 June 2024.

A new project that is already proving its worth is the "NEW CAMERA. New outlooks for new skills" programme created in partnership with Talent Garden, the largest European operator of Digital Education, and the largest community in Europe of tech ecosystem innovators.

For inter-company training on Credit, in 2024, in addition to the ongoing collaborations with several companies already present in previous years, new training proposals were added with new collaborations, such as the development of the PEF project, with training for Buddy Trainers and the first webinars to prepare for the upcoming releases to the BCC.

The high level of attention to the ESG topic was guaranteed in the first half of the year, when, thanks to the collaboration with ABI Formazione and in close collaboration with the External Relations and Sustainability Service, the following courses were held:

- “ESG Masterclass in Action”, with the aim of exploring several more complicated topics, supporting the ESG Experts in identifying possible operating solutions to manage the transition of the individual regional bank and in relation to the Parent Company’s strategies;
- “New ESG Representatives”, to provide an overview of the market and ESG regulatory framework of reference, by analysing organisational models and best practices for the introduction of ESG factors into the bank’s business models, the scopes of application and impacts on the value chain of Cassa Centrale, providing the tools to manage the information flow that allows for accountability and reporting requirements to be met, promoting discussion of enabling drivers and new skills that could promote the sustainable transformation of Cassa Centrale.

Both of these activities were designed to meet the need to provide knowledge and expertise to oversee the integration of ESG factors and engage expertly in relations, including in relation to requests from the ECB.

Various Bancassurance activities were also carried out, where the close collaboration with Assicura made it possible to define a catalogue that meets requirements. Note, in particular, the Claims Management activity – “FNOL – First Notice of Loss”.

In close collaboration with the AML Function, the first half of the year saw the launch of the AML initiatives planned for 2024 in line with the provisions of the training plan. In particular, the start of the year saw the AML Officers and their colleagues involved in training; the first two editions of the refresher Masterclass “Evolution of AML regulations: developments, impacts and prospects” were held, and new e-learning training projects were created for all employees affected by AML regulations.

The much-appreciated Finance projects continued with the annual MiFID II refresher, the basic finance course and the ESMA course.

The first half of the year was also animated by specialist webinars conducted by the various Parent Company departments to educate and inform the Banks of the most recent and significant projects. Furthermore, two central events took place: the launch of the Inbank App and the Risk Management meeting.

In addition to the various multi-company training proposals, several in-house courses were activated, in some cases also managing the Fon.Coop. funding.

In the first half of 2024, biweekly meetings with the Corporate Representatives continued, with seminars envisaged by their dedicated training plan and designed for their ongoing development.

Also in the first half of the year, the AML Function created a training activity named “Tasks and activities of the AML Function” – AML Training dedicated to the AML Officers and AML Representatives. An initial session was held in person in Bologna, followed by one in Rome, again with the goal of illustrating the main tasks and activities of the AML Function, including in light of the recent developments introduced by Bank of Italy Measure on organisation, procedures and internal controls of 1 August 2023.

The “CCB in Training – Learning Programme” continued in the first half of 2024. The project involves topic-specific seminars and courses for managers at Cassa Centrale.

Particular attention was paid to DE&I (Diversity, Equity 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 "Pathway for development of female leadership" also took place in the first half of the year. The training proposal is one of the many actions that Cassa Centrale Banca has taken to improve the gender gap and promote inclusive work environments. In its second edition, the course aims to support female talent in order to promote women's development and enhance their career prospects.

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.

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 continues to be focused on the Group's development.

## 7.7 - Remuneration policies

On 07 June 2024, the Ordinary Shareholders' Meeting of the Parent Company – on the proposal of the Board of Directors – approved the Group's 2024 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 37<sup>th</sup> update of 24 November 2021 of the Bank of Italy Regulatory Provisions on "Remuneration and Incentive Policies and Practices" and Commission Delegated Regulation (EU) no.923/2021 of 25 March 2021, 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 (EU) 2013/36, 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.

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 2024 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 “2024 remuneration policies” available on the Cassa Centrale Banca website at the address [www.cassacentrale.it](http://www.cassacentrale.it), in the Governance section.

## 7.8 - Welfare and Trade Union Relations

The first half of 2024 saw the Welfare, Trade Union Relations and Labour Regulations Service working to define the National Labour Agreement, to negotiate with the Group Delegation on the CPV and the procedures pursuant to art. 22 of the CCNL.

At Group level, on 10 June 2024, during the meeting of the Group’s Trade Union Committee, two agreements were submitted for signature by the Group’s Trade Unions:

- an agreement with which the parties acknowledge the correct amount of the calculations of the CPV to be paid in September 2024;
- an agreement confirming the agreed methods for calculating the CPV, applied on a trial basis for the year 2023/24, in the agreement dated 1 June 2023 and, at the same time, to merge the North East with Trentino-Alto Adige, starting from the CPV to be paid in 2025 using the 2024 budgets. The bundling in question has become necessary because, following recent mergers, the number of Banks present in the North East has fallen below the minimum limit of 10 Banks approved by the CCNL for the North East to continue to be defined as an area in its own right.

As regards the progress of the Group’s trade union negotiations pursuant to article 22 of the CCNL, in the first half of 2024 activities were focused on the negotiation related to the merger of the two main Veneto Banks (Banca del Veneto Centrale and Banche del Veneto Riunite) and negotiations linked to the merger between Cassa Rurale Novella e Alta Anania and Cassa Rurale di Trento were defined. Furthermore, negotiations continued on the merger that led to the creation of Banca 360 Credito Cooperativo Friuli Venezia Giulia, supplementing the agreements defined on 04 April 2024, expanding the number of beneficiaries of the extraordinary allowance of the Solidarity Fund.

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

2024 began with two important dates: 5 years ago, on 1 January, the first Italian Cooperative Banking Group was founded, and on 28 February Cassa Centrale celebrated its 50th anniversary.

To make this milestone even more special, highly visible articles in the national press were planned, containing an open letter of thanks to each and every individual who helped Cassa Centrale Banca to build a future of cooperation, solidarity and shared development. Celebrations of the “double” anniversary continued over the following months.

The second flight of the Cassa Centrale Group’s multichannel communication campaign was launched on 5 May 2024, which, following the positive experience of the first flight (October/November 2023), adopted an even more targeted strategic vision focused on the territories covered by the Group’s Banks.

The aim of the second flight was also to consolidate brand awareness and the unique characteristics of our way of banking, which, with the payoff “Founded on common good”, highlights a highly distinctive positioning in tune with our cooperative nature.

The 4-week campaign took place along two complementary and synergistic lines: a national “umbrella” that used various media (e.g. TV, social media and digital channels, articles in national press), and a local part focused on the most deeply rooted media in the region, with advertisements in regional press and strategic billposting in key areas.

The national part saw us featured in the Group advertisement that characterised the first flight and with the “Bookshop” ADV. In addition to the Cassa Centrale Group logo, the “Credito Cooperativo Italiano” (Italian Cooperative Credit) logo was included within the layout for greater consistency and recognisability, as well as a QR code linking back to the “Find a branch” section on [www.cassacentrale.it](http://www.cassacentrale.it). On the other hand, local planning at regional level used the institutional layout enriched with a series of key elements.

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. In May, a specific meeting was organised with the Group Banks to outline the developments and improvements envisaged for the following months, the migration to Umbraco 13 was announced and insights and suggestions were collected through a customer satisfaction survey conducted on the Banks.

As of 30 June 2024, 64 Affiliated Banks had joined the project.

Following the performance analysis of the corporate website [www.cassacentrale.it](http://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.

In terms of the Accessibility of Digital Channels<sup>12</sup>, the Marketing Service, supported by the dedicated Working Group, followed up on the activities already started in 2023 on the managed sites:

- MyCMS: as required by legislation and following the new graphic release, in the first half of the year the activities to correct errors and edit the code with the aim of improving the accessibility of the sites hosted on MyCMS were completed. The MyCMS infrastructure is now accessible according to WCAG standards. The activities to adjust the content inserted autonomously by the banks also continued;
- Group institutional website: the review of this site was also completed, in order to make each section of it accessible and achieve an “AA” level according to the WCAG standard. The Accessibility Statement was then updated.

In line with previous years, materials were created in relation to the Annual Financial Report 2023 and the Consolidated Non-Financial Statement 2023. Starting this year, with a view to greater Social Responsibility, the financial statement document will no longer be printed. Instead, a full digital report with a wealth of content has been created and can be viewed on the Corporate website.

The heart of the digital reporting is a hub page ([www.cassacentrale.it/it/investitori/il-nostro-2023](http://www.cassacentrale.it/it/investitori/il-nostro-2023)) summarising the key information of the two documents. From here, it is possible to explore specific topics using the pages dedicated to the Financial Report and the Non-Financial Statement. Each one has a wealth of content allowing for more engaging and immediate consultation. They enhance the connection between the two documents, highlighting the importance of a global approach to business performance, all while making the results accessible to everyone, including a non-specialised audience, thanks to clear language, graphic layout and icons.

The first half of 2024 also witnessed the launch of an important project forming part of the journey to strengthen our identity and recognisability on the market: the restyling of NEAM and the NEF Fund. The main goal of the rebranding was to create a coherent identity for NEAM and NEF that was both recognisable and stood out from its competitors, while remaining in line with the corporate identity of the Cassa Centrale Group. For this year, in 2023 and in the first half of 2024, the following activities were carried out:

- a single graphic mood was identified, aiming for an innovative and distinctive style that characterises the company NEAM and the NEF sub-funds and services, making them immediately recognisable on the market;
- new logos, the institutional visual and the visuals for each sub-fund/service were designed to convey their key values, such as ethics, sustainability, responsibility and professionalism;
- the strong link with the Cassa Centrale Group was highlighted through adopting the shapes and colour schemes of the brand identity;
- communication was standardised across various media, including the Group’s institutional website.

## 8.2 - Relations with related parties

Information on transactions with related parties is provided in Part H of the Explanatory Notes, to which reference should be made.

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<sup>12</sup> 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.



## 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 condensed consolidated half-yearly financial statements as at 30 June 2024 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 30 June 2024, 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.

In this regard, adjustment to this regulatory framework continued in the first half of 2024 and, to comply with the required adjustments to the regulatory compliance programme requested by DORA, the Parent Company's Business Impact Analysis (BIA) activities were brought forward to the first half of 2024, to allow the in-scope Group Companies to collect relevant information before the end of the year.

Support and training for the internal process owners and the Affiliated Banks also continued in the first half of 2024, intended for the completion of the new activities. Special training workshops gave support to the business continuity contact persons, which illustrated in particular the BIAs and the Risk Assessment in the area of business continuity. Help was provided in compiling the related documents.

The Risk Assessments on business continuity carried out by all in-scope Group Companies were collected and are under analysis. They introduced a new method for the identification of inherent risk, analysis of vulnerabilities, determination of residual risk and related mitigation measures.

The tests on cash management and the end-to-end critical process for transmitting and receiving orders on the market were completed successfully. The tests checked the availability and operational capacity of provider recovery sites, as well as the reachability of the services offered by the Parent Company.

## 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 - Sustainability

Sustainability has taken on a central role in the political agenda of the European Union, which has defined a long-term strategy to allow for the achievement of the Sustainable Development Goals defined by the United Nations Agenda 2030. At the same time, awareness and demand from businesses, households and savers has grown for responsible investments and products and services that will support the transition to a sustainable economy, as has attention from investors and ratings companies that integrate ESG (environmental, social, governance) aspects into their assessments.

The Cassa Centrale Group therefore finds itself operating under the close eye of the Italian and European Regulator, and of its various stakeholders in relation to its sustainability strategies and performance, with particular reference to environment and climate-related risk governance and the development of a range of products to support the transition with increasing disclosure obligations.

In this context, Cassa Centrale is continuing its development of the Sustainability Strategy undertaken since it was founded, starting with compliance and moving through an acceleration of the integration of ESG aspects into the business, including in response to the Supervisory expectations on climate-related and environmental risks and market best practices. The process combines legislator and market expectations on ESG topics with our ethical actions and the specific nature of the Group's business, committed to meeting the needs of the communities where we operate.

## The 2024-2027 Sustainability Plan

The 2024-2027 Sustainability Plan (hereinafter also "the Sustainability Plan"), approved in June 2024, defines the Group's Sustainability Strategy and is an integral part of the Group's 2024-2027 Strategic Plan, with the aim of fully integrating the management of ESG topics into daily operations. Furthermore, the Plan:

- also integrates the Strategic and Operating Plan on Climate-related and Environmental Risks in response to the supervisory expectations on climate-related and environmental risks of the ECB<sup>13</sup>;
- pursues an important goal of positioning and recognition aimed at achieving and improving ESG ratings/scores, through the targets and initiatives identified;
- envisages the circularity of ESG initiatives through engagement with Subsidiaries and Affiliated Banks, for the sharing of Group ESG targets and the promotion of the initiatives implemented by the individual Banks.

The strategic objectives of the Sustainability Plan are:

- to promote efficient and responsible consumption of resources, reduce the carbon footprint and promote the transition to an environmentally sustainable economy;
- to reinforce and expand the presence on the territory by promoting practices with a high positive impact;
- to integrate the offer of ESG financial products and services to support the sustainable transition of businesses and households;
- to enhance skills, develop an open and inclusive environment and improve people's well-being;
- to reinforce oversight of ESG topics in company processes.

This year the Cassa Centrale Group was once again included among the "Leaders of Sustainability", the ranking prepared each year by Sole 24 Ore in collaboration with Statista, a leading market research company specialising in the ranking and analysis of company data.

Furthermore, in 2024 the Morningstar Sustainalytics Group assigned a "low" ESG risk rating to Cassa Centrale – the first time the Group has taken part in this rating process.

Both of these scores recognise the efforts made to date and reinforce the conviction that sustainability is a fundamental driver in the Group's entire strategy.

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<sup>13</sup> For more details on the analysis of climate-related and environmental risks, please refer to chapter 6.5.

## 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](http://www.cassacentrale.it) in the "Investors" section.

## 8.8 - 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 first half of the year

In relation to the provisions of IAS 10, after 30 June 2024 and until 19 September 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 July 2024, the following business combination between Affiliated Banks took legal effect:

Banca del Veneto Centrale – Credito Cooperativo – Società Cooperativa and BVR Banca – Banche Venete Riunite – Credito Cooperativo di Schio, Pedemonte, Roana e Vestenanova Società Cooperativa: new name BVR Banca Veneto Centrale – Credito Cooperativo Italiano – Società Cooperativa.

As such, the total number of Affiliated Banks decreased to 65, in addition to the Parent Company.

## **Transfers of UTP (Unlikely To Pay) non-performing positions, so-called NPLs XI**

In the second quarter of 2024, a portfolio of mostly non-performing mortgage loans with a GBV (Gross Book Value) of approximately EUR 66.7 million originating from 26 Affiliated Banks was published on the BlinkS Platform by Prelios. The portfolio was awarded at a price of EUR 11.1 million, which was taken into account for the purposes of the valuation of the assets falling under the transfer. The contract for the transfer was signed on 05 August 2024. The transaction in question, alongside other collective operations that will be structured in the second half of the year, falls under the plan of transfers envisaged in the new 2024-2026 NPE Strategy approved on 28 March 2024.

## **Multi-originator true sale, so-called PTF MCC**

The closing of a true sale collective operation is envisaged in the last ten days of September 2024, involving 12 Affiliated Banks and UTP and bad loans, mostly covered by a State guarantee (MCC), for a total amount of approximately EUR 50 million. The investor, who formalised the binding offer subject to conditions precedent at the submission date after 30 June 2024, is Illimity Bank S.p.A.

## **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. In May 2024, the procedure for requesting authorisation from the Supervisory Authority to purchase 50% of the share package of Mediocredito Trentino Alto Adige S.p.A. held by CCRFIN was formally launched.

Following the issue of the authorisation on 07 August 2024, in the third quarter of 2024 the liquidation of Casse Rurali Raiffeisen Finanziaria S.p.A. and consequent purchase of the shares of Mediocredito Centrale Trentino Alto Adige S.p.A. will be finalised.

## **Renewal of the National Collective Labour Agreement (CCNL) of Cooperative Credit**

On 09 July 2024, the agreement to renew the National Collective Labour Agreement for Middle Managers and Staff of the Professional Areas of Cooperative Credit Banks – Rural and Artisan Banks was signed. This agreement provides for a gradual increase in remuneration from September 2024 until January 2026, in addition to the payment of a one-off component related to the recovery of arrears. The economic effects of a one-off payment, settled in July 2024, were included in the financial statements as at 30 June 2024 in accordance with the provisions of the international accounting standards of reference.



# 10. Business outlook

The first six months of 2024 showed moderate economic growth in a scenario characterised by the ongoing climate of geopolitical uncertainty.

The geopolitical scenario is heavily affected by the conflicts in Ukraine and the Middle East, for which no short-term resolution is in sight. The duration and developments of the conflicts still represent an unpredictable variable, with related implications for the global and national economy.

In economic terms, the gradual decrease in inflation continued, following the high levels in the first half of 2023, but we must wait for 2025 for the return to pre-pandemic values, allowing for normalisation of the monetary policies by the main central banks.

The above scenario and the persistence of market rates higher than expectations are reflected in the evolution of the entire banking sector with weak demand for credit from businesses and households against growth in assets under management and administration.

Changes in the situation must be assessed very carefully in order to maintain a strong focus on credit quality, aiming to consolidate the results achieved in recent years in terms of asset quality.

Business development and improved operating efficiency are confirmed as the main levers for the strategic evolution and 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 maximum 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 strategic objectives.

# Independent Auditors' Report on the Condensed Consolidated Half-Yearly Financial Statements of the Cassa Centrale Group

## REPORT ON REVIEW OF THE CONDENSED CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS

To the Board of Directors of  
Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A.

### Introduction

We have reviewed the accompanying condensed consolidated half-yearly financial statements of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. and subsidiaries (the “Cassa Centrale Banca Credito Cooperativo Italiano Cooperative Banking Group”), which comprise the consolidated balance sheet as of June 30, 2024 and the consolidated income statement, statement of consolidated comprehensive income, statement of changes in consolidated equity and consolidated cash flow statement for the six-month period then ended, and the related explanatory notes.

The Directors are responsible for the preparation of the condensed consolidated half-yearly financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the condensed consolidated half-yearly financial statements based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of condensed consolidated half-yearly financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated half-yearly financial statements of the Cassa Centrale Banca Credito Cooperativo Italiano Cooperative Banking Group as at June 30, 2024 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by  
**Enrico Gazzaniga**  
Partner

Milan, Italy  
September 27, 2024

*This 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.*

# Condensed Consolidated Half-Yearly Financial Statements of the Cassa Centrale Group

## CONSOLIDATED FINANCIAL STATEMENTS

# Consolidated balance sheet

ASSETS	30/06/2024	31/12/2023
10. Cash and cash equivalents	762	734
20. Financial assets measured at fair value through profit or loss	247	294
a) financial assets held for trading	8	5
b) financial assets designated at fair value	1	1
c) other financial assets mandatorily measured at fair value	238	288
30. Financial assets measured at fair value through other comprehensive income	11,015	11,050
40. Financial assets measured at amortised cost	71,470	72,880
a) loans to banks	1,391	1,397
b) loans to customers	70,079	71,483
50. Hedging derivatives	95	84
60. Fair value change of financial assets in hedged portfolios (+/-)	(91)	(79)
70. Equity investments	53	54
90. Tangible assets	1,225	1,222
100. Intangible assets	97	84
of which:		
- goodwill	27	27
110. Tax assets	507	585
a) current	101	115
b) deferred	406	470
120. Non-current assets and groups of assets held for disposal	1	1
130. Other assets	2,657	2,670
<b>Total assets</b>	<b>88,038</b>	<b>89,579</b>

LIABILITIES AND EQUITY		30/06/2024	31/12/2023
10.	Financial liabilities measured at amortised cost	77,282	79,218
	a) due to banks	5,689	10,216
	b) due to customers	64,924	63,299
	c) debt securities in issue	6,669	5,703
20.	Financial liabilities held for trading	3	4
30.	Financial liabilities designated at fair value	1	1
40.	Hedging derivatives	2	4
60.	Tax liabilities	37	49
	a) current	25	24
	b) deferred	12	25
80.	Other liabilities	1,512	1,561
90.	Provision for severance indemnity	84	90
100.	Provisions for risks and charges	431	432
	a) commitments and guarantees given	138	147
	b) post-employment benefits	-	-
	c) other provisions for risks and charges	293	285
120.	Valuation reserves	(40)	(20)
140.	Equity instruments	1	1
150.	Reserves	7,662	6,889
160.	Share premium	77	76
170.	Share capital	1,277	1,271
180.	Own shares (-)	(868)	(868)
200.	Profit (loss) for the year (+/-)	577	871
<b>Total liabilities and equity</b>		<b>88,038</b>	<b>89,579</b>

# Consolidated income statement

ITEMS	30/06/2024	30/06/2023
10. Interest income and similar revenues	1,732	1,584
of which: interest income calculated with the effective interest method	1,716	1,572
20. Interest expenses and similar charges	(497)	(410)
<b>30. Net interest income</b>	<b>1,235</b>	<b>1,174</b>
40. Fees and commissions income	478	447
50. Fees and commissions expenses	(81)	(62)
<b>60. Net fees and commissions</b>	<b>397</b>	<b>385</b>
70. Dividend and similar income	3	3
80. Net result from trading	9	(1)
90. Net result from hedging	-	2
100. Profit (loss) from disposal/repurchase of:	(129)	(107)
a) financial assets measured at amortised cost	(114)	(59)
b) financial assets measured at fair value through other comprehensive income	(15)	(48)
c) financial liabilities	-	-
110. Net result on other financial assets and liabilities measured at fair value through profit or loss	2	2
a) financial assets and liabilities designated at fair value	-	-
b) other financial assets mandatorily measured at fair value	2	2
<b>120. Net interest and other banking income</b>	<b>1,517</b>	<b>1,458</b>
130. Net value adjustments/write-backs due to credit risk relative to:	36	73
a) financial assets measured at amortised cost	36	73
b) financial assets measured at fair value through other comprehensive income	-	-
140. Profit/loss from contractual changes without derecognitions	(1)	-
<b>150. Net income from financial activities</b>	<b>1,552</b>	<b>1,531</b>
<b>180. Net income from financial and insurance activities</b>	<b>1,552</b>	<b>1,531</b>



ITEMS	30/06/2024	30/06/2023
190. Administrative expenses:	(915)	(883)
a) staff expenses	(526)	(479)
b) other administrative expenses	(389)	(404)
200. Net allocations to provisions for risks and expenses	14	-
a) commitments and guarantees given	9	2
b) other net allocations	5	(2)
210. Net value adjustments/write-backs to tangible assets	(53)	(52)
220. Net value adjustments/write-backs to intangible assets	(8)	(7)
230. Other operating expenses/income	97	96
<b>240. Operating costs</b>	<b>(865)</b>	<b>(846)</b>
250. Profit (loss) on equity investments	(3)	(1)
280. Profit (loss) from disposal of investments	1	2
<b>290. Profit (loss) before tax from current operating activities</b>	<b>685</b>	<b>686</b>
300. Income taxes for the year on current operating activities	(108)	(99)
<b>310. Profit (loss) after tax from current operating activities</b>	<b>577</b>	<b>587</b>
<b>330. Profit (loss) for the year</b>	<b>577</b>	<b>587</b>
<b>350. Profit (loss) for the Parent Company</b>	<b>577</b>	<b>587</b>

# Statement of consolidated comprehensive income

ITEMS	30/06/2024	30/06/2023
10. Profit (loss) for the year	577	587
<b>Other post-tax components of income without reversal to the income statement</b>	<b>(1)</b>	<b>6</b>
20. Equities measured at fair value through other comprehensive income	(3)	7
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	2	(1)
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	-	-
<b>Other post-tax components of income with reversal to the income statement</b>	<b>(19)</b>	<b>48</b>
110. Hedging of foreign investments	-	-
120. Exchange rate differences	-	-
130. Cash flow hedging	-	(1)
140. Hedging instruments (undesignated elements)	-	-
150. Financial assets (other than equities) measured at fair value through other comprehensive income	(19)	49
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	-	-
180. Financial revenues or costs from insurance contracts issued	-	-
190. Financial revenues or costs relating to reinsurance transfers	-	-
<b>200. Total other post-tax components of income</b>	<b>(20)</b>	<b>54</b>
<b>210. Comprehensive income (Item 10+200)</b>	<b>557</b>	<b>641</b>
220. Consolidated comprehensive income pertaining to minority interests	-	-
<b>230. Consolidated comprehensive income pertaining to the Parent Company</b>	<b>557</b>	<b>641</b>



# Statement of changes in consolidated equity as at 30.06.2024

	Balance as at 31/12/23	Adjustment to opening balances	Balance as at 01/01/24	Allocation of result from previous year		Changes during the year									Comprehensive income for 2024	Group equity as at 30/06/24	Equity pertaining to minority interests as at 30/06/24
				Reserves	Dividends and other allocations	Changes to reserves	Equity transactions						Changes in equity investments				
							Issue of new shares	Purchase of own shares	Distribution of extraordinary dividends	Change in equity instruments	Derivatives on own shares	Stock Options					
Share capital:																	
a) ordinary shares	1,263	X	1,263	-	X	X	7	(1)	X	X	X	X	-	X	1,269	-	
b) other shares	8	X	8	-	X	X	-	-	X	X	X	X	-	X	8	-	
Share premium	76	X	76	-	X	-	1	X	X	X	X	X	-	X	77	-	
Reserves:	-																
a) profit	6,879	-	6,879	777	X	(4)	-	-	-	X	X	X	-	X	7,652	-	
b) other	10	-	10	-	X	-	-	X	-	X	-	-	-	X	10	-	
Valuation reserves	(20)	-	(20)	X	X	-	X	X	X	X	X	X	-	(20)	(40)	-	
Equity instruments	1	X	1	X	X	X	X	X	X	-	X	X	-	X	1	-	
Own shares	(868)	X	(868)	X	X	X	-	-	X	X	X	X	X	X	(868)	-	
Profit (loss) for the year	871	-	871	(777)	(94)	X	X	X	X	X	X	X	X	577	577	-	
<b>Group's equity</b>	<b>8,220</b>	<b>-</b>	<b>8,220</b>	<b>-</b>	<b>(94)</b>	<b>(4)</b>	<b>8</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>557</b>	<b>8,686</b>	<b>-</b>	
Equity pertaining to minority interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

# Statement of changes in consolidated equity as at 30.06.2023

	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									Comprehensive income for 2023	Group equity as at 30/06/23	Equity pertaining to minority interests as at 30/06/23
				Reserves	Dividends and other allocations	Changes to reserves	Equity transactions						Changes in equity investments				
							Issue of new shares	Purchase of own shares	Distribution of extraordinary dividends	Change in equity instruments	Derivatives on own shares	Stock Options					
Share capital:																	
a) ordinary shares	1,263	X	1,263	-	X	X	6	(1)	X	X	X	X	-	X	1,268	-	
b) other shares	8	X	8	-	X	X	-	-	X	X	X	X	-	X	8	-	
Share premium	74	X	74	-	X	-	1	X	X	X	X	X	-	X	75	-	
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	-	54	(177)	-	
Equity instruments	1	X	1	X	X	X	X	X	X	-	X	X	-	X	1	-	
Own shares	(867)	X	(867)	X	X	X	-	-	X	X	X	X	X	X	(867)	-	
Profit (loss) for the year	560	-	560	(499)	(61)	X	X	X	X	X	X	X	X	587	587	-	
<b>Group's equity</b>	<b>7,207</b>	<b>-</b>	<b>7,207</b>	<b>-</b>	<b>(61)</b>	<b>(4)</b>	<b>7</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5)</b>	<b>641</b>	<b>7,784</b>	<b>-</b>	
Equity pertaining to minority interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

# Consolidated cash flow statement

## Indirect method

	Amount	
	30/06/2024	30/06/2023
<b>A. OPERATING ACTIVITIES</b>		
<b>1. Operations</b>	<b>658</b>	<b>574</b>
- income for the year (+/-)	577	587
- gains/losses on financial assets held for trading and other assets/liabilities measured at fair value through profit or loss (-/+)	-	5
- gains/losses on hedging activities (-/+)	-	(2)
- net value adjustments/write-backs due to credit risk (+/-)	(36)	(73)
- net value adjustments/write-backs to tangible and intangible assets (+/-)	61	59
- net allocations to provisions for risks and expenses and other costs/revenues (+/-)	(14)	-
- net revenues and costs of insurance contracts issued and reinsurance contracts held (-/+)	-	-
- taxes, duties and tax credits not settled (+/-)	60	99
- net value adjustments/write-backs from discontinued operations net of tax (-/+)	-	-
- other adjustments (+/-)	10	(101)
<b>2. Cash flows generated/used by the financial assets</b>	<b>1,518</b>	<b>1,821</b>
- financial assets held for trading	(4)	(4)
- financial assets designated at fair value	-	-
- other assets obligatorily measured at fair value	51	109
- financial assets measured at fair value through other comprehensive income	13	668
- financial assets measured at amortised cost	1,433	1,149
- other assets	25	(101)
<b>3. Cash flows generated/used by the financial liabilities</b>	<b>(1,980)</b>	<b>(2,305)</b>
- financial liabilities measured at amortised cost	(1,936)	(4,028)
- financial liabilities held for trading	(1)	(2)
- financial liabilities designated at fair value	-	-
- other liabilities	(43)	1,725
<b>4. Cash flows generated/used by insurance contracts issued and reinsurance transfers</b>	<b>-</b>	<b>-</b>
- insurance contracts issued that are liabilities/assets (+/-)	-	-
- reinsurance transfers that are assets/liabilities (+/-)	-	-
<b>Net cash flow generated/used by operating activities</b>	<b>196</b>	<b>90</b>

	Amount	
	30/06/2024	30/06/2023
<b>B. INVESTMENT ACTIVITIES</b>		
<b>1. Cash flows generated by:</b>	<b>31</b>	<b>25</b>
- sales of equity investments	-	-
- dividends collected on equity investments	3	3
- sales of tangible assets	28	22
- sales of intangible assets	-	-
- disposals of subsidiaries and business units	-	-
<b>2. Cash flows used by:</b>	<b>(105)</b>	<b>(92)</b>
- equity investment acquisitions	-	-
- tangible asset acquisitions	(84)	(79)
- intangible asset acquisitions	(21)	(13)
- purchases of subsidiaries and business units	-	-
<b>Net cash flow generated/used by investment activities</b>	<b>(74)</b>	<b>(67)</b>
<b>C. FUNDING ACTIVITIES</b>		
- issues/purchases of own shares	-	-
- issues/purchases of equity instruments	-	-
- dividend distribution and other	(94)	(61)
- sale/purchase of third parties' controlling interests	-	-
<b>Net cash flow generated/used by funding activities</b>	<b>(94)</b>	<b>(61)</b>
<b>NET CASH FLOWS GENERATED/USED DURING THE YEAR</b>	<b>28</b>	<b>(38)</b>

**KEY:**

(+) generated

(-) absorbed

## Reconciliation

ITEMS	Amount	
	30/06/2024	30/06/2023
Cash and cash equivalents at the beginning of the year	734	710
Total net cash flows generated/used during the year	28	(38)
Cash and cash equivalents: impact of exchange differences	-	-
Cash and cash equivalents at year-end	762	672

# Condensed Consolidated Half-Yearly 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 condensed consolidated half-yearly 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 condensed consolidated half-yearly financial statements as at 30 June 2024.

The condensed consolidated half-yearly financial statements and the interim report on consolidated operations constitute the Consolidated Half-Yearly Financial Report.

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 condensed consolidated half-yearly financial statements as at 30 June 2024 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 aforementioned condensed consolidated half-yearly 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’ half-yearly report on operations and the situation of the Group.

These financial statements are prepared in compliance with the provisions of IAS 34 “Interim Financial Statements” and, by virtue of the possibility granted by paragraph 10 of the aforementioned accounting standard, the same is summarised without including the complete information required for the annual financial statements and must be read together with the consolidated financial statements of the Cassa Centrale Group prepared for the year ended 31 December 2023.

The explanatory notes contained in the condensed consolidated half-yearly financial statements have been prepared with reference to the structure of the explanatory notes provided for the consolidated financial statements from the Bank of Italy Circular no. 262 of 22 December 2005 and subsequent updates (hereinafter also “Circular no. 262/2005”). Although the information content is limited, it is a summarised half-yearly financial statement. In addition, in order to facilitate reading, the numbering provided for in Circular no. 262/2005 has been maintained, although some parts, sections or tables may be omitted. As mentioned above, this document has been summarised.

The consolidated financial statements provide, in addition to the accounting data at 30 June 2024, comparative information relating to the corresponding period of the previous year, with the exception of the Balance Sheet, which is compared with the latest consolidated financial statements approved at 31 December 2023.

In accordance with the provisions of Article 5 of Italian Legislative Decree no. 38/2005, the condensed consolidated half-yearly 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 explanatory notes have been prepared in millions of euros. Any differences found between the amounts in the explanatory notes and the condensed consolidated half-yearly 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.

These condensed consolidated half-yearly financial statements are subject to a limited audit by Deloitte & Touche S.p.A.

The condensed consolidated half-yearly financial statements have been prepared with clarity and give a true and fair view of the financial position, economic result for the reporting period, changes in Group equity and generated cash flows.

The condensed consolidated half-yearly 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 the trend in inflation, the increase in interest rates, geopolitical risks, 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 condensed consolidated half-yearly financial statements includes the necessary details for identifying the main assumptions and subjective evaluations made in preparing these financial statements. 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 context, characterised by the considerable volatility of the financial parameters determined for the measurement and by a progressive stabilisation in the interest rates of level of inflation. There are currently no significant indicators of impairment in credit quality. 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 Section 5 - Other aspects.

The condensed consolidated half-yearly 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 environment” included in Section 5 - Other aspects of this Part A.

The 2024 financial year was not characterised by any changes in the estimation criteria already applied for the preparation of the consolidated financial statements as at 31 December 2023 except for what is shown in Section Other aspects in paragraph d) in relation to the measurement of loans to customers in the current macroeconomic environment.

### Section 3 - Scope and methods of consolidation

The condensed consolidated half-yearly financial statements as at 30 June 2024 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 (EEC) no. 86/635 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:

- “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”;
- “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 (EEC) no. 86/635, 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 condensed consolidated half-yearly 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 the first half of 2024, the following business combinations between subsidiaries took place:

- from and effective from 1 January 2024, the merger by incorporation of Cassa Rurale Novella e Alta Anaunia – Banca di Credito Cooperativo into Cassa di Trento, Lavis, Mezzocorona, Valle di Cembra e Alta Vallagarina – Banca di Credito Cooperativo with simultaneous change in name to Banca per il Trentino Alto Adige – Bank für Trentino-Südtirol – Credito Cooperativo Italiano Società Cooperativa.

The full scope of the subsidiaries that are part of the Cassa Centrale Group as at 30 June 2024 is shown below.

COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		% Votes available
				Investing company	% Share	
<b>A. ENTITIES CONSOLIDATED ON A LINE-BY-LINE BASIS</b>						
<b>A.1 ENTITIES CONSOLIDATED ON A LINE-BY-LINE BASIS – COHESION CONTRACT</b>						
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 MURGIÀ 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 ALTOGARDA - 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			

COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		% Votes available
				Investing company	% Share	
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			
CASSA RURALE RENON SOCIETÀ COOPERATIVA	Collalbo Renon (BZ)	Collalbo Renon (BZ)	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			
BANCA PER IL TRENTINO ALTO ADIGE - BANK FÜR TRENTINO-SÜDTIROL - CREDITO COOPERATIVO ITALIANO - 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 CALABRIA NORD - 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			



COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		% Votes available
				Investing company	% Share	
CASTAGNETO BANCA 1910 - CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	Donoratico (LI)	Castagneto Carducci (LI)	4			
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			

COMPANY NAME	Operating headquarters	Registered office	Relationship type*	Investment relationship		% Votes available
				Investing company	% Share	
BANCA DI CREDITO COOPERATIVO DI PIANFEI E ROCCA DE' BALDI - SOCIETÀ COOPERATIVA	Pianfei (CN)	Pianfei (CN)	4			
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 S.C.	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 SANBIAGIO 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 PER AZIONI	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	
<b>A.2 ENTITIES CONSOLIDATED ON A LINE-BY-LINE BASIS OTHER THAN COHESION CONTRACT</b>						
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
				TOTAL	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
<b>A.3 ENTITIES CONTROLLED BUT CONSOLIDATED AT EQUITY FOR MATERIALITY LIMITS</b>						
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
				TOTAL	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
				TOTAL	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 30 June 2024 is shown below.

NAME	Registered office	Operating headquarters	Relationship type*	Investment relationship		% Votes available
				Investing company	% Share	
<b>B. COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE</b>						
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	BANCA PER IL TRENINO ALTO ADIGE - BANK FÜR TRENINO-SÜDTIROL - CREDITO COOPERATIVO ITALIANO - SOCIETÀ COOPERATIVA	8.49	8.49
				CASSA RURALE ALTOGARDA - 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
TOTAL	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
				BANCA PER IL TRENINO ALTO ADIGE - BANK FÜR TRENINO-SÜDTIROL - CREDITO COOPERATIVO ITALIANO - SOCIETÀ COOPERATIVA	7.89	7.89
				CASSA RURALE ALTOGARDA - 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
			TOTAL	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
SENO 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	21.48
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 S.C.	6.29	6.29
				CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	6.29	6.29
				BANCA PREALPI SANBIAGIO CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	4.88	4.88
				BANCA MALATESTIANA - CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	4.65	4.65
			TOTAL	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 PER AZIONI	2.01	2.01
				TOTAL	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 30 June 2024 is shown below.

NAME	Registered office	Operating headquarters	Relationship type*	Investment relationship		% Votes available
				Investing company	% Share	
<b>A. JOINTLY CONTROLLED COMPANIES</b>						
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 condensed consolidated half-yearly 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 condensed consolidated half-yearly 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 condensed consolidated half-yearly financial statements, there are no subsidiaries through an equity relationship with significant third-party interests.

### **Significant restrictions**

At the date of these condensed consolidated half-yearly 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 30 June 2024, 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 30 June 2024, 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, after 30 June 2024, the reference date of this document and its approval by the Board of Directors on 19 September 2024, no events occurred such as to entail a change in the data presented in the Financial Statements.

The accounting estimates as at 30 June 2024 were made on the basis of a series of macroeconomic and financial indicators expected at that date.

For subsequent events, please refer to the in-depth analysis outlined in Chapter 9 of the Report on Operations.

## Section 5 - Other aspects

### a) IFRS accounting standards, amendments and interpretations applicable from 1 January 2024

The following IFRS accounting standards, amendments and interpretations were applied by the Group for the first time from 1 January 2024:

- 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;
- 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;
- amendments to IAS 1 "Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current";
- amendments to IAS 7 and IFRS 7: "Supplier Finance Arrangements" to add quantitative and qualitative disclosure obligations related to financing agreements with suppliers.

The above amendments did not have an impact on the Group's financial position and economic results as at 30 June 2024.

### b) Endorsed accounting standards that will enter into force after the reporting date

As of the date of preparing these consolidated financial statements, there are no endorsed accounting standards that will enter into force on 1 July 2024.

### **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:

- IFRS 18 "Presentation and Disclosure in Financial Statements", which will replace IAS 1, aims to provide investors with more transparent and comparable information about the financial results of companies, thus facilitating investment decisions;
- IFRS 19 "Subsidiaries without Public Accountability: Disclosures", which makes it possible to provide reduced disclosures in financial statements to subsidiaries without public accountability that apply IFRS standards;
- amendments to IFRS 7 and IFRS 9: "Amendments to the Classification and Measurement of Financial Instruments", which mainly concern rules on settling financial liabilities using an electronic payment system. They also intend to review the assessment of contractual cash flow characteristics of financial assets, including those with environmental, social and governance (ESG)-linked features;
- amendments to IAS 21 "Lack of Exchangeability", which 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 context**

With reference to the guidance and guidelines issued by European regulatory and supervisory bodies, as well as by standard setters, 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". Among other things, it outlines several priorities common to the European Central Bank (SSM Supervisory Priorities 2024-2026). 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.

In the first half of 2024, aspects of uncertainty continued due to ongoing geopolitical tensions. Under these unstable conditions, the level of interest rates, intended to contain inflation, continues to hover in a restrictive area, despite the first 25 basis point cut made by the European Central Bank. The restrictive policies enacted by the European Central Bank, with the primary aim of bringing inflation back down to the 2% target, have partly influenced growth in the euro area and Italy with possible direct and indirect impacts on credit risk in the context of debt service for businesses and households.

In particular, given the new elements of uncertainty that had resulted in a revision of forecasts due to the conflict, the risk measurement system is 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. Furthermore, the sectors linked to the real estate segment find themselves in a setting of prospective uncertainty given the significant end of recent extraordinary state incentives, which will involve a return to a more ordinary framework of support.

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.

The Group has continued to pay close attention to the emergence of potential critical issues and weaknesses with regard to credit risk. To this end, it has implemented significant actions aimed at i) identifying potential direct impacts on risk factors associated with exposures, and ii) incorporating macroeconomic expectations and identifying new vulnerabilities at sector level, thanks to the updates introduced in the IFRS 9 model. These updates to the IFRS 9 model also cover the introduction of several ESG-linked parameters, such as the analysis of the materiality of climate-related and environmental risks developed over the first half of 2024, as described below.

From a macroeconomic perspective, in 2024, the ECB published increasingly optimistic GDP growth forecasts for the Eurozone, indicating a growing economic trend of +0.9%, +1.4% and +1.6%, respectively, for the 2024-2026 three-year period compared to the forecast issued in December 2023, which showed an increase of +0.8% for 2024. At the start of 2024, the economy of the euro area recovered more than expected by ECB expert forecasts last March, thanks to the support provided trade with overseas and the expansion of household spending. The most recent figures indicate a continuation of growth in the short term, at a faster pace than expected. Real disposable income in the EU should continue to increase, giving rise to a recovery driven by consumption throughout 2024.

Similar trends can be seen across the Italian macroeconomic context. In particular, in June 2024, the Bank of Italy published the GDP forecasts for Italy, which indicated a growth trend of +0.6%, +0.9% and +1.1%, respectively, for the 2024-2026 three-year period and +0.7% for 2023. The latter figure is substantially in line with the expectations issued in December 2023.

In terms of preparing the half-yearly consolidated financial statement disclosures as at 30 June 2024, 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 (IAS 40), 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 30 June 2024 are shown below.

## Classification and measurement of loans to customers based on the general impairment model IFRS 9

For the purposes of calculating the expected loss as at 30 June 2024, the Cassa Centrale Group incorporated into its IFRS 9 impairment model, in line with the provisions of the standard, macroeconomic scenarios that include the effects of the ongoing geopolitical crises, as well as uncertainty around expectations linked to the monetary policy of the European Central Bank. These aspects 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 30 June 2024, 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 high level of inflation. 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 the first half of 2024 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 maintained the mechanism to determine appropriate levels of additional coverage (so-called add-on) to the exposure of variable rate mortgage loans in stage 2.

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 30 June 2024, the Cassa Centrale Group has used four scenarios (mild, baseline, adverse plausible and adverse severe), 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, as well as the same likelihood of occurrence, 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 December 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 short-term forecasts of the Group’s risk factors, albeit less severely compared to previous projections.

Please remember that 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 measures were introduced.

In the first half of 2024, the corrective measures on PD and LGD parameters were further refined, 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 this context, therefore, the Group incorporated into the expected loss calculation the potential prospective long-term effects (2050) arising from climate-related and environmental risks associated with the credit risk of the most exposed economic sectors.

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, leading to a specific calibration of the LGD linked to loans guaranteed by the State.

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 current approach and the staging allocation criteria, 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. In this context, in the first half of 2024 the Low-Credit Risk Exemption (LCRE – as an exemption of the SICR) was revised using a valuation purely based on the PDs at twelve months envisaged by IFRS 9.

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 30 June 2024:

- the update of the historical series, macroeconomic scenarios and methodological refinement of the parameters mentioned above shows a decrease of around 5.0% in the overall exposure of stage 2 loans, with a reduction in the overall coverage of the performing portfolio of approximately +7.9%;

- the inclusion of possible prospective effects on the expected losses of climate-related and environmental risks in the long term (2050) and the refinement of ESG components does not have significant effects on the staging allocation and leads to an increase in the overall coverage of the performing portfolio by around +4.3%.

### 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.

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 30 June 2024. 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

Although the Cassa Centrale Group conducted an impairment test on goodwill and intangibles when preparing the financial statements at 31 December 2023, based on the Group Policy on impairment test procedures, which was submitted for approval to the Parent Company's Board of Directors on 01 August 2024, an analysis of the impairment indicators as at 30 June 2024 was conducted. The analysis did not identify trigger events such to require an impairment test on the intangible assets falling within the scope of assessment for drafting these consolidated condensed half-yearly financial statements at 30 June 2024.

Therefore, the impairment test will be carried out with the 2024 annual financial statements, 12 months after the previous impairment test, in compliance with the maximum time horizon provided for by the international accounting standards.

## 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 5 billion. The outstanding transactions at the beginning of the year resulted in a negative contribution to interest margin of about EUR 55 million as at 30 June 2024.

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 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.

## A.2 - Part relating to the main items in the accounts

The accounting standards adopted for the preparation of these condensed consolidated half-yearly 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 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 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 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 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 Book value of the hedged element at the time when the hedge ceases and that which would have been its Book value 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 asset groups held for disposal and discontinued operations and related liabilities are shown under specific items of consolidated assets 120. Non-current assets and groups of assets held for disposal and consolidated liabilities 70. Liabilities associated to 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.

With effect from 1 January 2024, the Cassa Centrale Group, as a Multinational Group that exceeded the revenue threshold of EUR 750 million, for two of the four previous financial years – with specific regard to the entities consolidated on a line-by-line basis based on reasons other than the cohesion contract – falls under the scope of application of Pillar Two income tax envisaged by Directive 2022/2523, adopted in Italy by Legislative Decree 209/2023, intended to guarantee a global minimum level of taxation for multinational groups of companies and national groups on a large scale in the European Union.

On the basis of the information known or reasonably estimated, the exposure of the Cassa Centrale Group to the Pillar Two income tax in the two jurisdictions in which it operates (Italy and Luxembourg) at June 2024 is nil, since in both jurisdictions, the so-called Simplified ETR Test is passed, applied taking account of the OECD clarifications available to date.

Therefore, no current fiscal expenses related to Pillar Two income tax are envisaged.

As provided for by paragraph 4.A of IAS 12, in derogation of the provisions of the standard, the Group has not disclosed nor communicated information about the deferred tax assets and liabilities relating to Pillar Two income tax.

## 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 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 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 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 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) personnel costs.

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 "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:

- 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 an IFRS 9 one-year PD no higher than 0.3% at the measurement date are considered 'low credit risk'.

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 charac-

teristics 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 carrying amount.

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, intended to restrict the scope of application of the Superbonus and the so-called minor bonuses and their transferability. The Decree Law no. 39/2024, *inter alia*, limit the possibility to offset the tax credits already held by the Banks, even for purchases of previous tax credits, due to the exclusion, with effect from 1 January 2025, of the components related to social security contributions and premiums for insurance against accidents at work and occupational diseases. Furthermore, they prohibit the possibility to transfer the tax credits that Banks purchased from their customers at prices below 75% of the nominal value of those credits.

Therefore, we believe that following recent regulatory interventions – conversion into law of Decree Law no. 39/2024 – there will be a progressive reduction of transfers to credit institutions.

On the basis of information available while preparing the condensed consolidated financial statements as at 30 June 2024, a current and prospective tax capacity is estimated within the Group that would make it possible to offset, during the second half of 2024 and over the following years, autonomously, all tax credits present in the portfolio at the reporting date. Furthermore, various Group entities have entered into forward contracts with third parties of high standing, which, by reducing the overall amount of the tax credits subject to future offsetting, further increase the excess tax capacity mentioned above.

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 IFRS 9, 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 30 June 2024 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, except 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 (e.g. senior non-preferred or Tier 2 subordinate securities exchanged between companies of the Group).

## 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 less than 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

FINANCIAL ASSETS/LIABILITIES MEASURED AT FAIR VALUE	30/06/2024			31/12/2023		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss	50	14	183	83	10	201
a) financial assets held for trading	-	8	-	-	5	-
b) financial assets designated at fair value	-	-	1	-	-	1
c) other financial assets mandatorily measured at fair value	50	6	182	83	5	200
2. Financial assets measured at fair value through other comprehensive income	10,875	23	117	10,917	15	118
3. Hedging derivatives	-	95	-	-	84	-
4. Tangible assets	-	-	9	-	-	9
5. Intangible assets	-	-	-	-	-	-
<b>Total</b>	<b>10,925</b>	<b>132</b>	<b>309</b>	<b>11,000</b>	<b>109</b>	<b>328</b>
1. Financial liabilities held for trading	-	3	-	-	4	-
2. Financial liabilities designated at fair value	-	1	-	-	1	-
3. Hedging derivatives	-	2	-	-	4	-
<b>Total</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>-</b>

#### 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 Period 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				
<b>1. OPENING BALANCES</b>	<b>201</b>	<b>-</b>	<b>1</b>	<b>200</b>	<b>118</b>	<b>-</b>	<b>9</b>	<b>-</b>
<b>2. INCREASES</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>12</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>
2.1. Purchases	8	-	-	8	4	-	-	-
2.2. Profit attributed to:	4	-	-	4	-	-	-	-
2.2.1. Income Statement	4	-	-	4	-	-	-	-
- of which capital gains	3	-	-	3	-	-	-	-
2.2.2. Equity	-	X	X	X	-	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-	-	-
<b>3. DECREASES</b>	<b>30</b>	<b>-</b>	<b>-</b>	<b>30</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>
3.1. Sales	-	-	-	-	4	-	-	-
3.2. Repayments	25	-	-	25	-	-	-	-
3.3. Losses attributed to:	4	-	-	4	1	-	-	-
3.3.1. Income Statement	4	-	-	4	-	-	-	-
- of which capital losses	3	-	-	3	-	-	-	-
3.3.2. Equity	-	X	X	X	1	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	1	-	-	1	-	-	-	-
<b>4. CLOSING BALANCES</b>	<b>183</b>	<b>-</b>	<b>1</b>	<b>182</b>	<b>117</b>	<b>-</b>	<b>9</b>	<b>-</b>

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 15 million.

#### A.4.5.3 Period 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	30/06/2024				31/12/2023			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	71,470	21,687	183	48,518	72,880	22,920	198	49,034
2. Tangible assets held for investment purposes	90	-	-	99	93	-	-	106
3. Non-current assets and groups of assets held for disposal	1	-	-	1	1	-	-	1
<b>Total</b>	<b>71,561</b>	<b>21,687</b>	<b>183</b>	<b>48,618</b>	<b>72,974</b>	<b>22,920</b>	<b>198</b>	<b>49,141</b>
1. Financial liabilities measured at amortised cost	77,282	525	399	76,366	79,218	544	429	78,262
2. Liabilities associated with assets held for disposal	-	-	-	-	-	-	-	-
<b>Total</b>	<b>77,282</b>	<b>525</b>	<b>399</b>	<b>76,366</b>	<b>79,218</b>	<b>544</b>	<b>429</b>	<b>78,262</b>

#### 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 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 30/06/2024			Total 31/12/2023		
	L1	L2	L3	L1	L2	L3
<b>A. CASH ASSETS</b>						
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity securities	-	-	-	-	-	-
3. UCITS units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repos	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
<b>Total (A)</b>	-	-	-	-	-	-
<b>B. DERIVATIVE INSTRUMENTS</b>						
1. Financial derivatives	-	8	-	-	5	-
1.1 trading	-	8	-	-	5	-
1.2 connected to the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-

ITEMS/VALUES	Total 30/06/2024			Total 31/12/2023		
	L1	L2	L3	L1	L2	L3
2. Credit derivatives	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.2 connected to the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
<b>Total (B)</b>	-	<b>8</b>	-	-	<b>5</b>	-
<b>Total (A+B)</b>	-	<b>8</b>	-	-	<b>5</b>	-

**KEY:**

L1 = Level 1

L2 = Level 2

L3 = Level 3

This item includes derivative instruments classified in the trading book.

### 2.3 Financial assets designated at fair value: breakdown by category

ITEMS/VALUES	Total 30/06/2024			Total 31/12/2023		
	L1	L2	L3	L1	L2	L3
<b>1. DEBT SECURITIES</b>	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
<b>2. LOANS</b>	-	-	<b>1</b>	-	-	<b>1</b>
2.1 Structured	-	-	-	-	-	-
2.2 Other	-	-	<b>1</b>	-	-	<b>1</b>
<b>Total</b>	-	-	<b>1</b>	-	-	<b>1</b>

**KEY:**

L1 = Level 1

L2 = Level 2

L3 = Level 3

## 2.5 Other financial assets mandatorily measured at fair value: breakdown by category

ITEMS/VALUES	Total 30/06/2024			Total 31/12/2023		
	L1	L2	L3	L1	L2	L3
<b>1. DEBT SECURITIES</b>	<b>1</b>	<b>5</b>	<b>2</b>	<b>1</b>	<b>4</b>	<b>2</b>
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	1	5	2	1	4	2
<b>2. EQUITY SECURITIES</b>	<b>16</b>	<b>1</b>	<b>-</b>	<b>18</b>	<b>1</b>	<b>-</b>
<b>3. UCITS UNITS</b>	<b>33</b>	<b>-</b>	<b>72</b>	<b>64</b>	<b>-</b>	<b>73</b>
<b>4. LOANS</b>	<b>-</b>	<b>-</b>	<b>108</b>	<b>-</b>	<b>-</b>	<b>125</b>
4.1 Repos	-	-	-	-	-	-
4.2 Other	-	-	108	-	-	125
<b>Total</b>	<b>50</b>	<b>6</b>	<b>182</b>	<b>83</b>	<b>5</b>	<b>200</b>

### 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 65 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 24 million, about EUR 18 million of which are classified at fair value level 3;
- stocks for approximately EUR 20 million;
- balanced for approximately EUR 7 million;
- real estate of approximately EUR 25 million classified at fair value level 3;
- NPL of approximately EUR 25 million classified at fair value level 3;
- private equity of approximately EUR 4 million classified at fair value level 3.

## 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 30/06/2024			Total 31/12/2023		
	L1	L2	L3	L1	L2	L3
<b>1. DEBT SECURITIES</b>	10,867	22	-	10,909	14	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	10,867	22	-	10,909	14	-
<b>2. EQUITY SECURITIES</b>	8	1	117	8	1	118
<b>3. LOANS</b>	-	-	-	-	-	-
<b>Total</b>	<b>10,875</b>	<b>23</b>	<b>117</b>	<b>10,917</b>	<b>15</b>	<b>118</b>

**KEY:**

L1 = Level 1

L2 = Level 2

L3 = Level 3

The item "1. Debt securities" is mainly made up of Government Securities listed on active markets.

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.

### 3.3 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	10,891	2	-	-	-	2	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
<b>Total 30/06/2024</b>	<b>10,891</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total 31/12/2023</b>	<b>10,924</b>	<b>2</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

\*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 30/06/2024						Total 31/12/2023					
	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
<b>A. LOANS TO CENTRAL BANKS</b>	<b>624</b>	-	-	-	-	<b>624</b>	<b>573</b>	-	-	-	-	<b>573</b>
1. Fixed-term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserve	624	-	-	X	X	X	573	-	-	X	X	X
3. Repos	-	-	-	X	X	X	-	-	-	X	X	X
4. Others	-	-	-	X	X	X	-	-	-	X	X	X
<b>B. LOANS TO BANKS</b>	<b>767</b>	-	-	<b>432</b>	<b>149</b>	<b>142</b>	<b>824</b>	-	-	<b>449</b>	<b>153</b>	<b>183</b>
<b>1. Loans</b>	<b>142</b>	-	-	-	-	<b>142</b>	<b>183</b>	-	-	-	-	<b>183</b>
1.1 Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Fixed-term deposits	18	-	-	X	X	X	10	-	-	X	X	X
1.3. Other loans:	124	-	-	X	X	X	173	-	-	X	X	X
- Repos receivables	-	-	-	X	X	X	-	-	-	X	X	X
- Financing for leases	-	-	-	X	X	X	-	-	-	X	X	X
- Other	124	-	-	X	X	X	173	-	-	X	X	X
<b>2. Debt securities</b>	<b>625</b>	-	-	<b>432</b>	<b>149</b>	-	<b>641</b>	-	-	<b>449</b>	<b>153</b>	-
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	625	-	-	432	149	-	641	-	-	449	153	-
<b>Total</b>	<b>1,391</b>	-	-	<b>432</b>	<b>149</b>	<b>766</b>	<b>1,397</b>	-	-	<b>449</b>	<b>153</b>	<b>756</b>

#### 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 30/06/2024						Total 31/12/2023					
	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
<b>1. LOANS</b>	<b>47,190</b>	<b>393</b>	<b>11</b>	-	-	<b>47,590</b>	<b>47,516</b>	<b>325</b>	<b>10</b>	-	-	<b>48,103</b>
1.1. Current accounts	3,387	38	-	X	X	X	3,726	27	-	X	X	X
1.2. Repos receivables	-	-	-	X	X	X	-	-	-	X	X	X
1.3. Mortgage loans	37,994	316	10	X	X	X	38,021	267	9	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	1,209	6	-	X	X	X	1,185	5	-	X	X	X
1.5. Financing for leases	855	10	-	X	X	X	827	9	-	X	X	X
1.6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7. Other loans	3,745	23	1	X	X	X	3,757	17	1	X	X	X
<b>2. DEBT SECURITIES</b>	<b>22,485</b>	<b>-</b>	<b>-</b>	<b>21,255</b>	<b>34</b>	<b>162</b>	<b>23,632</b>	<b>-</b>	<b>-</b>	<b>22,471</b>	<b>45</b>	<b>175</b>
1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2. Other debt securities	22,485	-	-	21,255	34	162	23,632	-	-	22,471	45	175
<b>Total</b>	<b>69,675</b>	<b>393</b>	<b>11</b>	<b>21,255</b>	<b>34</b>	<b>47,752</b>	<b>71,148</b>	<b>325</b>	<b>10</b>	<b>22,471</b>	<b>45</b>	<b>48,278</b>

### 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 140 million classified at fair value level 3. The decrease in the item compared to the figure as at 31 December 2023, in continuity with operations in the previous year, is mainly as a result of the 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 Hold To Collect 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 284 million.

Performing exposures to customers consisted mainly of mortgage loans, which amounted to EUR 37,994 million and accounted for approximately 80% of total loans to customers, current accounts receivable of EUR 3,387 million and other loans of EUR 3,745 million.

#### 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	23,110	96	48	1	-	5	43	1	-	-
Loans	43,718	-	4,895	2,124	23	176	481	1,731	12	272
<b>Total 30/06/2024</b>	<b>66,828</b>	<b>96</b>	<b>4,943</b>	<b>2,125</b>	<b>23</b>	<b>181</b>	<b>524</b>	<b>1,732</b>	<b>12</b>	<b>272</b>
<b>Total 31/12/2023</b>	<b>68,027</b>	<b>146</b>	<b>5,243</b>	<b>2,133</b>	<b>26</b>	<b>182</b>	<b>543</b>	<b>1,808</b>	<b>16</b>	<b>287</b>

\*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 30 June 2024, existing loans that constitute new liquidity granted through public guarantee mechanisms issued in the context of COVID-19 amounted to a total of EUR 3,884 million and are broken down as follows:

	Gross value				Writedowns			
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
Newly originated loans	3,399	445	228	-	13	31	144	
<b>Total 30/06/2024</b>	<b>3,399</b>	<b>445</b>	<b>228</b>	<b>-</b>	<b>13</b>	<b>31</b>	<b>144</b>	<b>-</b>
<b>Total 31/12/2023</b>	<b>3,882</b>	<b>585</b>	<b>193</b>	<b>-</b>	<b>15</b>	<b>44</b>	<b>132</b>	<b>-</b>

## 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 53 million, relating:

- to “significant” equity investments totalling EUR 29 million (as represented in the following table 7.2);
- to insignificant equity investments totalling EUR 24 million.

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	
<b>A. JOINTLY CONTROLLED COMPANIES</b>						
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>B. COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE</b>						
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	BANCA PER IL TRENINO ALTO ADIGE - BANK FÜR TRENINO-SÜDTIROL - CREDITO COOPERATIVO ITALIANO - 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
				TOTAL	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
				BANCA PER IL TRENINO ALTO ADIGE - BANK FÜR TRENINO-SÜDTIROL - CREDITO COOPERATIVO ITALIANO - 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
				TOTAL	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
SENI0 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	21.48
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 S.C.	6.29	6.29
				CASSA RURALE ALTA VALSUGANA - BANCA DI CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	6.29	6.29
				BANCA PREALPI SANBIAGIO CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	4.88	4.88
				BANCA MALATESTIANA - CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	4.65	4.65
				TOTAL	30.37	30.37
CABEL HOLDING S.p.A.	Empoli (FI)	Empoli (FI)	4	CASTAGNETO BANCA 1910 - CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA	19.5	19.5
				CASSA CENTRALE BANCA - CREDITO COOPERATIVO ITALIANO SOCIETÀ PER AZIONI	7.66	7.66
				BANCA LAZIO NORD CREDITO COOPERATIVO - SOCIETÀ COOPERATIVA PER AZIONI	2.01	2.01
				TOTAL	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	30
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
<b>A. JOINTLY CONTROLLED COMPANIES</b>			
CASSE RURALI RAIFFEISEN FINANZIARIA S.p.A., IN LIQUIDAZIONE	7	-	-
<b>B. COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE</b>			
CABEL HOLDING S.p.A.	8	-	-
FINANZIARIA TRENTINA DELLA COOPERAZIONE S.p.A.	7	-	-
ASSICURA S.r.l.	7	-	-
<b>Total</b>	<b>29</b>	<b>-</b>	<b>-</b>

It should be noted that Assicura S.r.l. is a controlling interest consolidated using the equity method due to materiality limits.

## Section 9 - Tangible assets - Item 90

### 9.1 Tangible assets for business use: breakdown of the assets measured at cost

ASSETS/VALUES	Total 30/06/2024	Total 31/12/2023
<b>1. ASSETS OWNED</b>	<b>955</b>	<b>953</b>
a) land	150	150
b) buildings	645	651
c) furniture	54	55
d) electronic systems	38	33
e) other	68	64
<b>2. RIGHTS OF USE ACQUIRED THROUGH LEASE</b>	<b>142</b>	<b>139</b>
a) land	3	3
b) buildings	130	127
c) furniture	-	-
d) electronic systems	4	5
e) other	5	4
<b>Total</b>	<b>1,097</b>	<b>1,092</b>
of which: obtained through the enforcement of guarantees received	6	6



## 9.2 Tangible assets held for investment purposes: breakdown of the assets measured at cost

ASSETS/VALUES	Total 30/06/2024				Total 31/12/2023			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
<b>1. ASSETS OWNED</b>	<b>89</b>	-	-	<b>98</b>	<b>92</b>	-	-	<b>105</b>
a) land	26	-	-	29	27	-	-	31
b) buildings	63	-	-	69	65	-	-	74
<b>2. RIGHTS OF USE ACQUIRED THROUGH LEASE</b>	<b>1</b>	-	-	<b>1</b>	<b>1</b>	-	-	<b>1</b>
a) land	-	-	-	-	-	-	-	-
b) buildings	1	-	-	1	1	-	-	1
<b>Total</b>	<b>90</b>	-	-	<b>99</b>	<b>93</b>	-	-	<b>106</b>
of which: obtained through the enforcement of guarantees received	28	-	-	33	29	-	-	34

### KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

## 9.3 Tangible assets for business use: breakdown of the revalued assets

At the reporting date, there are tangible assets for business use measured at fair value of a residual amount in these financial statements. Thus, the compilation of the envisaged table is omitted.

## 9.4 Tangible assets held for investment purposes: breakdown of the assets designated at fair value

ASSETS/VALUES	Total 30/06/2024			Total 31/12/2023		
	L1	L2	L3	L1	L2	L3
<b>1. ASSETS OWNED</b>	-	-	9	-	-	9
a) land	-	-	1	-	-	1
b) buildings	-	-	8	-	-	8
<b>2. RIGHTS OF USE ACQUIRED THROUGH LEASE</b>	-	-	-	-	-	-
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
<b>Total</b>	-	-	9	-	-	9
of which: obtained through the enforcement of guarantees received	-	-	-	-	-	-

### KEY:

L1 = Level 1

L2 = Level 2

L3 = Level 3

## 9.5 Inventories of tangible assets disciplined by IAS 2: breakdown

ASSETS/VALUES	Total 30/06/2024	Total 31/12/2023
<b>1. INVENTORIES OF ASSETS OBTAINED THROUGH THE ENFORCEMENT OF GUARANTEES RECEIVED</b>	<b>29</b>	<b>28</b>
a) land	23	22
b) buildings	6	6
c) furniture	-	-
d) electronic systems	-	-
e) other	-	-
<b>2. OTHER INVENTORIES OF TANGIBLE ASSETS</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>29</b>	<b>28</b>
of which: measured at fair value net of costs to sell	-	-

## Section 10 - Intangible assets - Item 100

### 10.1 Intangible assets: breakdown by type of asset

ASSETS/VALUES	Total 30/06/2024		Total 31/12/2023	
	Definite useful life	Indefinite useful life	Definite useful life	Indefinite useful life
<b>A.1 GOODWILL</b>	X	27	X	27
A.1.1 pertaining to the Group	X	27	X	27
A.1.2. pertaining to minority interests	X	-	X	-
<b>A.2 OTHER INTANGIBLE ASSETS</b>	70	-	57	-
of which: software	63	-	50	-
A.2.1 Assets measured at cost:	70	-	57	-
a) Intangible assets generated internally	1	-	1	-
b) Other assets	69	-	56	-
A.2.2 Assets designated at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
<b>Total</b>	<b>70</b>	<b>27</b>	<b>57</b>	<b>27</b>

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

#### 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").

### Considerations on the condensed consolidated half-yearly financial statements as at 30 June 2024

As provided for by IAS 36 Impairment of Assets, goodwill is subject to impairment testing at least once a year.

When preparing the financial statements as at 30 June 2024, the Cassa Centrale Group carried out the analysis of trigger events on equity investments, goodwill and intangible assets with a definite useful life.

In short, the analysis did not identify trigger events such to require an impairment test for the consolidated half-yearly financial statements at 30 June 2024.

Therefore, the impairment test will be carried out with the 2024 annual financial statements, 12 months after the previous impairment test, in compliance with the maximum time horizon provided for by the international accounting standards.

## 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	30/06/2024		
	IRES	IRAP	Total
Loans	212	28	240
Tangible fixed assets	13	1	14
Provisions for risks and charges	71	9	80
Tax losses	7	-	7
Administrative expenses	-	-	-
Other items	16	3	19
<b>Total</b>	<b>319</b>	<b>41</b>	<b>360</b>

THROUGH EQUITY	30/06/2024		
	IRES	IRAP	Total
Negative reserves for HTCS financial assets	38	8	46
Severance indemnity	-	-	-
Other items	-	-	-
<b>Total</b>	<b>38</b>	<b>8</b>	<b>46</b>

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 225 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. 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;
- 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 15 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 around 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, 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	30/06/2024		
	IRES	IRAP	Total
Tangible fixed assets	1	-	1
Capital gains by instalments	-	-	-
Other items	4	-	4
<b>Total</b>	<b>5</b>	<b>-</b>	<b>5</b>

THROUGH EQUITY	30/06/2024		
	IRES	IRAP	Total
Positive reserves for HTCS financial assets	5	2	7
Other items	-	-	-
<b>Total</b>	<b>5</b>	<b>2</b>	<b>7</b>

Deferred tax liabilities as a contra-entry to the income statement mainly relate to:

- misalignments between statutory and tax items arising from IFRS 3 business combinations for EUR 1 million
- revaluations of tangible fixed assets made during the transition to international accounting standards for EUR 0.6 million.

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.

### 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 tax losses.

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 406 million in its balance sheet, of which 360 million recognised as a contra-entry to the income statement. Of these, EUR 225 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 135 million, there are no critical elements based on the evidence resulting from the probability test.

# 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 30/06/2024					Total 31/12/2023				
	BV	Fair value			BV	Fair value				
		L1	L2	L3		L1	L2	L3		
<b>1. DUE TO CENTRAL BANKS</b>	<b>5,115</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>9,708</b>	<b>X</b>	<b>X</b>	<b>X</b>		
<b>2. DUE TO BANKS</b>	<b>574</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>508</b>	<b>X</b>	<b>X</b>	<b>X</b>		
2.1 Current accounts and deposits on demand	380	X	X	X	342	X	X	X		
2.2 Fixed-term deposits	36	X	X	X	32	X	X	X		
2.3 Loans	146	X	X	X	123	X	X	X		
2.3.1 Repos payables	144	X	X	X	120	X	X	X		
2.3.2 Others	2	X	X	X	3	X	X	X		
2.4 Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X		
2.5 Payables for leases	10	X	X	X	10	X	X	X		
2.6 Other payables	2	X	X	X	1	X	X	X		
<b>Total</b>	<b>5,689</b>	<b>-</b>	<b>-</b>	<b>5,689</b>	<b>10,216</b>	<b>-</b>	<b>-</b>	<b>10,216</b>		

#### 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”.

## 1.2 Financial liabilities measured at amortised cost: breakdown by category of due to customers

TYPE OF TRANSACTIONS/VALUES	Total 30/06/2024				Total 31/12/2023			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and deposits on demand	58,234	X	X	X	57,588	X	X	X
2. Fixed-term deposits	4,240	X	X	X	3,049	X	X	X
3. Loans	1,621	X	X	X	1,861	X	X	X
3.1 Repos payables	1,368	X	X	X	1,619	X	X	X
3.2 Other	253	X	X	X	242	X	X	X
4. Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Payables for leases	129	X	X	X	125	X	X	X
6. Other payables	700	X	X	X	676	X	X	X
<b>Total</b>	<b>64,924</b>	-	-	<b>64,924</b>	<b>63,299</b>	-	-	<b>63,299</b>

### KEY:

BV = Book value

L1 = Level 1

L2 = Level 2

L3 = Level 3

The gradual decrease in exposure linked to TLTRO operations and the simultaneous containment of inflation are aspects that contributed to contextualise an increase in short-term funding, represented by item “1 Current accounts and deposits on demand”, as well as a more marked increase in forms of term funding represented by 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 1,337 million, in partial replacement of the ECB maturing/redeeming refinancing operations.

The sub-item “6. Other payables” mainly includes debts for credit cards, cheques and third-party funds under administration of public bodies aimed at providing subsidised loans governed by specific regional regulations.

### 1.3 Financial liabilities measured at amortised cost: breakdown by category of debt securities in issue

TYPE OF SECURITIES/VALUES	Total 30/06/2024				Total 31/12/2023			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
<b>A. SECURITIES</b>								
1. bonds	916	525	399	-	956	544	429	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	916	525	399	-	956	544	429	-
2. other securities	5,753	-	-	5,753	4,747	-	-	4,747
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	5,753	-	-	5,753	4,747	-	-	4,747
<b>Total</b>	<b>6,669</b>	<b>525</b>	<b>399</b>	<b>5,753</b>	<b>5,703</b>	<b>544</b>	<b>429</b>	<b>4,747</b>

#### 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 719 million. The reduction to the item is mainly due to fixed-rate bonds repaid on maturity.

Sub-item A.2.2 "Securities - other" mainly includes certificates of deposit, a type of funding that increased in a context characterised by the gradual reduction in exposure linked to TLTRO operations and the beneficial effects of contained inflation.

## Section 2 - Financial liabilities held for trading - Item 20

### 2.1 Financial liabilities held for trading: breakdown by category

TYPE OF TRANSACTIONS/ VALUES	Total 30/06/2024					Total 31/12/2023				
	NV	Fair value			Fair value*	NV	Fair value			Fair value*
		L1	L2	L3			L1	L2	L3	
<b>A. CASH LIABILITIES</b>										
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
<b>Total (A)</b>	-	-	-	-	-	-	-	-	-	-
<b>B. DERIVATIVE INSTRUMENTS</b>										
1. Financial derivatives	X	-	3	-	X	X	-	4	-	X
1.1 Trading	X	-	3	-	X	X	-	4	-	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
<b>Total (B)</b>	<b>X</b>	-	<b>3</b>	-	<b>X</b>	<b>X</b>	-	<b>4</b>	-	<b>X</b>
<b>Total (A+B)</b>	<b>X</b>	-	<b>3</b>	-	<b>X</b>	<b>X</b>	-	<b>4</b>	-	<b>X</b>

#### 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.

## 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 30/06/2024					Total 31/12/2023				
	NV	Fair value			Fair value*	NV	Fair value			Fair value*
		L1	L2	L3			L1	L2	L3	
<b>1. DUE TO BANKS</b>	-	-	-	-	-	-	-	-	-	-
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
<b>2. DUE TO CUSTOMERS</b>	-	-	-	-	-	-	-	-	-	-
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
<b>3. DEBT SECURITIES</b>	<b>1</b>	-	<b>1</b>	-	<b>1</b>	<b>1</b>	-	<b>1</b>	-	<b>1</b>
3.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2 Other	1	-	1	-	X	1	-	1	-	X
<b>Total</b>	<b>1</b>	-	<b>1</b>	-	<b>1</b>	<b>1</b>	-	<b>1</b>	-	<b>1</b>

#### 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".

## Section 10 - Provisions for risks and charges - Item 100

### 10.1 Provisions for risks and charges: breakdown

ITEMS/COMPONENTS	Total 30/06/2024	Total 31/12/2023
1. Provision for credit risk relative to commitments and financial guarantees given	138	147
2. Provision for other commitments and guarantees given	-	-
3. Post-employment benefits	-	-
4. Other provisions for risks and charges	293	285
4.1 Legal and tax disputes	36	39
4.2 Personnel expenses	117	147
4.3 other	140	99
<b>Total</b>	<b>431</b>	<b>432</b>

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)).

### 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 in its final stage.

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.

### 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	40	17	-	104
Financial guarantees given	1	1	32	-	34
<b>Total</b>	<b>48</b>	<b>41</b>	<b>49</b>	<b>-</b>	<b>138</b>

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".

## Section 13 - Group equity - Items 120, 130, 140, 150, 160, 170 and 180

### 13.1 “Share 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 325 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 30 June 2024, 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 Share capital - Number of parent company shares: annual changes

ITEMS/TYPES	Ordinary	Preference
<b>A. Shares at start of year</b>	<b>18,158,304</b>	<b>150,000</b>
- 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>B. Increases</b>	<b>-</b>	<b>-</b>
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	-	-
<b>C. Decreases</b>	<b>-</b>	<b>-</b>
C.1 Cancellation	-	-
C.2 Purchase of own shares	-	-
C.3 Company transfers	-	-
C.4 Other changes	-	-
<b>D. Number of shares outstanding: closing balances</b>	<b>18,158,304</b>	<b>150,000</b>
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	-	-



# Other information

## 1. Commitments and financial guarantees given

	Nominal value of commitments and financial guarantees given				Total 30/06/2024	Total 31/12/2023
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
<b>1. COMMITMENTS TO DISBURSE FUNDS</b>	<b>13,034</b>	<b>583</b>	<b>72</b>	<b>-</b>	<b>13,689</b>	<b>13,398</b>
a) Central Banks	-	-	-	-	-	-
b) Public administrations	243	5	-	-	248	244
c) Banks	799	-	-	-	799	642
d) Other financial corporations	487	23	-	-	510	553
e) Non-financial corporations	9,870	481	62	-	10,413	10,191
f) Households	1,635	74	10	-	1,719	1,768
<b>2. FINANCIAL GUARANTEES GIVEN</b>	<b>1,183</b>	<b>73</b>	<b>37</b>	<b>-</b>	<b>1,293</b>	<b>1,461</b>
a) Central Banks	-	-	-	-	-	-
b) Public administrations	4	-	-	-	4	4
c) Banks	1	-	-	-	1	5
d) Other financial corporations	31	-	1	-	32	31
e) Non-financial corporations	929	66	32	-	1,027	1,043
f) Households	218	7	4	-	229	378

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).

# 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 30/06/2024	Total 30/06/2023
<b>1. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	-	1	-	1	1
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	-	1	-	1	1
<b>2. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME</b>	162	-	X	162	129
<b>3. FINANCIAL ASSETS MEASURED AT AMORTISED COST</b>	317	1,190	-	1,507	1,411
3.1 Loans to banks	10	11	X	21	29
3.2 Loans to customers	307	1,179	X	1,486	1,382
<b>4. HEDGING DERIVATIVES</b>	X	X	11	11	6
<b>5. OTHER ASSETS</b>	X	X	50	50	30
<b>6. FINANCIAL LIABILITIES</b>	X	X	X	1	7
<b>Total</b>	<b>479</b>	<b>1,191</b>	<b>61</b>	<b>1,732</b>	<b>1,584</b>
of which: interest income on impaired financial assets	-	41	-	41	32
of which: interest income on financial leases	X	24	X	24	18

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 1,486 million, leading to an increase compared to the same period in the previous year for approximately EUR 104 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 479 million, mainly attributable to investments in securities by Central Governments for a countervalue of approximately EUR 31.2 billion, including EUR 2.2 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 30 June 2024, to a residual extent, were still characterised by negative returns. As at 30 June 2024, 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.

### 1.3 Interest expenses and similar charges paid: breakdown

ITEMS/TECHNICAL FORMS	Payables	Securities	Other transactions	Total 30/06/2024	Total 30/06/2023
<b>1. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST</b>	<b>(396)</b>	<b>(99)</b>	<b>X</b>	<b>(495)</b>	<b>(408)</b>
1.1 Due to Central Banks	(55)	X	X	(55)	(194)
1.2 Due to banks	(9)	X	X	(9)	(12)
1.3 Due to customers	(332)	X	X	(332)	(157)
1.4 Debt securities in issue	X	(99)	X	(99)	(45)
<b>2. FINANCIAL LIABILITIES HELD FOR TRADING</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>3. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>4. OTHER LIABILITIES AND PROVISIONS</b>	<b>X</b>	<b>X</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>5. HEDGING DERIVATIVES</b>	<b>X</b>	<b>X</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>6. FINANCIAL ASSETS</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>(2)</b>	<b>(2)</b>
<b>Total</b>	<b>(396)</b>	<b>(99)</b>	<b>-</b>	<b>(497)</b>	<b>(410)</b>
of which: interest expense on payables for leases	(1)	X	X	(1)	(1)

The decrease in interest expenses recorded in item “1.1 Due to Central Banks” is attributable to the gradual extinguishment of ECB refinancing operations. For detailed information on these loan transactions, please refer to “Part A - Accounting Policies, Section 5 - 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 increase in item “1.4 Debt securities in issue” is attributable to the bond issues, mainly carried out in 2023, as part of the “Minimum Requirement of Eligible Liabilities – MREL” programme and the increase in certificates of deposit.

## Section 2 - Fees and Commissions - Items 40 and 50

### 2.1 Fees and commissions income: breakdown

TYPE OF SERVICES/VALUES	Total 30/06/2024	Total 30/06/2023
a) Financial instruments	80	70
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	13	13
2.1 Order receipt and transmission of one or more financial instruments	13	13
2.2. Execution of orders on behalf of customers	-	-
3. Other fees and commissions connected with activities related to financial instruments	67	57
of which: dealing for own account	-	-
of which: individual portfolio management	45	37
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	-	-
d) Offsetting and settlement	-	-
e) Collective portfolio management	40	36
f) Custody and administration	3	3
1. Custodian bank	-	-
2. Other fees and commissions related to custody and administration activities	3	3

TYPE OF SERVICES/VALUES	Total 30/06/2024	Total 30/06/2023
g) Central administrative services for collective portfolio management	-	-
h) Trust business	-	-
i) Payment services	215	199
1. Current accounts	79	73
2. Credit cards	15	12
3. Debit and other payment cards	33	33
4. Bank transfers and other payment orders	26	25
5. Other fees and commissions related to payment services	62	56
j) Breakdown of third party services	51	49
1. Collective portfolio management	-	-
2. Insurance products	47	44
3. Other products	4	5
of which: individual portfolio management	-	-
k) Structured finance	-	-
l) Servicing activities for securitisation operations	-	-
m) Commitments to disburse funds	-	-
n) Financial guarantees given	8	8
of which: credit derivatives	-	-
o) Financing transactions	60	59
of which: for factoring operations	-	-
p) Foreign currency trading	1	1
q) Commodities	-	-
r) Other fees and commissions income	20	22
of which: activities for the management of multilateral trading systems	-	-
of which: for the management of organised trading systems	-	-
<b>Total</b>	<b>478</b>	<b>447</b>

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)).

## 2.2 Fees and commissions expenses: breakdown

TYPE OF SERVICES/VALUES	Total 30/06/2024	Total 30/06/2023
a) Financial instruments	(12)	(6)
of which: trading of financial instruments	(1)	(1)
of which: placement of financial instruments	-	-
of which: individual portfolio management	(11)	(5)
- Own	(11)	(5)
- Delegated to third parties	-	-
b) Offsetting and settlement	-	-
c) Collective portfolio management	-	-
1. Own	-	-
2. Delegated to third parties	-	-
d) Custody and administration	(9)	(9)
e) Collection and payment services	(48)	(39)
of which: credit cards, debit cards and other payment cards	(42)	(36)
f) Servicing activities for securitisation operations	-	-
g) Commitments to receive funds	-	-
h) Financial guarantees received	(1)	(1)
of which: credit derivatives	-	-
i) Out-of-branch offer of financial instruments, products and services	(4)	(4)
l) Foreign currency trading	-	-
m) Other fees and commissions expenses	(7)	(3)
<b>Total</b>	<b>(81)</b>	<b>(62)</b>

At the end of the reporting period, the Group does not have significant amounts of fees and commissions expenses (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 30/06/2024		Total 30/06/2023	
	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	2	-	2	-
D. Equity investments	-	-	-	-
<b>Total</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>1</b>

## 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
<b>1. FINANCIAL ASSETS HELD FOR TRADING</b>	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-
1.2 Equities	-	-	-	-	-
1.3 UCITS units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
<b>2. FINANCIAL LIABILITIES HELD FOR TRADING</b>	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
<b>3. FINANCIAL ASSETS AND LIABILITIES: EXCHANGE RATE DIFFERENCES</b>	X	X	X	X	2
<b>4. DERIVATIVE INSTRUMENTS</b>	1	6	(2)	(1)	7
4.1 Financial derivatives:	1	6	(2)	(1)	7
- On debt securities and interest rates	1	6	(2)	(1)	4
- On equities and stock market indices	-	-	-	-	-
- On currencies and gold	X	X	X	X	3
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges connected to the fair value option	X	X	X	X	-
<b>Total</b>	<b>1</b>	<b>6</b>	<b>(2)</b>	<b>(1)</b>	<b>9</b>



## Section 5 - Net profit (loss) on hedge accounting - Item 90

### 5.1 Net profit (loss) on hedge accounting: breakdown

INCOME COMPONENTS/VALUES	Total 30/06/2024	Total 30/06/2023
<b>A. INCOME RELATED TO:</b>		
A.1 Fair value hedging derivatives	13	-
A.2 Hedged financial assets (fair value)	3	12
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Cash flow hedge derivatives	-	1
A.5 Foreign currency assets and liabilities	-	-
<b>Total income from hedging (A)</b>	<b>16</b>	<b>13</b>
<b>B. EXPENSES RELATED TO:</b>		
B.1 Fair value hedging derivatives	-	(10)
B.2 Hedged financial assets (fair value)	(16)	(1)
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash flow hedge derivatives	-	-
B.5 Foreign currency assets and liabilities	-	-
<b>Total expenses from hedging (B)</b>	<b>(16)</b>	<b>(11)</b>
<b>C. NET RESULT FROM HEDGING (A-B)</b>	<b>-</b>	<b>2</b>
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 30/06/2024			Total 30/06/2023		
	Profit	Loss	Net result	Profit	Loss	Net result
<b>A. FINANCIAL ASSETS</b>						
1. Financial assets measured at amortised cost	13	(127)	(114)	30	(88)	(58)
1.1 Loans to banks	-	-	-	-	-	-
1.2 Loans to customers	13	(127)	(114)	30	(88)	(58)
2. Financial assets measured at fair value through other comprehensive income	6	(21)	(15)	4	(53)	(49)
2.1 Debt securities	4	(21)	(17)	4	(53)	(49)
2.2 Loans	2	-	2	-	-	-
<b>Total assets (A)</b>	<b>19</b>	<b>(148)</b>	<b>(129)</b>	<b>34</b>	<b>(141)</b>	<b>(107)</b>
<b>B. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST</b>						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
<b>Total liabilities (B)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</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, 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.

## Section 7 - Net result of 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

This table does not contain information deemed significant and therefore was not filled in.

### 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
<b>1. FINANCIAL ASSETS</b>	<b>11</b>	<b>2</b>	<b>(10)</b>	<b>(1)</b>	<b>2</b>
1.1 Debt securities	-	-	-	-	-
1.2 Equities	1	1	(1)	(1)	-
1.3 UCITS units	2	1	(2)	-	1
1.4 Loans	8	-	(7)	-	1
<b>2. FINANCIAL ASSETS: EXCHANGE RATE DIFFERENCES</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>-</b>
<b>Total</b>	<b>11</b>	<b>2</b>	<b>(10)</b>	<b>(1)</b>	<b>2</b>

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 30/06/2024	Total 30/06/2023
	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						
<b>A. LOANS TO BANKS</b>	(1)	-	-	-	-	-	2	-	-	-	1	2
- Loans	(1)	-	-	-	-	-	1	-	-	-	-	1
- Debt securities	-	-	-	-	-	-	1	-	-	-	1	1
<b>B. LOANS TO CUSTOMERS</b>	(41)	(160)	(1)	(356)	-	-	145	102	342	4	35	71
- Loans	(38)	(160)	(1)	(356)	-	-	142	101	342	4	34	71
- Debt securities	(3)	-	-	-	-	-	3	1	-	-	1	-
<b>Total</b>	<b>(42)</b>	<b>(160)</b>	<b>(1)</b>	<b>(356)</b>	<b>-</b>	<b>-</b>	<b>147</b>	<b>102</b>	<b>342</b>	<b>4</b>	<b>36</b>	<b>73</b>

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.

Net value adjustments relating to loans to customers, as at 30 June 2024, amounted to approximately EUR 34 million, down compared to EUR 71 million recorded in the previous year as at 30 June 2023. With reference to the item "Loans to customers - Loans", the net value adjustments for EUR 47 million reflect the effects arising from the revision of the IFRS 9 model outlined in Part A to 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", to which reference should be made for more information about said 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 30/06/2024	Total 30/06/2023
	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)	-	-	-	-	-	2	-	-	-	-	-
B. LOANS	-	-	-	-	-	-	-	-	-	-	-	-
- To customers	-	-	-	-	-	-	-	-	-	-	-	-
- To banks	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>(2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Section 12 - Administrative expenses - Item 190

### 12.1 Staff expenses: breakdown

TYPE OF EXPENSES/VALUES	Total 30/06/2024	Total 30/06/2023
<b>1) EMPLOYEES</b>	<b>(504)</b>	<b>(459)</b>
a) salaries and wages	(356)	(320)
b) social security contributions	(88)	(81)
c) severance indemnity	(17)	(16)
d) pension contributions	-	-
e) provision for severance indemnity	(3)	(4)
f) allocation to post-employment benefits:	-	-
- with defined contribution	-	-
- with defined benefit	-	-
g) payments to external supplementary post-employment benefits:	(15)	(15)
- with defined contribution	(15)	(15)
- with defined benefit	-	-
h) costs deriving from payment agreements based on own equity instruments	-	-
i) other employee benefits	(25)	(23)
<b>2) OTHER OPERATING PERSONNEL</b>	<b>(4)</b>	<b>(4)</b>
<b>3) DIRECTORS AND AUDITORS</b>	<b>(18)</b>	<b>(16)</b>
<b>4) RETIRED PERSONNEL</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>(526)</b>	<b>(479)</b>

Staff expenses as at 30 June 2024 amounted to EUR 526 million, with an increase of EUR 47 million compared to June 2023. The increase in the item for EUR 36 million is mainly attributable to Salaries and Wages, which includes the accounting of the “one-off” component envisaged by the new CCNL of cooperative credit employees equal to approximately EUR 16 million.

## 12.5 Other administrative expenses: breakdown

ITEMS	Total 30/06/2024	Total 30/06/2023
<b>ICT expenses</b>	<b>(67)</b>	<b>(56)</b>
Outsourced ICT expenses	(20)	(21)
ICT expenses other than outsourced ICT expenses	(47)	(35)
<b>Taxes and levies (other)</b>	<b>(81)</b>	<b>(73)</b>
<b>Expenses for professional and consulting services</b>	<b>(68)</b>	<b>(68)</b>
<b>Advertising and entertainment expenses</b>	<b>(14)</b>	<b>(11)</b>
<b>Expenses related to debt collection</b>	<b>(9)</b>	<b>(8)</b>
<b>Litigation expenses not covered by allocations</b>	<b>-</b>	<b>-</b>
<b>Expenses for real estate</b>	<b>(14)</b>	<b>(14)</b>
<b>Lease fees</b>	<b>-</b>	<b>-</b>
<b>Other administrative expenses - Other</b>	<b>(136)</b>	<b>(174)</b>
of which: cash contributions to resolution funds and deposit guarantee systems	(36)	(74)
<b>Total administrative expenses</b>	<b>(389)</b>	<b>(404)</b>

The item “Other administrative expenses” at June 2024 stood at EUR 389 million, a decrease of approximately EUR 15 million compared to June 2023.

The increase in ICT expenses for approximately EUR 11 million compared to June 2023 was more than offset by a reduction in “Other administrative expenses – Other” by around EUR 38 million. The decrease in this item is attributable to the failure to request contribution to the Single Resolution Fund (SRF) for financial year 2024 due to achievement of the target level of available financial means at 31 December 2023, which had been equal to approximately EUR 21 million at 30 June 2023. Furthermore, contributions to DGS (Deposit Guarantee Schemes) also fell from approximately EUR 52 million in June 2023 to approximately EUR 35 million in June 2024.

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	30/06/2024			30/06/2023		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
	Allocations			Allocations		
<b>COMMITMENTS TO DISBURSE FUNDS</b>						
Commitments to disburse funds	(4)	(7)	(14)	(4)	(5)	(17)
<b>FINANCIAL GUARANTEES GIVEN</b>						
Financial guarantee contracts	-	(1)	(6)	-	(1)	(7)
<b>Total allocations (-)</b>	<b>(4)</b>	<b>(8)</b>	<b>(20)</b>	<b>(4)</b>	<b>(6)</b>	<b>(24)</b>
	Reallocations			Reallocations		
<b>COMMITMENTS TO DISBURSE FUNDS</b>						
Commitments to disburse funds	4	9	18	11	2	16
<b>FINANCIAL GUARANTEES GIVEN</b>						
Financial guarantee contracts	1	1	8	-	-	7
<b>Total reallocations (+)</b>	<b>5</b>	<b>10</b>	<b>26</b>	<b>11</b>	<b>2</b>	<b>23</b>
	Net allocation			Net allocation		
<b>Total</b>	<b>1</b>	<b>2</b>	<b>6</b>	<b>7</b>	<b>(4)</b>	<b>(1)</b>



### 13.3 Net allocations to other provisions for risks and charges: breakdown

ITEMS	30/06/2024			30/06/2023		
	Allocations	Reallocations	Net total	Allocations	Reallocations	Net total
<b>ALLOCATIONS AND REALLOCATIONS TO OTHER PROVISIONS FOR RISKS AND CHARGES</b>						
1. for risks on revocatory actions	-	-	-	(1)	-	(1)
2. for charity	-	-	-	-	-	-
3. for personnel risks and charges	-	4	4	-	-	-
4. for legal and tax disputes	(2)	3	1	(3)	3	-
5. for other risks and charges	(1)	1	-	(1)	-	(1)
<b>Total</b>	<b>(3)</b>	<b>8</b>	<b>5</b>	<b>(5)</b>	<b>3</b>	<b>(2)</b>

### Section 14 - Net value adjustments/write-backs to tangible assets - Item 210

At the end of the reporting period, net value adjustments on tangible assets amounted to EUR 53 million, compared to EUR 52 million recorded in the first half of 2023.

### Section 15 - Net value adjustments/write-backs to intangible assets - Item 220

At the end of the reporting period, net value adjustments on intangible assets amounted to EUR 8 million, compared to EUR 7 million recorded in the first half of 2023.

## Section 16 - Other operating income/expenses - Item 230

### 16.1 Other operating expenses: breakdown

ITEMS	Total 30/06/2024	Total 30/06/2023
Amortisation of improvements to non-separable third-party assets	(3)	(3)
Expenses for treasury contracts with General Governments	-	-
Expenses for transactions and indemnities	(1)	(1)
Non-existent items and contingencies not ascribable to own items	(3)	(2)
Bonuses and rounding down	-	-
Other operating expenses - other	(1)	(1)
<b>Total other operating expenses</b>	<b>(8)</b>	<b>(7)</b>

### 16.2 Other operating income: breakdown

ITEMS	Total 30/06/2024	Total 30/06/2023
Recovery of taxes	71	65
Charges to third parties for costs on deposits and current accounts	2	1
Recovery of insurance premiums	1	1
Receivable rents and payments	1	1
Recovery of other expenses	6	9
Non-existent items and contingencies not ascribable to own items	5	3
Badwill from Purchase Price Allocation	-	-
Bonuses and rounding up	-	-
Other operating income - other	19	23
<b>Total other operating income</b>	<b>105</b>	<b>103</b>

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 30/06/2024	Total 30/06/2023
<b>1) JOINTLY-CONTROLLED COMPANIES</b>		
<b>A. INCOME</b>	-	-
1. Revaluations	-	-
2. Gains from disposal	-	-
3. Write-backs	-	-
4. Other Income	-	-
<b>B. EXPENSES</b>	-	-
1. Write-downs	-	-
2. Impairment losses	-	-
3. Losses from disposal	-	-
4. Other expenses	-	-
<b>Net result</b>	-	-
<b>2) COMPANIES SUBJECT TO A SIGNIFICANT INFLUENCE</b>		
<b>A. INCOME</b>	<b>1</b>	<b>3</b>
1. Revaluations	1	3
2. Gains from disposal	-	-
3. Write-backs	-	-
4. Other Income	-	-
<b>B. EXPENSES</b>	<b>(4)</b>	<b>(4)</b>
1. Write-downs	(2)	(4)
2. Impairment losses	(2)	-
3. Losses from disposal	-	-
4. Other expenses	-	-
<b>Net result</b>	<b>(3)</b>	<b>(1)</b>
<b>Total</b>	<b>(3)</b>	<b>(1)</b>

For the aggregate amount "2) Companies subject to a significant influence", item "B2 Impairment losses" contains the effects arising from the review of the value of the equity investment in Fondo Leonida.

## 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.

# 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. In this context, as a natural continuation of the reinforcement of the Group's climate-related and environmental risk identification process, the outcomes of the assessments of the impact of climate-related and environmental factors in the short, medium and long term on the context in which the Group operates or could operate were formalised.

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 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).

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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.

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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.

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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 accounting consolidated perimeter

In this section, information is provided with reference to the companies included in the consolidated accounts.

### 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	58	288	49	533	70,542	71,470
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	10,889	10,889
3. Financial assets designated at fair value	-	-	-	-	1	1
4. Other financial assets mandatorily measured at fair value	-	-	-	-	116	116
5. Financial assets held for disposal	-	-	-	-	-	-
<b>Total 30/06/2024</b>	<b>58</b>	<b>288</b>	<b>49</b>	<b>533</b>	<b>81,548</b>	<b>82,476</b>
<b>Total 31/12/2023</b>	<b>40</b>	<b>254</b>	<b>33</b>	<b>504</b>	<b>83,105</b>	<b>83,936</b>

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	2,138	1,743	395	272	71,781	706	71,075	71,470
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	10,891	2	10,889	10,889
3. Financial assets designated at fair value	-	-	-	-	X	X	1	1
4. Other financial assets mandatorily measured at fair value	1	1	-	-	X	X	116	116
5. Financial assets held for disposal	-	-	-	-	-	-	-	-
<b>Total 30/06/2024</b>	<b>2,139</b>	<b>1,744</b>	<b>395</b>	<b>272</b>	<b>82,672</b>	<b>708</b>	<b>82,081</b>	<b>82,476</b>
<b>Total 31/12/2023</b>	<b>2,151</b>	<b>1,824</b>	<b>327</b>	<b>287</b>	<b>84,204</b>	<b>728</b>	<b>83,609</b>	<b>83,936</b>

PORTFOLIOS/QUALITY	Assets of evident low credit quality		Other assets
	Cumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	8
2. Hedging derivatives	-	-	95
<b>Total 30/06/2024</b>	<b>-</b>	<b>-</b>	<b>103</b>
<b>Total 31/12/2023</b>	<b>-</b>	<b>-</b>	<b>89</b>

## Section 2 - Risks of the prudential consolidated perimeter

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

#### Qualitative information

#### 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, which, *inter alia*, take account of the exposure to ESG risk factors (transition risk and physical risk), and with 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 lending policy guidelines defined by the Parent Company's Board of Directors and periodically reviewed in light of changes to the context, ensure consistent conduct and objectives within the Group, through the definition of common guidelines on credit valuation and management methods and criteria, also taking account of ESG risk factors. These guidelines are adopted by the Parent Company and by the Affiliated Banks as part of activities for granting and renewing credit facilities.

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 30 June 2024 is characterised by the presence of 15 territorial branches of the Parent Company and 66 Affiliated Banks with approximately 1,478 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, and on the verification of the level of exposure to ESG risk factors. Different types of investigation/revision have been provided for; some, simplified, 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, and to launch specific measures to reinforce weak process components where necessary.

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<sup>1</sup>;
- 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.

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<sup>1</sup> 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<sup>2</sup> 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<sup>3</sup>.

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<sup>4</sup>;
- 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<sup>5</sup>. 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.

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<sup>2</sup> The application segments are ordinary customers, interbank segment and securities portfolio.

<sup>3</sup> Non-performing loans relate to: impaired past due and/or overrun, 'unlikely to pay' and non-performing exposures.

<sup>4</sup> 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.

<sup>5</sup> 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 paragraph d) Risks, uncertainties, impacts and methods of application of the international accounting standards in the current macroeconomic context.

### 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, which also considers a correction for the customer's range of exposure. 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 that at the valuation date show do not have the characteristics to be identified as low credit risk (i.e. with an IFRS 9 PD at 12 months less than 0.3%).
- 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 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 the end of 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, though the guarantees are granted an ancillary function in the assessment of the counterparty's conditions of economic/financial sustainability, 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.

Not to mention the 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, thus laying the foundations for a standardised arrangement 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 (natural person or evaluation company) appointed to estimate the property at a value not exceeding its market value, as well as its adequate level of professionalism;
- the presence of an insurance against the risk of damage to the property covered by the guarantee as well as any additional insurance coverage required from time to time by the laws in force;
- the implementation of adequate monitoring and evaluation of the value of the property (and, by extension, of the portfolio of acquired guarantees), in order to verify the existence over time of the requirements that allow for less capital absorption on the guaranteed exposures;
- observance of a prudential ratio between the requested credit facility and the value of the real estate pledged as collateral (loan-to-value) and between the requested credit facility and the value/cost of the investment (loan-to-cost);
- the use of the property and the debtor's adequate ability to repay, also evaluated from a forward-looking perspective.

In order to ensure uniformity in the methodologies and valuation criteria adopted by the professionals appointed to appraise the values of the real estate guarantees, the Group uses a single tool to support the estimate process, also providing for analyses of the quality of the valuation reports.

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 non-performing 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 EIB, EIF). 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 IFRS 9.

### 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;
- 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 Acquired or originated 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 December 2023, the Parent Company's Board of Directors resolved to adopt the Group Regulation for the management of purchased or originated credit-impaired financial assets.

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. COMMERCIAL RENEGOTIATION FINANCIAL ASSETS 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 forbore exposure attribute involves:

- forbore 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;
- forbore 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 forbore non-performing to change to forbore 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.

## Quantitative information

### A. Credit quality

#### 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				
<b>A. ON-BALANCE-SHEET CREDIT EXPOSURES</b>												
<b>A.1 ON DEMAND</b>	<b>242</b>	<b>242</b>	-	-	-	-	-	-	-	-	<b>242</b>	-
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	242	242	-	X	-	-	-	-	X	-	242	-
<b>A.2 OTHER</b>	<b>1,599</b>	<b>1,594</b>	-	-	-	<b>1</b>	<b>1</b>	-	-	-	<b>1,598</b>	-
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	1,599	1,594	-	X	-	1	1	-	X	-	1,598	-
of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
<b>TOTAL (A)</b>	<b>1,841</b>	<b>1,836</b>	-	-	-	<b>1</b>	<b>1</b>	-	-	-	<b>1,840</b>	-



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				
<b>B. OFF-BALANCE-SHEET CREDIT EXPOSURES</b>												
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	1,052	695	-	X	-	-	-	-	X	-	1,052	-
<b>TOTAL (B)</b>	<b>1,052</b>	<b>695</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,052</b>	<b>-</b>
<b>TOTAL (A+B)</b>	<b>2,893</b>	<b>2,531</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,892</b>	<b>-</b>

\*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				
<b>A. ON-BALANCE-SHEET CREDIT EXPOSURES</b>												
a) Non-performing	681	X	-	680	-	623	X	-	622	-	58	259
of which: forborne exposures	177	X	-	177	-	166	X	-	166	-	11	61
b) Unlikely to pay	1,373	X	-	1,360	13	1,085	X	-	1,074	11	288	13
of which: forborne exposures	730	X	-	721	9	614	X	-	606	8	116	9
c) Impaired past due exposures	85	X	-	85	-	36	X	-	36	-	49	-
of which: forborne exposures	3	X	-	3	-	1	X	-	1	-	2	-
d) Performing past due exposures	587	194	393	X	-	54	2	52	X	-	533	-
of which: forborne exposures	38	-	38	X	-	6	-	6	X	-	32	-

TYPES OF LOANS/ VALUES	Gross exposure					Writedowns and total allocations					Net exposure	Total partial write-offs*
	Stage 1	Stage 2	Stage 3	Purchased or originat- ed credit- impaired	Stage 1	Stage 2	Stage 3	Purchased or originat- ed credit- impaired				
e) Other performing exposures	80,588	75,931	4,550	X	10	653	180	472	X	1	79,935	-
of which: forborne exposures	661	-	654	X	6	83	-	82	X	1	578	-
<b>TOTAL (A)</b>	<b>83,314</b>	<b>76,125</b>	<b>4,943</b>	<b>2,125</b>	<b>23</b>	<b>2,451</b>	<b>182</b>	<b>524</b>	<b>1,732</b>	<b>12</b>	<b>80,863</b>	<b>272</b>
<b>B. OFF-BALANCE-SHEET CREDIT EXPOSURES</b>												
a) Impaired	109	X	-	109	-	49	X	-	49	-	60	-
b) Performing	14,241	13,418	657	X	-	89	47	42	X	-	14,152	-
<b>TOTAL (B)</b>	<b>14,350</b>	<b>13,418</b>	<b>657</b>	<b>109</b>	<b>-</b>	<b>138</b>	<b>47</b>	<b>42</b>	<b>49</b>	<b>-</b>	<b>14,212</b>	<b>-</b>
<b>TOTAL (A+B)</b>	<b>97,664</b>	<b>89,543</b>	<b>5,600</b>	<b>2,234</b>	<b>23</b>	<b>2,589</b>	<b>229</b>	<b>566</b>	<b>1,781</b>	<b>12</b>	<b>95,075</b>	<b>272</b>

\*Value to be displayed for information purposes.

At 30 June 2024, existing loans that constitute new liquidity granted through public guarantee mechanisms issued in the context of COVID-19 amounted to EUR 3,884 million, compared to EUR 4,469 million at 31 December 2023. 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
	Stage 1	Stage 2	Stage 3	Purchased or originat- ed credit- impaired	Stage 1	Stage 2	Stage 3	Purchased or originat- ed credit- impaired			
A. Non-performing loans	86	-	-	86	-	67	-	-	67	-	19
B. Unlikely to pay	130	-	-	130	-	73	-	-	73	-	57
C. Impaired past due loans	12	-	-	12	-	4	-	-	4	-	8
D. Other performing past due loans	33	8	25	-	-	2	-	2	-	-	31
E. Other performing loans	3,811	3,391	420	-	-	42	13	29	-	-	3,769
<b>TOTAL (A+B+C+D+E)</b>	<b>4,072</b>	<b>3,399</b>	<b>445</b>	<b>228</b>	<b>-</b>	<b>188</b>	<b>13</b>	<b>31</b>	<b>144</b>	<b>-</b>	<b>3,884</b>

## 1.2 MARKET RISK

### 1.2.1 INTEREST RATE RISK AND PRICE RISK - REGULATORY TRADING BOOK

#### Qualitative information

##### 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 Modified 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 (Modified 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 in the first half of 2024 is reported below:

(Figures rounded to nearest euro unit)

Var 30/06/2024	Average VaR	Minimum VaR	Maximum VaR
-	-	-	-

As at 30 June 2024, there were no securities in the regulatory trading book, according to the strategic guidelines established by the Parent Company.

## Quantitative information

### 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, 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 (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

### 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 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 the first half of 2024, an update was applied to the model of items on demand, estimated using Group data, and the prepayment model was enhanced, applied to loans repayable in instalments, with the introduction of "scenario dependency", i.e. the representation of the phenomenon of early repayments based on various shock scenarios applied.

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 2024, 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 CET 1. 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, 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 (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 in the first half of 2024 is reported below:

(Figures rounded to nearest euro unit)

Var 30/06/2024	Average VaR	Minimum VaR	Maximum VaR
364,968,928	374,863,405	329,189,056	469,871,107

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 2024 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 30 June 2024 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 30/06/2024	Shock value changes -25 bps	Shock value changes +25 bps	Shock value changes -50 bps	Shock value changes +50 bps
32,844,824,697	261,162,454	(255,987,198)	527,625,682	(506,949,483)

## Quantitative information

### 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 30 June 2024, 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	(1,134,844,334)	1,264,405,765
Banking book: securities	(1,080,178,590)	1,180,644,714
Other assets	(12,162,233)	12,911,272
Liabilities	1,842,438,735	(1,999,139,074)
<b>Total</b>	<b>(384,746,423)</b>	<b>458,822,677</b>
Tier1	8,528,070,583	8,528,070,583
% Impact on Tier 1	(4.51%)	5.38%



(Figures rounded to nearest euro unit)

<b>CHANGE IN NET INTEREST INCOME</b>	<b>Scenario +100 basis points</b>	<b>Scenario -100 basis points</b>
Banking book: loans	205,494,687	(203,373,891)
Banking book: securities	93,657,068	(93,958,305)
Other assets	19,315,419	(19,104,414)
Liabilities	(196,250,605)	191,189,715
<b>Total</b>	<b>122,216,569</b>	<b>(125,246,894)</b>
Prospective net interest income	2,190,649,212	2,190,649,212
% Impact on prospective net interest income	5.58%	(5.72%)
Tier1	8,528,070,583	8,528,070,583
% Impact on Tier 1	1.43%	(1.47%)

## 1.2.3 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 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 the first half of 2024, the Group carried out transactions to hedge the exchange rate risk using outright derivatives.

## 1.4 LIQUIDITY RISK

### Qualitative information

#### A. General aspects, management processes and measurement methods for liquidity risk

Liquidity risk is defined as the possibility that the 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 0.8% as at 30 June 2024.

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 Regulation (EU) 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 30 June 2024, 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 29.8 billion.

The recourse to refinancing from the ECB amounted to EUR 4.8 billion and is mainly represented by funding from participation in the Targeted Longer Term Refinancing Operations (TLTRO).

## 1.5 OPERATIONAL RISK

### 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, 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 essential functions (hereinafter also "IEF") 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).

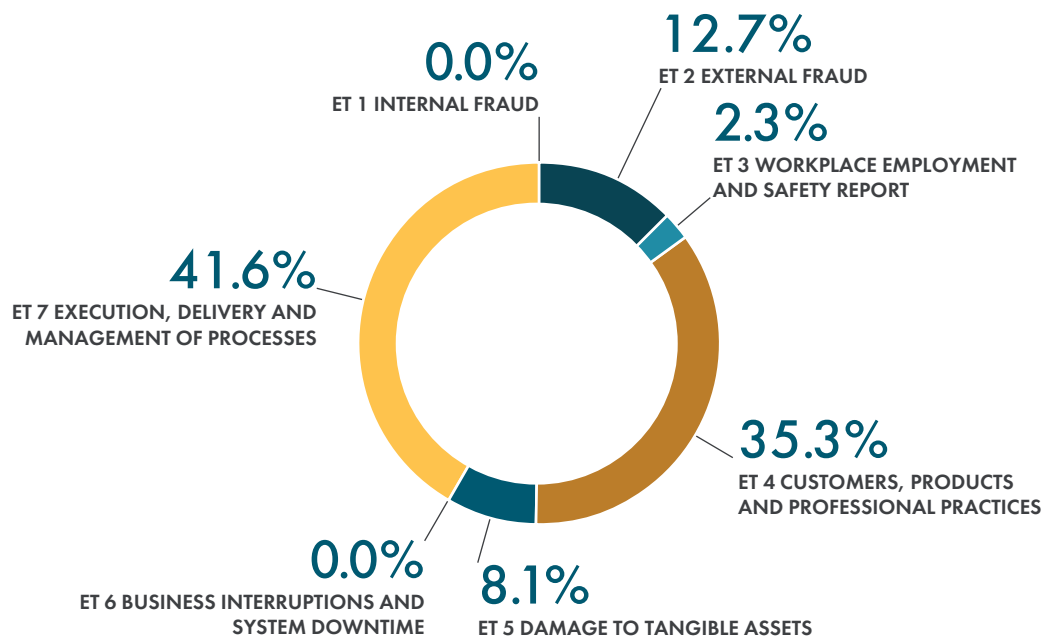
If one of the observations shows that the relevant indicator is negative or zero, this figure shall not be taken into account in the calculation of the three-year average.

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.

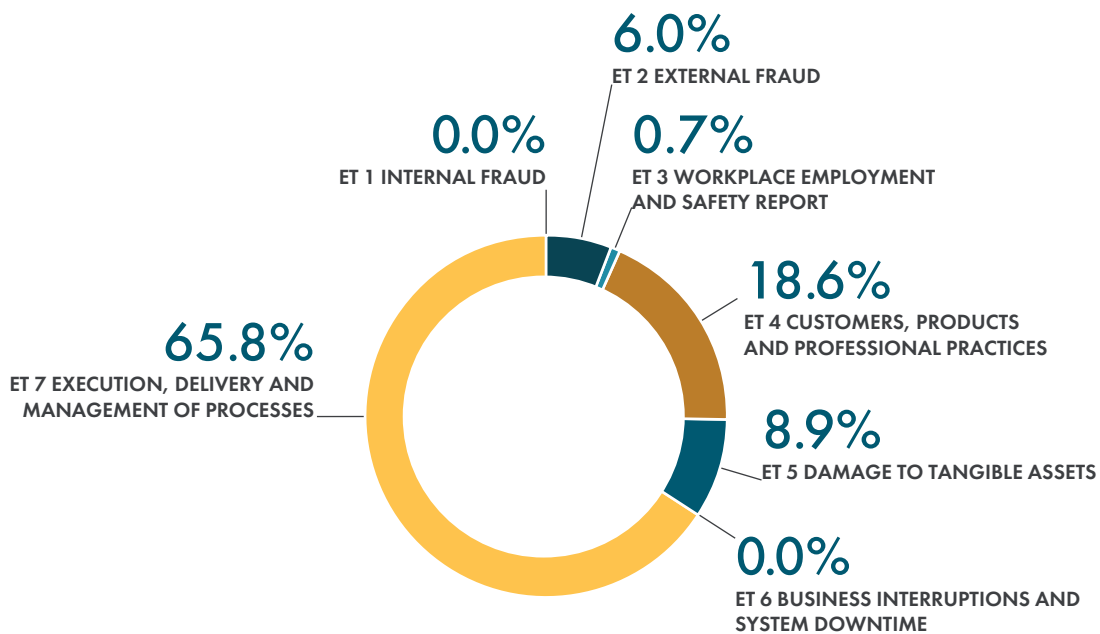
## Quantitative information

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 at the Group, the distribution by Event Type is reported.

Number of operational loss events with effects recorded in the first half of 2024



Net operating losses in the first half of 2024





Operational losses were mainly concentrated in the event type “ET 7 “Execution, delivery and management of processes” (41.6% of frequencies and 65.8% of total impacts detected), followed by “ET 4 Customers, products and professional practices” (35.3% of frequencies and 18.6% of total impacts detected) and “ET 2 External fraud” (12.7% 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”.

# PART F - Information on consolidated equity

## Section 1 - Consolidated equity

### 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 Regulation (EU) 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, envisaged 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 March 2024, for the fourth quarter of 2024, 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.

Following publication of the Bank of Italy Consultation Report, it should also be noted that from December 2024, a new Systemic Risk Buffer (SyRB) will be active, formed of high-quality capital. The 1% target must be reached gradually, planning for 0.5% by 31 December 2024 and the remaining 0.5% by 30 June 2025.

Lastly, the Group must comply with the provisions deriving from the Supervisory Review and Evaluation Process (SREP) pursuant to Art. 97 et seq. of Directive (EU) no. 2013/36 (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 condensed consolidated half-yearly financial statements, the Group shows:

- a ratio of Common Equity Tier 1 capital – CET1 – to risk-weighted assets (CET 1 ratio) of 26.08%;
- a ratio of Tier 1 capital to risk-weighted assets (Tier 1 capital ratio - Tier 1 ratio) of 26.08%;
- a ratio of own funds to risk-weighted assets (total capital ratio) of 26,08%.

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 Consolidated accounting capital: breakdown by type of company

ITEMS OF EQUITY	Prudential consolidation	Insurance companies	Other companies	Eliminations and consolidation adjustments	Total
1. Share capital	1,277	-	-	-	1,277
2. Share premium	77	-	-	-	77
3. Reserves	7,662	-	80	(80)	7,662
4. Equity instruments	1	-	-	-	1
5. (Own shares)	(868)	-	-	-	(868)
6. Valuation reserves:	(40)	-	2	(2)	(40)
Equities measured at fair value through other comprehensive income	6	-	-	-	6
Hedging of equities measured at fair value through other comprehensive income	-	-	-	-	-
Financial assets (other than equities) measured at fair value through other comprehensive income	(74)	-	2	(2)	(74)
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	(13)	-	-	-	(13)
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	577	-	31	(31)	577
<b>Total</b>	<b>8,686</b>	<b>-</b>	<b>113</b>	<b>(113)</b>	<b>8,686</b>

## 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 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 AS AT 30/06/2024	
	Amount due	Amount paid	Amount due	Amount paid	Amount due	Amount paid	Amount due	Amount paid
Salaries and other short-term benefits	12	9	5	3	21	21	38	33
Benefits relative to the post-employment period (social security, insurance, etc.)	1	-	-	-	4	4	5	4
Other long-term benefits	-	-	-	-	-	-	-	-
Compensation for termination of employment	-	-	-	-	-	-	-	-
Payments in shares	-	-	-	-	-	-	-	-
<b>Total</b>	<b>13</b>	<b>9</b>	<b>5</b>	<b>3</b>	<b>25</b>	<b>25</b>	<b>43</b>	<b>37</b>

## 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	61	12	9	-	1	-
Directors and Executives	25	64	3	69	-	4
Other related parties	178	597	46	424	5	3
<b>Total</b>	<b>264</b>	<b>673</b>	<b>58</b>	<b>493</b>	<b>6</b>	<b>7</b>

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 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)	30/06/2024			
	Total	Affiliated Banks	Industrial Group	Intra-sectoral relations
Interest income	1,732	1,661	239	(168)
Interest expenses	(497)	(475)	(190)	168
<b>Net interest income</b>	<b>1,235</b>	<b>1,186</b>	<b>49</b>	<b>-</b>
Net fees and commissions	397	334	63	-
Dividends	3	14	1	(12)
Profits (Losses) on trading	(118)	(118)	-	-
<b>Net interest and other banking income</b>	<b>1,517</b>	<b>1,416</b>	<b>113</b>	<b>(12)</b>
Net value adjustments/write-backs	35	35	-	-
<b>Income from financial activities</b>	<b>1,552</b>	<b>1,451</b>	<b>113</b>	<b>(12)</b>
Operating expenses*	(976)	(861)	(228)	113
Net allocations to provisions for risks and expenses	14	13	1	-
Other income (expenses)	97	77	133	(113)
Value adjustments to goodwill and other intangible assets	-	-	-	-
Profit (loss) from disposal of investments and equity investments	(2)	(2)	-	-
<b>Gross current result</b>	<b>685</b>	<b>678</b>	<b>19</b>	<b>(12)</b>
Income tax	(108)	(101)	(7)	-
Profit (loss) from discontinued operations	-	-	-	-
Profit (loss) for the period for minority interests	-	-	-	-
<b>Net income of the Parent Company</b>	<b>577</b>	<b>577</b>	<b>12</b>	<b>(12)</b>

\*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;
- **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)	30/06/2024			
	Total	Affiliated Banks	Industrial Group	Intra-sectoral relations
<b>Lending and funding to Customers</b>				
Loans to customers	(47,612)	(44,978)	(2,701)	67
Customer funding	64,924	62,294	2,640	(10)
<b>Lending and funding to Banks</b>				
Loans to banks	(1,008)	(4,929)	(6,784)	10,705
Bank funding	5,689	6,039	10,422	(10,772)
<b>Other financial assets</b>	<b>(34,358)</b>	<b>(30,731)</b>	<b>(5,450)</b>	<b>1,823</b>
<b>Securities portfolio</b>	<b>(34,255)</b>	<b>(30,637)</b>	<b>(5,360)</b>	<b>1,742</b>
FVTPL securities portfolio	(130)	(126)	(24)	20
FVOCI securities portfolio	(11,015)	(10,424)	(1,526)	935
Securities at amortised cost	(23,110)	(20,087)	(3,810)	787
<b>Derivatives portfolio</b>	<b>(103)</b>	<b>(94)</b>	<b>(90)</b>	<b>81</b>
FVTPL trading derivatives	(8)	-	(89)	81
Hedging derivatives	(95)	(94)	(1)	-
<b>Other financial liabilities</b>	<b>6,675</b>	<b>6,760</b>	<b>803</b>	<b>(888)</b>
Financial liabilities held for trading	4	1	84	(81)
Financial liabilities at amortised cost	6,669	6,757	719	(807)
Hedging derivatives	2	2	-	-

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 81 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 8.6 million, received against collective asset management services.



## 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 **Consolidated Half-Yearly Financial Report as at 30 June 2024** is 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.

**Cassa Centrale Banca - Credito Cooperativo Italiano S.p.A.**

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