

3. Significant events during the year

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

3.1 - Business combinations between Affiliated Banks

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

Details of the business combinations carried out are shown below:

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

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

3.2 - 2023-2026 Strategic Plan

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

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

The Strategic Plan identified four key areas of intervention:

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

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

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

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

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

3.3 - Impaired asset management and Group NPE strategy

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

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

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

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

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

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

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

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

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

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

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

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

3.5 - 2023 EBA EU-wide Stress Test

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

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

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

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

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

The results communicated at the end of July confirmed the Cassa Centrale Group's capital strength and highlighted its significant resilience, including in the face of the particularly severe macroeconomic scenarios proposed in the stress test. The low of 18.52% achieved by the fully-loaded CET1 ratio in the adverse scenario at the end of 2023 against a starting value of 21.55% (thus falling by around 303 bps) would guarantee the maintenance of an extremely significant buffer in relation to the requirements assigned by the Supervisory Authority³.

3.6 - Disputes

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

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

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

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

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

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

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

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

3.7 - Rating updates

Fitch Ratings

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

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

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

DBRS Morningstar

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

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

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

Moody's

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

3.8 - MREL Requirement

As part of the regulatory framework for the recovery and resolution of credit institutions and investment firms (the so-called BRRD), the Single Resolution Board (or SRB) communicated in April 2023 to Cassa Centrale Banca, as the Group's resolution entity, the Minimum Requirement of Eligible Liabilities (MREL⁴) to be met at a consolidated level for Cassa Centrale Banca and at an individual level for the Affiliated Banks identified as Relevant Entities by the relevant regulations in the 2022 resolution cycle. The MREL Requirement, formulated in accordance with Article 12 bis, paragraph 2), letters a) and b), of Regulation (EU) no. 806/2014, defined as a percentage of the total risk exposure amount (MREL-TREA) and as a percentage of the leverage ratio exposure⁵ (MREL-LRE), was communicated by the Single Resolution Committee.

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

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

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

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

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

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

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

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

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

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

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

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

3.10 - European Central Bank inspection on IT risk

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

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

3.11 - European Central Bank internal governance and risk management audit

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.16 - Targeted review on Cyber Resilience questionnaire

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

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

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

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

3.17 - Update to the Equity Investments of Cassa Centrale Banca

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

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

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

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

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

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

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

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

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

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

3.19 - Impacts related to the conflict in the Middle East

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

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

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

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

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

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

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

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

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

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

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

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

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

3.21 - Extraordinary tax calculated on higher net interest income

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

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

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

3.22 - Changes to the Parent Company’s organisational chart

Appointment of the new ESG Chief and Institutional Relations

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

Appointment of the new Chief of the NPL Department

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

Appointment of the new Chief Human Resources Officer

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

Appointment of the new Chief General Counsel

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

Appointment of the new Chief Compliance Officer

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

Appointment of the new Chief Lending Officer

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

Appointment of the new Chief Business Officer

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

3.23 - Significant regulatory events during the year

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

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

Transparency

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

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

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

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

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

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

Bank of Italy supervisory guidelines on revolving credit

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

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

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

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

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

Supervisory Reports

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investment services

ESMA guidelines on certain aspects of the MiFID II suitability requirements

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

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

ESMA guidelines on product governance

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

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

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

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

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

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

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

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

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

Remuneration policies

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

Anti-Money Laundering

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

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

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

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

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

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

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

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

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

Privacy

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

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

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

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

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

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

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

Administrative liability of entities

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

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

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

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

Whistleblowing

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

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

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

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

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

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

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

Climate and environmental risks

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

ICT Compliance

40th update to Bank of Italy Circular 285/2013

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

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

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

Its tasks include:

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

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

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

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

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

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

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

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

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

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

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