FINANCIAL STATEMENTS 2023

Banca Popolare dell’Alto Adige
Company limited by shares

Registered Office and General Management: Via del Macello, 55 – I-39100 Bolzano
Share capital as at 31st December 2023 EUR 201,993,752 fully paid up
Tax code, VAT number and no. of registration in the Bolzano Companies’ Register 00129730214
Member of the Interbank Deposit Protection Fund and the National Guarantee Fund
ABI 05856.0
www.bancapopolare.it – www.volksbank.it

BRIEF AN DIE STAKEHOLDER (AN ALLE INTERESSENGRUPPEN)

Sehr geehrte Kunden, Lieferanten, Aktionäre und Mitarbeiter,
im Jahr 2023 konnte Ihre Bank weitere positive Ergebnisse verzeichnen, die den in den vergangenen Jahren eingeschlagenen Weg bestätigen: Ein umfassender Prozess zur Verbesserung der Qualität der Aktiva wurde zum Abschluss gebracht, das Geschäftsmodell wurde verschlankt und optimiert und mit einer ausgezeichneten Rentabilität sind wir in der Lage, Szenarien zu antizipieren und unsere Rolle als unabhängige Regionalbank zu stärken.

Solider und mit gestärkter Rentabilität. Die Volksbank hat ihre Rentabilität und Solidität verbessert, ein materielles Nettovermögen von 910 Millionen Euro und einen Nettogewinn von mehr als 100 Millionen Euro erreicht, mit einer guten Aktienliquidität und einer weiter gestiegenen Dividende. Die getroffenen Maßnahmen weisen in die richtige Richtung: Die Rating-Agenturen S&P Global Ratings und DBRS Morningstar haben das Rating der Volksbank auf „Investment Grade" angehoben. Dank der hervorragenden Ergebnisse profitieren die Aktionäre auch von der wiedergewonnenen Liquidität der Aktie.

Noch näher. Die Bank hat ihre Investitionen in das Einzugsgebiet weitergeführt und die Nähe zu ihren Kunden durch die Eröffnung neuer Filialen in Arzignano, Caorle und Padua verstärkt. Durch einen Nettozuwachs von 33 Mitarbeitern im Jahr 2023 ist die Möglichkeit gegeben, eine immer präsentere, professionellere und individuellere Beratung anzubieten. Außerdem hat die Bank durch die Auszahlung von über 2 Milliarden Euro an Krediten an Familien und Unternehmen ihre Rolle als Wachstumsmotor des Nordostens bestätigt.

Gestiegenes Umweltbewusstsein. Das Engagement für eine ökologische Nachhaltigkeit wurde durch die Verwendung von 100% Energie aus erneuerbaren Quellen weiter verstärkt, wodurch über 2.000 Tonnen CO2 eingespart wurden, auch dank der Energieeffizienz und der Modernisierung der Anlagen in unseren Filialen. Letzteres hat der Volksbank Platz 4 der klimafreundlichsten Unternehmen in Trentino-Südtirol und Platz 1 in unserer Region eingebracht.

Mehr soziale Aufmerksamkeit. Für eine größere Ausgewogenheit mit den Stakeholdern haben wir die Umweltkomponente um eine soziale Komponente ergänzt, für die sich die Bank als aktiver Teil des Einzugsgebiets stark verantwortlich fühlt. Ein Beispiel dafür ist das erste Projekt „Social green mobility" zur Unterstützung der Schwächsten in unserer Gesellschaft.

Verstärktes Augenmerk auf unsere Kunden. Unsere Kunden stehen weiterhin im Mittelpunkt unseres Handelns und wir investieren in die IT-Sicherheit, unter anderem durch die Einführung von Künstlicher Intelligenz, um Risiken und Betrug besser zu erkennen. Die exzellente Arbeit der Mitarbeiter wurde mit dem Siegel „Dienstleistungssieger" durch eine externe, unabhängige Zertifizierungsstelle und dem Zuwachs von fast 4.000 Kunden auf insgesamt 284.000 belohnt.

Besser gerüstet für die Zukunft. Die Bank wird den neuen Strategieplan „I-mpact 2026" mit einem soliden Fundament und einer klaren strategischen Ausrichtung umsetzen: weiterhin wachsen, um noch deutlicheren Mehrwert für das Einzugsgebiet zu schaffen; die Digitalisierung des Services für die Kunden durch Integration digitaler Prozesse mit Künstlicher Intelligenz fortsetzen; ihre Aktivitäten zur Unterstützung des Sozialwesens stärker vorantreiben, um ihren positiven Einfluss auf das Einzugsgebiet zu erhöhen.

Lukas Ladurner
Präsident des Verwaltungsrates

Alberto Naef
Generaldirektor

LETTER TO STAKEHOLDER

Dear customers, suppliers, shareholders and employees,

The year 2023 saw your bank record further positive results that confirm the direction taken in recent years: with the completion of an important process of improving the quality of assets, a better and more efficient business model, an excellent level of profitability, and the ability to anticipate trends, so as to strengthen the role of an independent regional bank. A bank that is now more solid and profitable. Volksbank has improved its profitability and soundness, achieving a tangible equity of €910 million and a net profit of over €100 million, with good liquidity in the stock and a dividend that is continuing to grow. The rating agencies S&P Global Ratings and DBRS Morningstar have raised Volksbank's rating to "Investment Grade", confirming the soundness of the actions taken. Thanks to these excellent results, shareholders also benefit from the newfound liquidity of shares.

Closer. The Bank has continued its investments by strengthening its presence in the area, opening new branches in Arzignano, Caorle and Padua. The net increase of 34 employees makes it possible to provide increasingly available, professional and individual advice. In addition, it has confirmed its role as the growth engine of the North East, providing 2 billion euros of credit to households and businesses.

More attentive to the environment. The commitment to environmental sustainability has been further strengthened, with the use of 100% energy from renewable sources, which has saved more than 2,000 tons of CO_2. This is thanks also to the improvement and upgrading of the plants at our branches, which have brought Volksbank to the 4th place among the most climate-conscious companies in Trentino-Alto Adige and the first bank in our region.

Greater social impact. In order to achieve even greater harmony with stakeholders, we have joined the environmental component with the social one, out of a strong sense of responsibility to play an active part in the community. An example is the first project of "Social green mobility", to support the most fragile sections of society.

Greater attention to customers. The customer remains at the heart of Volksbank's work, which has invested in cybersecurity, including through the introduction of artificial intelligence to better identify risks and fraud. The excellent work of the collaborators was rewarded with the "Champions of Service" seal by an external and independent certification body and an increase of almost 4,000 customers for a total of 284,000

More ready for the future. The Bank faces the new I-mpact 2026 Business Plan with a solid starting point and a clear strategic direction: continue to grow to create even more value for the benefit of the community; continue with the digitisation of customer services, integrating digital processes with artificial intelligence; give greater impetus to its activities to support the social aspect so as to increase its positive impact on the local area.

Lukas Ladurner
Chairperson
Banca Popolare dell'Alto Adige Spa

Alberto Naef
General Manager
Banca Popolare dell'Alto Adige Spa

ANNUAL FINANCIAL REPORT
FINANCIAL YEAR 2023

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VOLKSBANK
THE TERRITORIAL NETWORK

BANCA POPOLARE DELL'ALTO ADIGE
Company limited by shares
Registered in the Bolzano Companies' Register under no. 00129730214
Member of the Italian Interbank Deposit Protection Fund
ABI 05856.0

GENERAL MANAGEMENT AND HEAD OFFICE

Via del Macello, 55 – Bolzano - Bozen
Schlachthofstraße 55
Tel. + 39 0471 – 996111 – Telefax 0471 – 979188

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www.volksbank.it
gsinfo@volksbank.it

BRANCHES

PROVINCE OF BOLZANO	
Appiano – Eppan Via J. G. Plazer 56 - J.-G.-Plazer-Straße 56	tel. 0471-944270
Badia – Abtei Via Colz 56 - Colz-Straße 56 – Fraz. La Villa - Frak. Stern	tel. 0471-944010
Bolzano – Bozen Galleria Telser 1 - Telsergalerie 1	tel. 0471-944190
Bolzano – Bozen Corso della Libertà 2 - Freiheitsstraße 2	tel. 0471-944020
Bolzano – Bozen Via Claudia Augusta 5 - Claudia-Augusta-Straße 5	tel. 0471-944250
Bolzano – Bozen Via del Ronco 15 - Neubruchweg 15	tel. 0471-944260
Bolzano – Bozen Via Bruno Buozzi 4 - Bruno Buozzi Straße 4	tel. 0471-944320
Bolzano – Bozen Via Leonardo da Vinci 2 - Leonardo-da-Vinci-Straße 2	tel. 0471-996151
Bolzano – Bozen Via Resia 132/B - Reschenstraße 132/B	tel. 0471-944290
Bolzano – Bozen Via Roma 45 - Romstraße 45	tel. 0471-944200
Bolzano – Bozen Vicolo Gumer 7 (financial help desk) Gumergasse 7 (Schatzamtsschalter)	tel. 0471-996123
Bressanone – Brixen Portici Maggiori 2 Große Lauben 2	tel. 0472-811213
Bressanone – Brixen Via Julius Durst 28 - Julius-Durst-Straße 28	tel. 0472-811600
Bressanone – Brixen Via Plose 38/B - Plosestraße 38/B - Fraz. Millan Sarnes – Frak. Milland Sarns	tel. 0472-811560
Brunico – Bruneck Bastioni 24 - Graben 24	tel. 0474-544700
Brunico – Bruneck Via Valle Aurina 30 - Ahrntalerstraße 30	tel. 0474-544760
Caldaro sulla Strada del Vino – Kaltern an der Weinstraße Piazza Principale 13 - Marktplatz 13	tel. 0471-944220
Campo Tures - Sand in Taufers Via Municipio 4 - Rathausstraße 4	tel. 0474-544740
Chienes – Kiens Via Chienes 1 - Kiener Dorfweg 1	tel. 0474-544730
Chiusa – Klausen Piazza Tinne 5 - Tinneplatz 5	tel. 0472-811540
Chiusa – Klausen San Giacomo 3 - St. Jakob 3 Fraz. Lazfons – Frak. Latzfons	tel. 0472-811620
Castelrotto – Kastelruth Via Sciliar 16 - Schlernstraße 16 – Fraz. Siusi allo Sciliar - Frak. Seis am Schlern	tel. 0471-944300
Dobbiaco – Toblach V.le S. Giovanni 23 - St.-Johannes-Straße, 23	tel. 0474-544770
Egna – Neumarkt Largo Municipio 32 - Rathausring 32	tel. 0471-944280
Laces – Latsch Via Stazione 1/b - Bahnhofstraße 1/b	tel. 0473-254440
Laives – Leifers Via Kennedy 123 - Kennedystraße 123	tel. 0471-944240
Lana Piazza Tribus 17 - Tribusplatz 17	tel. 0473-254350
Lasa – Laas Via Venosta 44 - Vinschgaustraße 44	tel. 0473-254310
Luson – Lüsen Vicolo Dorf 19 - Dorfgasse 19	tel. 0472-811590
Malles Venosta – Mals im Vinschgau Via Stazione 9/b - Bahnhofstraße 9/b	tel. 0473-254400
Merano – Meran Piazza del Grano 3 - Kornplatz 3	tel. 0473-254111
Merano – Meran Via Goethe 74/a - Goethestraße 74/a	tel. 0473-254300
Merano – Meran Via Matteotti 43 - Matteottistraße 43	tel. 0473-254330
Merano – Meran Via Monte Tessa 34 Texelstraße 34	tel. 0473-254390
Merano – Meran Via Roma 278 - Romstraße 278	tel. 0473-254420
Monguelfo – Welsberg Via Parrocchia 13 - Pfarrgasse 13	tel. 0474-544750
Naturno – Naturns Via Principale 37/b Hauptstraße 37/b	tel. 0473-254370
Nova Levante – Welschnofen Via Roma 8 Romstraße 8	tel. 0471-944090
Ora – Auer Via Stazione 8 - Bahnhofstraße 8	tel. 0471-944040
Ortisei - St. Ulrich in Gröden Piazza San Durich 3 - S.-Durich-Platz 3	tel. 0471-944330
Racines – Ratschings Stanghe 18 - Stange 18 - Fraz. Racines di Fuori - Außerratschings	tel. 0472-811610
Rio di Pusteria – Mühlbach Via K. Lanz 50 K.- Lanz-Straße 50	tel. 0472-811520
S. Leonardo in Passiria - St. Leonhard in Passeier Via Passiria 14 - Passeirer Straße 14	tel. 0473-254380
S. Lorenzo di Sebato - St. Lorenzen Via Josef Renzler 17 - Josef-Renzler-Straße 17	tel. 0474-544780
Scena – Schenna Piazza Arciduca Giovanni 7 Erzh.-Johann-Platz 7	tel. 0473-254430
Selva di Val Gardena – Wolkenstein in Gröden Via Meisules 155/a - Meisulesstraße 155/a	tel. 0471-944000
Silandro – Schlanders Via Covelano 10 - Göflaner Straße 10	tel. 0473-254410
Valle Aurina – Ahrntal Via Klausberg 65 - Klausbergstraße 65 – Fraz. Cadipietra - Frak. Steinhaus	tel. 0474-544800
Vandoies – Vintl Via J. A. Zoller 8 - J.-A.-Zoller-Straße 8	tel. 0472-811640
Varna – Vahrn Via Brennero 101 - Brennerstraße 101	tel. 0472-811650
Velturno – Feldthurns Paese 12 - Dorf 12	tel. 0472-811580
Vipiteno – Sterzing Via Città Nuova 22/a Neustadt 22/a	tel. 0472-811500

PROVINCE OF BELLUNO	
Auronzo di Cadore Via Corte 33	tel. 0435-505650
Borgo Valbelluna Via Tempietto 33/A	tel. 0437-356660
Belluno Via Caffi 15	tel. 0437-356700
Cencenighe Agordino Via XX Settembre 107	tel. 0437-356640
Comelico Superiore Piazza Tiziano 2 – Fraz. Dosoledo	tel. 0435-505670
Comelico Superiore Piazza San Luca 22 – Fraz. Padola	tel. 0435-505690
Cortina d' Ampezzo Largo delle Poste 49	tel. 0436-863500
Domegge di Cadore Via Roma 48	tel. 0435-505620
Feltre Via Monte Grappa 28	tel. 0439-842600
Forno di Zoldo Via Roma 70/b	tel. 0437-356620
Limana Via Roma 116/118	tel. 0437-356690
Longarone Via Roma 89	tel. 0437-356720
Ponte nelle Alpi Viale Roma 87	tel. 0437-356630
Santo Stefano di Cadore Via Venezia 30	tel. 0435-505630
Santa Giustina Via Feltre 17	tel. 0437-356680
Sedico Via Cordevole 2/b	tel. 0437-356650
Pieve di Cadore Via Ferdinando Coletti 15 – Fraz. Tai di Cadore	tel. 0435-505600
Valle di Cadore Via XX Settembre 76	tel. 0435-505660

PROVINCE OF PADUA	
Camposampiero Piazza Castello 43	tel. 049-6950070
Carmignano di Brenta Via Marconi 36	tel. 049-6950010
Cittadella Via Riva Pasubio 5	tel. 049-6950040
Padua Corso Milano 99	tel. 049-6950020
Padova Via Jacopo Facciolati 38	tel. 049-6950080
Piazzola sul Brenta Via dei Contarini 36	tel. 049-6950050
Tombolo Via Vittorio Veneto 1	tel. 049-6950000

PROVINCE OF PORDENONE	
Pordenone Via Galvani 8	tel. 0434-786520
Sacile Via Martiri Sfriso 7	tel. 0434-786500

PROVINCE OF TRENTO	
Ala Via della Roggia 10	tel. 0464-912520
Arco Via S. Caterina 20	tel. 0464-912510
Borgo d'Anaunia Via Cesare Battisti 39	tel. 0463-840500
Borgo Valsugana Via Hippoliti 11/13	tel. 0461-211060
Cavalese Via Cacciatori 7	tel. 0462-248500
Cles Piazza Navarrino 16/17	tel. 0463-840510
Lavis Via Rosmini 65	tel. 0461-211070
Mezzolombardo Via A. Degasperi 4	tel. 0461-211030
Moena Piaz de Ramon 24	tel. 0462-248510
Mori Via della Terra Nera 48/d	tel. 0464-912500
Pergine Valsugana Viale Venezia 44	tel. 0461-211050
Riva del Garda Viale Damiano Chiesa 4/g-h	tel. 0464-912560
Rovereto Via G. M. Della Croce 2	tel. 0464-912530
Tione di Trento Via Circonvallazione 56	tel. 0465-338500
Trento Piazza Lodron 31	tel. 0461-211000
Trento Via Brennero 302/a	tel. 0461-211080
Trento Via Enrico Fermi 11	tel. 0461-211090

PROVINCE OF TREVISO	
Casale Sul Sile Via G. Marconi 3	tel. 0422-508170
Castelfranco Veneto Borgo Treviso 62	tel. 0423-974610
Conegliano Via Cesare Battisti 5	tel. 0438-907740
Crocetta del Montello Via Andrea Erizzo 64	tel. 0423-974620
Loria Via Poggiana 4 – Fraz. Ramon di Loria	tel. 0423-974670

PROVINCE OF TREVISO	
Mogliano Veneto Via degli Alpini 16/g/f/e	tel. 041-5446660
Montebelluna Via Montegrappa 24/c	tel. 0423-974660
Motta Di Livenza - Via Padre Leonardo Bello/ Angolo Via Cigana 1	tel. 0422-508180
Oderzo Via degli Alpini 24/26	tel. 0422-508100
Paese Via Cesare Battisti 3	tel. 0422-508140
Pieve di Soligo Via Nubie 3/d	tel. 0438-907700
Preganziol Piazza Gabbin 16	tel. 0422-508120
Quinto Di Treviso Via Vittorio Emanuele 11	tel. 0422-508190
Spresiano Piazza Luciano Rigo 49	tel. 0422-508130
Treviso Viale Brigata Treviso 1	tel. 0422-508210
Treviso Piazza San Vito 12	tel. 0422-508150
Valdobbiadene Foro Boario 21-23-13	tel. 0423-974600
Vittorio Veneto Galleria Tintoretto 3	tel. 0438-907710

PROVINCE OF UDINE	
Sappada Borgata Palu' 90/A	tel. 0435-505639

PROVINCE OF VENICE	
Caorle Via Pineda 1	tel. 0421 480830
Fossò Via Roncaglia 1	tel. 041-5446690
Jesolo Via Firenze 6	tel. 0421-480820
Marcon Viale della Repubblica 2	tel. 041-5446680
Martellago Via Friuli 28	tel. 041-5446780
Mira Via Venezia, 120 - Fraz. Oriago	tel. 041-5446730
Mirano Via Cavin di Sala 39	tel. 041-5446710
Noale Via Tempesta 31	tel. 041-5446630
Portogruaro Via S. Agnese 28	tel. 0421-480810
San Donà di Piave Via XIII Martiri 90	tel. 0421-480800
Spinea Piazza Marconi 17	tel. 041-5446670
Venezia Piazza Mercato 51 - Fraz. Marghera	tel. 041-5446800
Venezia Sestriere Cannaregio 4547/4552	tel. 041-5446810
Venice Via Miranese 256/h - Fraz. Chirignago	tel. 041-5446600
Venice Via Torre Belfredo 23 – Fraz. Mestre	tel. 041-5446750

PROVINCE OF VICENZA	
Asiago Piazza Carli 42	tel. 0424-596090
Arzignano Piazza G. Pellizzari, 4	tel. 0444 577110
Bassano Del Grappa Piazza Garibaldi 8	tel. 0424-596105
Bassano Del Grappa Piazzale Firenze 2	tel. 0424-596060
Bassano Del Grappa Villaggio S. Eusebio 94/a	tel. 0424-596080
Breganze Piazza Mazzini 2	tel. 0445-617050
Bressanvido Via Roma 94	tel. 0444-577000
Calvene Via Roma 22	tel. 0445-617030
Camisano Vicentino Piazza Pio X 2	tel. 0444-577010
Cassola Via Martiri del Grappa 3	tel. 0424-596040
Cassola Via Pio X/Angolo G. D'Arezzo – Fraz. S. Giuseppe	tel. 0424-596240
Colceresa Via Marconi 85	tel. 0424-596000
Dueville Piazza Monza 30/31	tel. 0444-577020
Lusiana Conco Piazza San Marco 20	tel. 0424-596170
Malo Via Vicenza 97 – Loc. San Tomio	tel. 0445-617070
Marostica Via Mazzini 84	tel. 0424-596200
Monticello Conte Otto Via Spine 3/B	tel. 0444-577090
Mussolente Via Vittoria 47	tel. 0424-596100
Nove Via Molini 2	tel. 0424-596110
Romano D'Ezzelino Via Roma 62	tel. 0424-596140
Rosa' Via Mazzini 71	tel. 0424-596150

PROVINCE OF VICENZA	
Sandrigo Via Roma 34	tel. 0444-577040
Sarcedo Via Schio 34	tel. 0445-617010
Schiavon Via Roma 120	tel. 0444-577050
Schio Via Cementi 8	tel. 0445-617090
Tezze sul Brenta Via Nazionale 47 – Fraz. Belvedere	tel. 0424-596020
Tezze sul Brenta Via Risorgimento 23	tel. 0424-596180
Thiene Viale Bassani 26/28	tel. 0445-617110
Vicenza Via Lago di Molveno 2 – Fraz. Laghetto	tel. 0444-577060
Vicenza Corso Palladio 46	tel. 0444-577070
Villaverla Via S. Antonio, 43	tel. 0445-617130
Zane' Via Trieste 110	tel. 0445-617140

CONSULTANCY CENTRES

PROVINCE OF BOLZANO
Bolzano – Bozen Via del Macello 55 - Schlachthofstraße 55
Brunico – Bruneck Via San Nicolo' 14 - Sankt-Nikolaus-Straße 14 – Fraz. Stegona - Frak. Stegen
Caldaro sulla Strada del Vino – Kaltern an der Weinstraße Via Stazione 10 - Bahnhofstraße 10
Fié allo Sciliar – Völs am Schlern Via Bolzano 3 - Boznerstraße 3

PROVINCE OF PADUA
Padova Via della Provvidenza 7/A – Fraz. Sarmeola di Rubano

PROVINCE OF TRENTO
Villa Lagarina Via degli Alpini 8

PROVINCE OF TREVISO
Treviso Viale Monte Grappa 46
Treviso Viale IV Novembre 13/A

CORPORATE OFFICES AND AUDITING FIRMS[1]

BOARD OF DIRECTORS

Chairperson
Lukas LADURNER

Vice Chairpersons
Lorenzo SALVÀ
Giuseppe PADOVAN

Directors
Christina GASSER
Margherita MARIN
Federico MARINI
Alessandro Giuseppe Pietro METRANGOLO
Johannes PEER
Margit TAUBER

RISKS COMMITTEE

Chairperson
Alessandro Giuseppe Pietro METRANGOLO
Christina GASSER
Margherita MARIN
Federico MARINI

COMMITTEE OF INDEPENDENT DIRECTORS

Chairperson
Margherita MARIN
Christina GASSER
Alessandro Giuseppe Pietro METRANGOLO

CREDIT COMMITTEE

Chairperson
Lorenzo SALVÀ
Giuseppe PADOVAN
Johannes PEER
Margit TAUBER

BOARD OF STATUTORY AUDITORS

Chairperson
Georg HESSE

Standing auditors
Rosella CAZZULANI
Sabrina RIGO

Alternate auditors
Nadia DAPOZ
Emilio LORENZON

GENERAL MANAGEMENT

General Manager
Alberto NAEF

Deputy General Manager
Georg MAIR AM TINKHOF

FINANCIAL REPORTING OFFICER

Alberto CALTRONI

INDEPENDENT AUDITING FIRM

KPMG S.p.A.

(1) Information updated as of the date of preparation of this document.

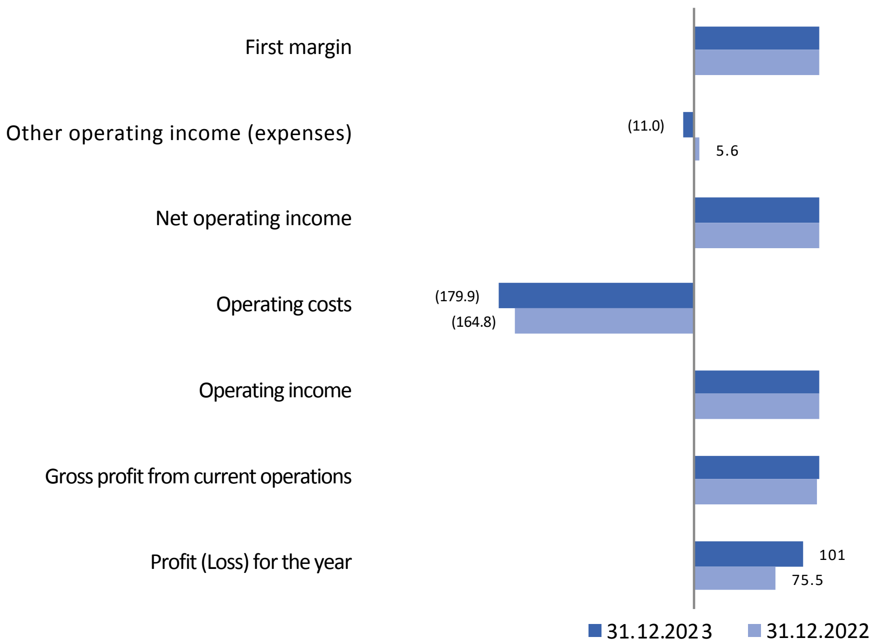
COMPANY REPORTS AND FINANCIAL STATEMENTS

SUMMARY DATA AND ALTERNATIVE PERFORMANCE INDICATORS

SUMMARY DATA AND ALTERNATIVE PERFORMANCE INDICATORS

The following table shows a summary of the Bank's key figures and indicators, calculated on the basis of the financial statements.

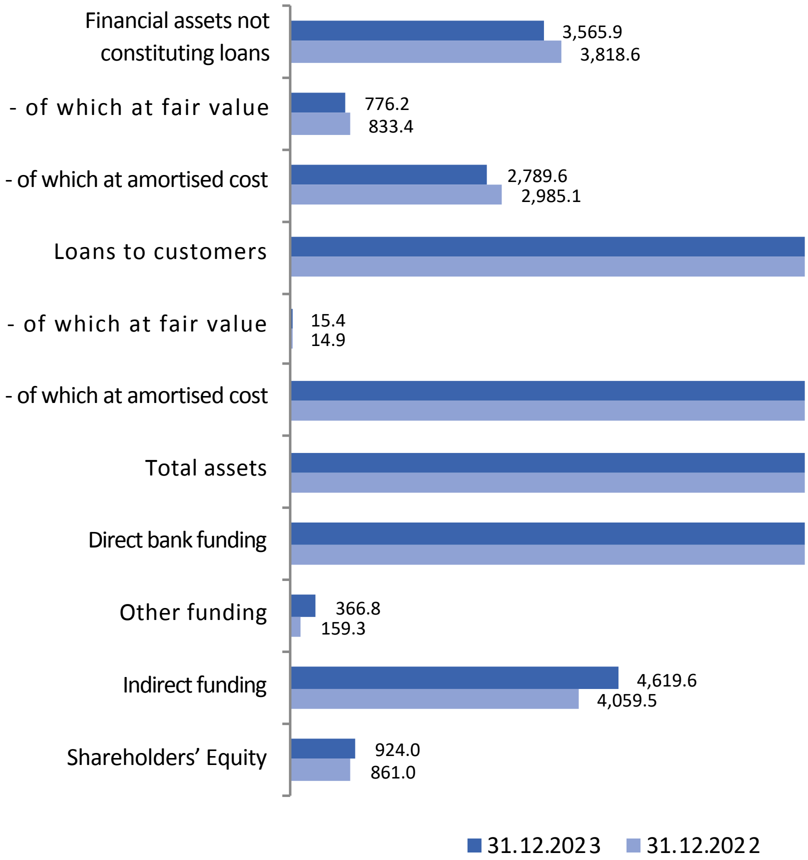
Main economic data



Economic data	31.12.2023	31.12.2022	Changes	
(€ million)			**Abs.**	**%**
First margin	375.9	310.6	65.3	21.0%
Other operating income	(11.0)	5.6	(16.5)	n.a.
Net operating income	365.0	316.2	48.8	15.4%
Operating costs	(179.9)	(164.8)	(15.1)	9.2%
Operating income	185.1	151.4	33.6	22.2%
Gross profit (loss) from current operations	150.6	113.6	37.1	32.6%
Profit (Loss) for the year	101.1	75.5	25.6	33.9%

Please refer to paragraph 1.4.1 for a description of the reconstruction of the reclassified data.

Key balance sheet data



Balance sheet data	31.12.2023	31.12.2022	Changes	
(€ million)			**Abs.**	**%**
Financial assets not constituting loans	3,565.9	3,818.6	(252.7)	-6.62%
- of which at *fair value*	776.2	833.4	(57.2)	-6.86%
- of which at amortised cost	2,789.6	2,985.1	(195.5)	6.55%
Loans to customers	7,498.4	7,457.3	41.0	0.55%
- of which at *fair value*	15.4	14.9	0.5	3.47%
- of which at amortised cost	7,482.9	7,442.4	40.5	0.54%
Total assets	11,954.5	12,956.5	(1,002.0)	-7.73%
Direct bank funding	9,370.8	9,000.0	370.8	4.12%
Other funding	366.8	159.3	207.6	130.33%
Indirect funding	4,619.6	4,059.5	560.2	13.80%
Shareholders' Equity	924.0	861.0	62.9	7.31%

Main indicators

Economic, financial indicators and other information	31.12.2023	31.12.2022
Financial indicators		
Structural indicators		
Financial assets / Total assets	93.3%	87.6%
Gross loans to customers / Direct funding from customers (retail)	83.2%	86.4%
Fixed assets / Total assets	1.4%	1.2%
Total risk-weighted assets (RWA) / Total assets	46.7%	41.8%
Number of employees	1,391	1,357
Number of branches	170	167
Profitability indicators		
ROE (Net profit / Shareholders' equity) [1]	11.7%	9.1%
ROTE (Net profit / Tangible equity)[1]	11.9%	9.3%
ROA (Net profit / Total assets)	0.8%	0.6%
Cost to income ratio (Operating costs/Operating net income) [2]	49.3%	52.1%
Basic EPS (earnings per share)	2.09	1.57
Diluted EPS (earnings per share)	2.09	1.57
Risk ratios		
Net non-performing loans / Net loans to customers	1.9%	2.3%
Gross non-performing loans / Gross loans to customers	4.4%	5.0%
Texas ratio (Net non-performing loans / Tangible shareholders' equity)	30.2%	36.2%
% coverage of bad debts	74.4%	70.7%
% coverage of non-performing loans	59.0%	56.3%
% coverage of performing loans	1.1%	1.1%
Supervisory capital (thousands of €) and capital ratios		
Class 1 Primary Capital (CET 1)	859,917	805,615
Total own funds	934,917	905,615
Total risk-weighted assets (RWA)	5,578,996	5,410,721
CET 1 Ratio - Common Equity Tier 1 capital (transitional)	15.4%	14.9%
Total Capital Ratio - Total own funds (transitional)	16.8%	16.7%
CET 1 Ratio - Common Equity Tier 1 capital (fully phased)	15.3%	14.4%
Total Capital Ratio - Total own funds (fully phased)	16.6%	16.2%
Non-Financial indicators		
Productivity Indices (in EUR)		
Direct funding per employee	6,736,709	6,632,285
Loans to customers per employee	5,390,622	5,495,454
Assets under custody - third-party products, per employee	2,320,379	2,214,258
Assets under custody - third party securities and own shares issued, per employee	1,258,777	1,036,835
Intermediation margin per employee	266,968	235,512

(1) Since 31 December 2023, the Bank has changed the calculation method of some profitability indicators, whereby:
- the ROE is calculated as the ratio between net profit for the year and equity in the accounts at the beginning of the year;
- the ROTE is calculated as the ratio between net profit for the year and tangible equity in the accounts at the beginning of the year;

These indicators were previously calculated with the denominator respectively of shareholders' equity and tangible equity in the accounts at the beginning of the financial year, net of the dividend paid in the current financial year. If they had been calculated according to the previous method, the RoE and RoTE values as of 31 Dicember 2023 would have been 12.2 and 12.4 respectively.

(2) For the amount of operating Costs and net operating Income please refer to the reclassified Profit and Loss account in paragraph 1.4.1 of the Report on Operations.

REPORT ON OPERATIONS

REPORT ON OPERATIONS

1.1 ECONOMIC ENVIRONMENT AND MARKETS ([1])

1.1.1 THE MACROECONOMIC SCENARIO

International economy

In 2023, the global economic scenario weakened in Europe due to the negative impacts of still high inflation and tightened monetary policies, and in emerging countries due to the dynamics of the Chinese economy which is struggling more than expected.
Global manufacturing activity has suffered a substantial setback, after the strong rebound after the Covid shock. Various factors had an impact: the shift in consumption from goods to services, such as tourism, the weakening of the European industry, which gravitates around the German one, and the more difficult conditions for demand, especially for investments, due to the tightening of credit policies and the gradual phasing out of emergency policies.
This was reflected in a decline in world trade in goods, which is held back in particular by the high geo-economic uncertainty, the strengthening of the dollar (reference currency for a large part of trade) and the multiplication of trade barriers (over 3 thousand in 2022 , from less than a thousand in 2019).
The global composite purchasing managers' index (PMI) indicates a decline in the real GDP growth rate in the fourth quarter of 2023 as well. High-frequency indicators, such as global retail sales, also suggest a slowdown in consumer spending towards the end of the year. This reflects the fading tailwinds for consumption in large advanced economies, as labour markets are gradually becoming less rigid, nominal wage growth is moderating and the stock of excess savings accumulated by households has reduced. At the same time, past monetary policy tightening continues to spill over into the global economy.
Global trade growth is expected to improve in the coming quarters, but disruptions to shipping pose a downside risk. The momentum of merchandise trade growth was positive again in October 2023, thanks to large-scale improvements across all countries. Global trade was supported by the unwinding of post-pandemic factors that had weighed on trade last year, such as reduced stocks piled by businesses in 2022. However, the normalisation of trade growth is subject to downside risks, as some shipping companies have suspended services through the Red Sea and Suez Canal following attacks on cargo ships. Delivery times are lengthening as ships are diverted around the Cape of Good Hope, while spot rates for container shipping have increased, particularly between China and Europe. While the situation remains highly uncertain, it has so far had a much smaller impact on trade flows than disruptions to trade related to the pandemic. This is due to the relatively lower growth in freight demand, greater unused transport capacity and less port congestion currently observed.
In December 2023, underlying inflation in Organisation for Economic Co-operation and Development (OECD) countries continued to decline, but further normalisation may be slow. Annual consumer price index (CPI) inflation in OECD countries excluding Turkey fell to 3.4% in November, from 3.6% in October, thanks to some easing of the food price inflation. Core inflation (nominal inflation excluding food and energy) also fell in November, from 0.2 percentage points to 4.1%, but remains high. The PMI input and output price indices, which have strong leading indicator properties for global core goods and services inflation, indicate that core services inflation continues to be persistent and slow to return to its long-term average. This partly reflects the easing of the labour market, although it is still tight.

([1]) Processed by Volksbank on data from ABI, International Monetary Fund, World Economic Forum, European Central Bank, Bank of Italy, Istat, chambers of commerce, news and daily financial newspapers.

Energy commodity price trends have been mixed since December 2023, between rising oil prices and falling gas prices. Dollar-oil prices rose 10.4% amid concerns that attacks on ships in the Red Sea could affect oil shipments through the Suez Canal, which serves as a key passageway for global oil traded by sea. The global oil market is expected to remain balanced in the first quarter of 2024, thanks to deeper voluntary production cuts implemented earlier this year by some member countries of the Organisation of the Petroleum Exporting Countries, according to the International Energy Agency, plus other oil producing countries (OPEC+). However, oil supply is likely to be oversupplied for the remainder of the year, due to upward revisions to U.S. oil supply and weakening demand from advanced economies, among other factors. Gas prices in Europe fell by 18.2% due to still low demand, with gas consumption remaining below historical values for the heating season, due to a combination of mild winter weather, changes in consumer behaviour and weakness in industrial activity. At the same time, Central and Eastern European countries have exploited their ability to draw gas from Ukrainian storage facilities, helping to keep EU storage levels high.

Euro area

The euro area economy is likely to have stagnated in the last quarter of 2023. Incoming data continues to point to near-term weakness. However, some leading survey indicators point to a recovery in growth ahead. The job market remained solid. The unemployment rate, at 6.4% in November, fell to its lowest level since the euro began and more workers entered the workforce. At the same time, job demand is slowing, with fewer vacancy announcements.

Governments should continue to reduce energy support measures to avoid increasing inflationary pressures in the medium term. Fiscal and structural policies should be designed to make the euro area economy more productive and competitive, as well as to gradually reduce high public debt ratios. Structural reforms and investments to improve the supply capacity of the euro area - which would be supported by the full implementation of the EU's Next Generation program - can help reduce price pressures in the medium term, while supporting the green and digital transition. Following the recent ECOFIN Council agreement on the reform of the EU economic governance framework, the legislative process should be concluded quickly so that the new rules can be implemented without delay. Furthermore, it is essential to accelerate progress towards the capital markets union and the completion of the banking union.

Inflation rose to 2.9% in December 2023, due to a decline in some of the fiscal measures taken in the past to cushion the impact of high energy prices, although the rebound was weaker than expected. Apart from this base effect, the general trend of declining inflation continued. Food price inflation fell to 6.1% in December. Inflation excluding energy and food also fell again, to 3.4%, due to a decline in goods inflation to 2.5%. Services inflation remained stable at 4.0%. Inflation is expected to decline further during 2024 as the effects of past energy shocks, supply bottlenecks and the reopening of the economy after the pandemic ease, while a tighter monetary policy will continue to weigh on demand.

Nearly all measures of underlying inflation fell further in December. The high rate of wage growth and falling labour productivity keep domestic price pressures up, although they have also started to ease. At the same time, lower unit profits have begun to moderate the inflationary effect of rising unit labour costs. Measures of short-term inflation expectations have fallen significantly, while measures of longer-term inflation expectations are mostly around 2%.

Risks to economic growth remain tilted to the downside. Growth could decline if the effects of monetary policy prove stronger than expected. A weaker global economy or a further slowdown in global trade would also weigh on growth of the euro area. Russia's unjustified war against Ukraine and the tragic conflict in the Middle East are key sources of geopolitical risk. This could cause businesses and households to be less confident about the future and disrupt global trade. Growth could be higher if rising real incomes lead to a higher-than-expected increase in spending, or if the world economy grows more than expected.

Upside risks to inflation include heightened geopolitical tensions, especially in the Middle East, which could raise energy prices and transport costs in the short term and hamper global trade. Inflation could also turn out higher than expected if wages rise more than expected or if profit margins prove more resilient. Conversely, inflation could surprise on the downside if the monetary policy curbs demand more than expected or if the economic environment in the rest of the world unexpectedly worsens. Furthermore, inflation could decline more rapidly in the

short term if energy prices evolve in line with the recent reduction in market expectations about the future path of oil and gas prices.
Since the Governing Council's monetary policy meeting on 14 December 2023, market interest rates have moved substantially sideways. The ECB's restrictive monetary policy continues to transmit strongly to broader financing conditions. Business loan rates fell slightly to 5.2% in November, while mortgage rates increased further to 4.0%.
High lending rates, resulting in reduced investment and house purchase plans, led to a further decline in credit demand in the fourth quarter of 2023, as reported in the Euro Area Bank Lending Survey of January 2024. The tightening of credit standards for loans to businesses and households moderated but remained harsh, with banks concerned about the risks faced by their customers.
In this context, credit dynamics have improved slightly, but overall remain weak. Business loans remained flat in November 2023 compared to a year earlier, after contracting in October, while the monthly flow of short-term loans recovered. Loans to households grew at a low annual rate of 0.5%.
The interest rates on the main refinancing operations and interest rates on the marginal refinancing transactions and the deposit facility will remain the same at 4.50%, 4.75% and 4.00% respectively.
The portfolio of the asset purchase programme is shrinking at a measured and predictable pace, as the Eurosystem no longer reinvests the principal payments from maturing securities.
The Governing Council of the ECB has made clear that it intends to continue to fully reinvest the principal payments of maturing securities purchased under the Pandemic Emergency Purchase Programme (PEPP) in the first half of 2024. In the second half of the year, it intends to reduce the PEPP portfolio by 7.5 billion euros on average per month. The ECB Governing Council has indicated that it intends to stop reinvesting under the PEPP at the end of 2024. Furthermore, it clarified that it will continue to apply flexibility in the reinvestment of maturing repayments in the PEPP portfolio, in order to counter risks to the transmission mechanism of the monetary policy related to the pandemic. Finally, the Governing Council of the ECB indicated that, as banks are repaying the amounts borrowed under targeted longer-term refinancing operations, it will regularly assess how targeted loan transactions and their continued repayment are contributing to its monetary policy orientation.

The Italian economy

The trend of Italy’s GDP in 2023 is expected to slow down sharply compared to 2022, when it grew by +3.7%.
After the high volatility observed in the first part of the year, Italy’s GDP recorded a slight expansion in the third quarter. Household consumption increased, also supported by the creation of jobs, exceeding the pre-pandemic level by approximately one percentage point; spending on fixed investments, however, continued to decrease, albeit to a limited extent, due to the higher cost of financing. The partial increase in investments in construction was offset by a further decline in investments in plants and machinery. On the one hand, the destocking of inventories, of extraordinary magnitude and probably linked to the weak demand prospects, subtracted 1.3 percentage points from the GDP trend; on the other hand, foreign trade contributed positively to growth, due to the increase in exports and the decline in imports.
With regard to supply, added value increased in all sectors with the exception of agriculture: the expansion was more accentuated in construction, which partly recovered the strong decline in the second quarter, and was only marginal in services and in industry in the strict sense, where it was still held back by the reduction in activity in energy-intensive sectors.
Based on ABI estimates, the GDP stagnated in the fourth quarter. Manufacturing activity started to decline again, also in connection with the weak economic phase of our main trading partners, in particular Germany, and with the continuing difficulties in industrial production with greater energy intensity, which are affected by electricity prices and gases still high in historical comparison. In services, the signs of stabilisation of added value are improving, while the expansion of activity continued in the construction sector. With regard to demand, the substantial stability of consumption would have been counteracted by a decrease in investments, held back by the tightening of financing conditions. According to the updated ABI projections, the GDP will increase by 0.7 percent in 2023 and 0.6 in 2024.
On average for the two-month period October-November, industrial production fell by 0.9 percent over the third quarter, reflecting the continuation of the weakness in the production of consumer goods (especially non-durable) and intermediate goods, contrasted with the stability of instrumental goods. In the same period, the share of

manufacturing sectors that recorded a decline in activity began to increase markedly again (to 65 percent, which corresponds to approximately two-thirds of production); dispersion in sectoral growth rates remains high, at levels higher than pre-pandemic ones.
Based on ABI estimates for the month of December – which take into account high-frequency data on electricity and gas consumption and motorway traffic, as well as qualitative indicators on business confidence and expectations – industrial activity started to decrease overall again in the fourth quarter, affected by the worsening of the weakness of the German manufacturing cycle, the drop in domestic demand and the further tightening of financing conditions.
Despite a slight recovery in December, on average in the fourth quarter the confidence indices based on surveys carried out by ISTAT among businesses fell again, mainly reflecting the deterioration of opinions regarding current and expected conditions of demand. Service companies were among the worst affected, with the exception of those operating in the tourism sector. The confidence index of construction companies remained essentially stationary compared to the previous quarter, at high values. Unlike the rest of the euro area, in Italy companies in the sector still report difficulties in supplying inputs and intermediate goods, as well as unavailability of labour, but do not report obstacles arising from demand. According to the Bank of Italy's surveys conducted between November and December, however, signs of improvement for service companies emerge for the current quarter, notwithstanding indications of continuing weakness in manufacturing.
Investments remained stable in the third quarter, after the decline in the second (-0.1 and -2.0 percent, respectively): spending on capital goods decreased, despite the clear growth in purchases of means of transport, while investments in construction began to increase again.
In the Bank of Italy's surveys, companies still consider the conditions for investing to be unfavourable, also due to the difficulties relating to the cost of credit, even if the share of companies that expect an expansion in nominal investment spending for the whole of the current year exceeds the percentage of those expecting a reduction.
In the third quarter, the slowdown in companies' gross fixed investments led to a further reduction in the use of internal sources of financing: the liquidity held began to increase significantly again, in particular in the component of on demand deposits. In the same period, the use of external financing sources (represented by overall debt) decreased slightly both in nominal terms and as a percentage of GDP (to 64 percent). Corporate debt in relation to GDP continues to be well below the euro area average (97 percent).
Household spending increased by 0.7 percent in real terms in the third quarter (after stagnating in the second), reflecting the favourable dynamics of employment and growth in disposable income in real terms (1.3 percent over the previous period).
The expansion in consumption of services and durable goods, supported in particular by the recovery in car purchases, was offset by the decline in spending on non-durable and semi-durable goods. The propensity to save has risen, although remaining at values more than one percentage point below those before the pandemic.
The climate of consumer confidence – although it improved markedly in December, also thanks to the rapid reduction in inflation – decreased on average in the fourth quarter compared to the previous period; this reflects, above all, the worsening of assessments on the general economic situation, while assessments on the personal component appear more resilient.
House prices in the third quarter, unchanged in nominal terms compared to the second, are higher by 1.8 percent compared to the same period in 2022, only reflecting however the dynamics relating to newly built houses; they nonetheless remain 3.6 percent lower by subtracting the trend in consumer inflation. Sales increased slightly, after four quarters of decline. According to the economic survey on the housing market in Italy conducted by the Bank of Italy between September and October, the expectations of real estate agents remain unfavourable and foresee a very modest dynamic in the sales prices of properties; for the rental market, however, there is an increase in rents, probably due to the greater demand for properties for rent as an alternative to purchase.
In the third quarter, the growth in total interest expenditure on household debt continued following the rise in the cost of credit. Overall, however, the impact on their nominal disposable income of the costs incurred to service the debt (expenditure on interest and repayment of capital) decreased, from 10.3 to 10.0 percent, due both to a further reduction in the repayment of capital shares by families, and an increase in disposable income. The debt of Italian families in relation to their disposable income fell further compared to the second quarter, to 59.3 percent (89 in the euro area). The decrease was mainly determined by the growth in disposable income, against a more limited decline in debt in nominal terms, in particular in the component of medium and long-term bank loans. Household

debt has gone down even in relation to GDP, standing at 39 percent compared to 54 in the area.
On the foreign trade front, after the decline in the first half of the year, exports in volume started to grow again (0.6 percent) in the third quarter, driven by the recovery of the goods component which more than compensated the reduction of that of services. Mechanical and pharmaceutical products contributed above all to the increase and, to a lesser extent, refined petroleum products and chemicals. Despite the contraction in world trade, sales of goods in markets outside the euro area increased significantly. Imports in volume decreased (-2.0 percent), mainly due to fewer purchases of goods from countries outside the area.
The largest decline concerned mining industry products and base metals. Imports of services fell marginally, after two quarters of sustained growth.
According to the latest assessments by the Bank of Italy, based on foreign trade data relating to October and November, exports of goods in volume net of seasonality also increased in the autumn months. The deterioration in Italy's price competitiveness, underway since autumn 2022 and resulting mainly from the appreciation of the euro against the currencies of its main trading partners, continued also in the third quarter, partly mitigated by an increase in production prices lower than the average of competing countries. According to preliminary estimates, Italy's market share of goods in value would have increased in 2023 as a whole, fully recovering the loss of 2022; that in volume would instead have remained stable, in line with the previous two years.
The indicator on foreign orders from the ISTAT survey of manufacturing companies and the corresponding PMI index continue to be at levels consistent with weak foreign demand. Meanwhile, goods delivery times have continued to improve. This trend could, however, be reversed if attacks on ships continue in the Red Sea, where almost 16 percent of Italian imports in value and 7 percent of exports transit.
With regard to the current account, the third quarter (in seasonally adjusted terms) showed a surplus of 0.6 percent of GDP, after substantially breaking even in the previous two quarters. The improvement almost entirely reflected that of the trade balance, both due to the further reduction in the energy deficit (mainly connected with the drop in raw material prices) and the increase in the surplus of non-energy goods.
In the third quarter, the labour market, despite the weakness of the economic cycle, recorded an increase in the number of employed people (+0.3 percent), albeit at lower rates than in the first half of the year. The growth in the number of permanent employees and, to a more limited extent, in the number of self-employed workers continued, while the number of fixed-term workers decreased. Employment increased markedly in construction, recovering after falling in the previous four quarters, and at a more moderate pace in services; it decreased slightly in industry in the strict sense.
The overall hours worked recorded an increase of 0.4 percent, also as a result of the growth in those per employee, which began to rise again after the decline in the spring months. The decline in labour productivity continued: in the first nine months of the year, hours worked increased by 1.1 percent compared to the end of 2022, much more than the added value (0.3 percent).
In the summer months the participation rate rose to 66.7 percent, a new high since the series was calculated, but the unemployment rate remained stable (7.6 percent) thanks to a still sustained demand for labour, as also indicated by a high number of vacancies in relation to the number of people looking for work.
In the first three quarters of the year the number of people active on the labour market grew by 312,000 compared to the end of 2022 (1.2 percent). Approximately two thirds of the increase can be attributed to the age group over 50, according to a long-term trend determined by the increase in the retirement age; the remaining part is instead due to the younger ones, among whom the number of those who are not actively looking for a new job, despite being available to work, has reduced.
According to the most recent data, on average for the October-November period the participation rate continued to rise (to 67.0 percent), while the unemployment rate remained stable compared to the average of the previous two months.
With regard to inflation, the harmonised figure for consumption decreased to 0.5 percent over the twelve months, the lowest value since January 2021.
The downwards trend in the prices of energy goods has become more marked, compared to the exceptionally high prices of the end of 2022 and the recent decline in fuel prices and electricity and gas bills. The underlying component contracted sharply, to 3.0 percent, from the peak reached in February 2023 (5.5 percent); this was affected by the slowdown in the prices of services, in particular hotel and restaurant prices, together with the further deceleration of those of non-energy industrial goods, especially durable ones. Food inflation decreased

slightly, although it remained high (5.5 percent). In the forecast scenario prepared as part of the most recent Eurosystem projection exercise, inflation in Italy would fall markedly in 2024; both the background and volatile components would contribute.
For the first three months of 2024, the Italian Regulatory Authority for Energy, Networks and Environment (ARERA) has announced a decrease in electricity tariffs on the regulated market of approximately 10 percent compared to the previous quarter. In December, the Government confirmed the end of protection services for the natural gas market, with users moving to the free market starting from January 2024. Furthermore, from the same month, the VAT rates on gas consumption in force before the reduction to 5 percent in the fourth quarter of 2021 were restored.
In November, the producer prices of industrial goods sold on the domestic market fell by 16.3 percent on an annual basis, compared to a contraction for energy goods, intermediate goods and, to a lesser extent, food goods (-34 .9, -6.3 and -0.2 percent, respectively). In December, the PMI indicator continued to provide signs of a reduction in the costs of production inputs in manufacturing, albeit less pronounced than in the summer months.
In the third quarter, the dynamics of contractual wages strengthened. Despite the slight decline, profit margins (mark-ups) – measured by the ratio between the production deflator and variable unit costs – remain overall above those before the health crisis.
Looking ahead, a strengthening of the salary dynamics is expected during 2024; these pressures could, however, be absorbed, at least in part, by the return of mark-ups to pre-pandemic average levels, probably in the face of weak aggregate demand.
In December, according to the surveys by ISTAT (the Italian National Statistical Institute), there was a preponderant share of families who expected a weakening of inflationary pressures in the next twelve months; in November, consumer inflation expectations over a three-year period, identified by the ECB's Consumer Expectations Survey, recorded a decline compared to the end of the third quarter, reaching a median value of 2.9 percent.
In the survey on inflation and growth expectations, conducted between November and December by the Bank of Italy, the growth in company price lists expected for the following twelve months weakened further (on average to 2.3 percent), especially in industry. Businesses also reported a sharp decline in expectations for consumer inflation on all horizons, which returned to values close to 2 percent (2.3 in twelve months and 2.1 between three and five years).

1.1.2 MONETARY POLICY AND FINANCIAL MARKETS

Monetary Policy

Over the last two years, the ECB's monetary policy has suddenly moved from a very expansionary stance to a clearly restrictive one, in order to manage the considerable inflationary impact of bottlenecks in global production chains and the rise in energy prices. This prevented inflation from being self-sustaining and becoming endemic. Inflation expectations in the medium term remained fixed at the target of 2 percent, an indispensable condition for price stability. This has limited the cost of disinflation, which has so far occurred without a deep recession.
The consistency of the ECB's next decisions with the prospective macroeconomic framework will be crucial for the definitive normalisation of the inflationary framework and the resumption of the path of economic growth and stability.
In 2023, the ECB Governing Council increased official rates by 50 basis points at both its February and March meetings, bringing the reference rate to 3.0 percent. In the four sessions between May and September, it increased the reference interest rates by a further 100 points overall.
Finally, at its meetings in October and December, the Governing Council of the ECB left the reference interest rates unchanged, believing that, if kept at current levels for a sufficiently long period, they could provide a substantial contribution to the return of inflation to the target of 2 percent. The Council also decided to gradually reduce to zero, during the second half of 2024, the reinvestments of maturing securities purchased as part of the public and private securities purchase programme for the pandemic emergency. In the euro area, past increases in official rates continue to be passed on to the cost of financing for families and businesses; both have significantly reduced the demand for credit. The monetary restriction contributed to determining a sharp slowdown in monetary aggregates, driven in particular by the dynamics of current account deposits. Yields on ten-year government bonds have decreased and the differentials between Italian ones and the corresponding German bonds have fallen.
At the first meeting of 2024, the Governing Council of the European Central Bank decided once again to leave the three reference interest rates for monetary policy unchanged. Accordingly, the interest rates on the main refinancing operations on the marginal refinancing transactions and the deposit facility will remain at 4.50%, 4.75% and 4.00% respectively.
The Governing Council emphasised that the new information broadly confirmed its previous assessment of the medium-term inflation outlook. In particular, according to the ECB, apart from an upward base effect on overall energy-related inflation, the downward trend in underlying inflation has continued and past increases in interest rates continue to be strongly transmitted to financing conditions. Future decisions by the Governing Council will ensure that key rates are set at sufficiently restrictive levels for as long as necessary. The Governing Council will continue to follow a data-driven approach in determining the appropriate level and duration of the restriction. In particular, interest rate decisions will be based on its assessment of the inflation outlook taking into consideration the new economic and financial data, the dynamics of core inflation and the intensity of monetary policy transmission.
Furthermore, the Governing Council reported that the portfolio of the Asset Purchase Programme (APP) is shrinking at a measured and predictable rate, as the Eurosystem no longer reinvests the principal payments on maturing securities. As regards the PEPP (Pandemic Emergency Purchase Programme), the Governing Council intends to fully reinvest principal payments on maturing securities under the programme during the first half of 2024. In the second half of the year the board intends to reduce the portfolio of the PEPP by €7.5 billion per month, on average, and end reinvestments under that programme at the end of 2024. The Governing Council will continue to flexibly reinvest the principal payments from maturing securities of the PEPP portfolio to counter the risks to the monetary policy transmission mechanism from the pandemic. Lastly, in view of the repayments of the amounts received by banks in the targeted longer-term refinancing operations, the Governing Council will regularly review how the targeted operations and repayments contribute to the monetary policy stance.

The Financial Markets

The benchmark rate on the 10 year expiry date was, in the January average, 4.04% in the USA (4.01% in the previous month), +2.20% in Germany (+2.08% in the previous month) and 3.65% in Italy (3.63% in the previous month and 4.10% twelve months earlier). The spread between the yield on the ten-year Italian and German government bonds was therefore 145 basis points (155 in the previous month).

Financial bonds, based on the indications provided by the Merrill Lynch index, showed an average return of 4.04% in the euro area in January (4.00% in the previous month) and 5.48% in the United States (5.59% in the previous month).

At the end of the first ten days of January 2024, the yield on Italian government bonds on the ten-year maturity marked a significant decline compared to the same period in October, standing at 3.7 percent, with a contraction of approximately 120 basis points. The main contributory factor was the decline in risk-free rates in the major advanced economies, determined by expectations of a less restrictive orientation of monetary policies in 2024 and by the reduction in uncertainty on the government bond market. At the same time, the differential compared to the corresponding German bond also reduced significantly (by around 50 basis points, to 155 points), benefiting from the lower interest expense on public debt due to the prospective decline in long-term yields, as well as the favourable opinions on Italian debt expressed by the main rating agencies last autumn. Furthermore, liquidity conditions in the government bond market have improved and the risk of redenomination perceived by investors has decreased; the latter has returned to the values prevailing before the Russian invasion of Ukraine and well below the peaks reached in the summer of 2022.

In December 2023, international share prices showed the following trends: the Dow Jones Euro Stoxx (index of the 100 largest stocks in the euro area by capitalisation) rose by +9.8% on an annual basis, the Nikkei 225 (benchmark index for Japan) rose by +21.7% on an annual basis, the Standard & Poor's 500 (benchmark index for the US) rose by +19.9% on an annual basis.

The main European stock market indices showed the following average monthly variations in December: the Cac40 (the French index) rose, compared to the previous month, by +14.0% on an annual basis, the Ftse100 of the London Stock Exchange by +1.9% y/y, the Dax30 (the German index) by +17.8% and the Ftse Mib (the Milan Stock Exchange index) by +25.7%.

In the same month, the main New Economy markets were as follows: the TecDax (German technological index) rose by +9.9% year-on-year, the CAC Tech (French technological index) rose by +20.6% and Nasdaq rose by +35.9%. With reference to the main international banking indices, the following changes were recorded: the S&P 500 Banks (US banking index) rose by +3.8% year-on-year, the Dow Jones Euro Stoxx Banks (euro area banking index) rose by +25.4% and the FTSE Banks (Italy banking index) rose by +45.5%.

The expectations of a reduction in official interest rates during 2024 have weighed above all on the assessments of Italian credit institutions, in whose profitability the interest margin plays a primary role. However, this effect was more than offset by higher-than-expected profits and by the improvement in the assessments formulated by the Moody's rating agency regarding the creditworthiness of various institutions. Overall, the prices of the banking sector recorded an increase of 13.4 percent in Italy (8.1 in the area). The positive evaluation of the sector by investors is also confirmed by the ratio between market valuation and book value of shares (price-to-book ratio), which rose by 40 percent in Italy during 2023 (by 20 in the euro area). For about a year this ratio has been on average at a higher level for Italian banks than that of credit institutions in the area.

In December 2023, the capitalisation of the euro area equity market increased by +7.4% compared to a year earlier. Within the Eurozone, Italy's stock market capitalisation was 8.0% of the total, while France was at 35.9% and Germany at 24.5% (at the end of 2007 they were respectively 12% , 22.4% and 28.9%).

1.2 THE BANKING SYSTEM (2)

1.2.1 BANK FUNDING

According to the estimates of the ABI, in December 2023, customer deposits of all banks operating in Italy - represented by deposits with resident customers (current account deposits, deposits with a predetermined duration net of those connected with the sale of loans, deposits redeemable at notice and repurchase agreements; deposits are net of transactions with central counterparties) and bonds (net of those repurchased by banks) - amounted to EUR 2,028 billion, down by 1.5% compared to a year earlier.
Specifically, deposits from resident customers (current account deposits, deposits with a predetermined duration net of those connected with loan assignments, deposits repayable with advance notice, repurchase agreements net of operations with central counterparties) in the same month stood at 1,779 billion and fell by 3.8%.
Medium and long-term funding, through bonds, increased by +19.1% compared to a year earlier. The bonds amounted to €249 billion.
Deposits from abroad were up in December 2023 compared to a year earlier: specifically, deposits from banks operating in Italy amounted to approximately €384 billion, +23.3% from a year earlier. The share of deposits from abroad on the total inflows was 13.9% (11.5% a year earlier). The net flow of funds from abroad between December 2022 and December 2023 rose by approximately €72.6 billion.
In December 2023, net inflows from abroad (foreign deposits minus foreign loans) amounted to approximately €134.2 billion (a tendential variation of -137.4%). Total domestic lending amounted to 7.8% (3.2% a year earlier), while foreign lending - on the same date - amounted to approximately € 249.8 billion. The ratio of foreign loans/ deposits from abroad was equal to 65.1% (81.8% a year earlier).
Again according to the ABI estimates, the average rate of bank deposits from customers (which includes the return on the stock of deposits, bonds and repurchase agreements in euro applied to the sector of households and non-financial companies stood at 1.16% in December 2023. In particular, the Euro deposit rate applied to households and non-financial companies was 0.96%, and that applied to bonds 2.72%. The rate on current account deposits alone grew to 0.53%, keeping in mind that the current account allows you to use a multitude of services and does not have an investment function.
With reference to new transactions, ABI estimates show that the average rate of bank funding from customers (which includes the yield on current account deposits, deposits with agreed maturity, deposits redeemable at notice, bonds and repurchase agreements in euro applied to households and non-financial corporations) stood at 3.65% in December 2023 (0.61% in June 2022, the last month before the start of the increases in official interest rates). In particular, the euro deposit rate with fixed terms applied to households and non-financial companies was 3.91%, compared to 0.29% in June 2022). In December 2023 this rate was 3.78% in Italy, higher than the euro area average (3.57%). The bond rate is 4.66% (1.31% in June 2022 with an increase of 335 basis points).

1.2.2 LOANS

In 2023, the liquidity of companies, measured by the value of bank deposits, decreased rapidly (-5.6% per year in August), returning to the pre-pandemic trend. The ISTAT indicator of liquidity available in the company, compared to operational needs, has so far held up slightly below pre-pandemic values, but only because the need for liquid resources has reduced. The situation in the coming months could soon turn into a liquidity shortage if credit continues to shrink. The companies that most need credit for liquidity are the producers of consumer goods.
Based on the estimates by the ABI, total loans to residents in Italy (private sector plus public administration net of repurchase agreements with central counterparties) in December 2023 stood at EUR 1,669.6 billion, with an annual variation of -3.9%, calculated including loans not recognised in bank balance sheets as they are securitised and net of changes in stocks not related to transactions (for example, changes due to exchange rate fluctuations, value adjustments or reclassifications).

(2) Source: ABI Monthly Outlook

Loans to Italian residents in the private sector amounted to €1,428 billion in the same month, down -3.2% from a year earlier.
Loans to families and non-financial companies amounted to 1,296 billion euros with an annual variation of -2.2%, calculated by including loans not recognised in bank balance sheets as they were securitised and net of changes in amounts not connected with transactions (for example, variations due to exchange rate fluctuations, value adjustments or reclassifications). The decline in credit volumes is consistent with slowing economic growth, which depresses loan demand.
According to official Bank of Italy data, lending to non-financial companies was -3.7% in December 2023. Total loans to households fell by 1.3%. The dynamics of loans to households slowed down for the component of loans for the purchase of homes (-0.1% compared to a zero change) and increased slightly by +4.2% for consumer credit.
In the third quarter of 2023, the share of house purchases financed by mortgage loans fell to 63.4% from 64.1%. The ratio of the size of the loan to the value of the property increased to 77.3%.
Analysis of the distribution of bank lending by sector of economic activity shows that, in December 2023, manufacturing, mineral extraction and services accounted for approximately 58.6% of the total (manufacturing activity alone accounted for 27.4%). Financing for trade and for the hotel and catering business accounted for about 22.4% of the total, the construction sector for 8.7% and agriculture represented 5.7%. The residual assets represent approximately 4.7%.
In accordance with what emerges from the latest quarterly survey on bank lending (Bank Lending Survey - January 2024), "in the fourth quarter of 2023 the criteria for loans to businesses remained unchanged, despite the greater perception of risk. The general terms and conditions have been relaxed, mainly through a reduction in the margins charged by banks on less risky loans, as a result of growing competitive pressure. The criteria for loans to families for the purchase of homes remained unchanged, while the terms and conditions were made more favourable, also in this case due to the greater competitive pressure." Supply policies relating to consumer credit have been tightened overall.
Demand for credit by businesses decreased for the fourth consecutive quarter, continuing to reflect the increase in the level of interest rates, the decline in the need for spending on fixed investments and the greater use of self-financing. The request for financing by families has reduced, more markedly for those aimed at purchasing homes, which has been declining since the beginning of 2022. In the current quarter, businesses' demand for loans would increase slightly, while that of families for the purchase of homes would remain unchanged.
The ABI reports that in January 2024 the rate on new loans in euros to households for the purchase of homes - which summarises the performance of fixed and variable rates and is also influenced by the change in the loan composition according to the type of loan - was 3.99% (2.05% in June 2022). Of all new mortgage disbursements, 77% were fixed-rate mortgages. The average rate on new Euro loans to non-financial companies dropped to 5.39% (1.44% in June 2022). The weighted average rate on total loans to households and non-financial companies was instead stable at 4.76% (2.21% in June 2022).
The Italian banks interviewed last October in the quarterly survey on bank lending in the euro area (Bank Lending Survey) reported a new decrease in the demand for loans by businesses in the third quarter, of a magnitude comparable to the minimum observed during the sovereign debt crisis; the decline would be mainly attributable to the increase in interest rates, as well as to the lower requirement for spending on fixed investments and the greater use of self-financing. Intermediaries also indicate a new tightening of the offer criteria on loans to businesses, still driven by the higher perception of risk and a lower tolerance towards it. Demand from families would also have reduced, with reference to both loans for the purchase of homes and consumer credit; the offer criteria remained unchanged again for the former, while they were made more stringent for the latter. For the fourth quarter, intermediaries declared that they expect stable supply policies in relation to credit to businesses and a further tightening of credit to families.

1.2.3 ASSETS UNDER ADMINISTRATION AND MANAGEMENT

The latest ABI data on the consistency in December 2023 of the total securities held in custody by Italian banks (both managed and held directly by customers) equal to approximately EUR 1,435.1 billion (226.1 billion more compared to a year earlier; +18.7% year-on-year) show that it is attributable for about 28.7% to consumer households (annual variation of +56.7%), for 19.0% to financial institutions (+17.8% on an annual basis), for 40.6% to insurance companies (annual variation of +0.3%), for 5.6% to non-financial companies (+29.7% on an annual basis), for about 2,9% to the public administration and 1.2% to producer families. The securities of non-residents, about 2% of the total, recorded a year-on-year change of -0.7%.
Overall, the individual portfolio asset management of banks, investment firms and UCITS management companies in Italy amounted to approximately EUR 881,6 billion in September 2023, an annual trend increase of +0.3% (+3.3 billion compared to the previous quarter). Specifically, bank asset management in the same period amounted to €111.8 billion, marking a trend change of +4.9% (-3.5% compared to the previous quarter). Assets administered by 'SIM' investment firms, amounting to about € 10.6 billion, showed an annual change of +3.9% while those of S.G.R., asset management companies, amounting to € 759.2 billion, showed an annual change of -0.4%.
As of December 2023, the assets of Italian and foreign open-ended funds stand at around €1,124 billion.
Of these assets, 22.3% were funds under Italian law and the remaining funds were under foreign law. Compared to December 2022, assets increased by 4.6% following the increase of 35.4 billion in equity funds and 40.3 billion in bond funds which corresponded to a decrease of 16.8 billion in flexible funds, 9 billion in balanced funds, 0.5 billion in money market funds and 235 million in hedge funds.
With regard to the breakdown of assets by type of fund, it should be noted that, over the past year, the share of equity funds has risen from 30.7% to 32.5%, that of bond funds from 33.4% to 35.6%, that of flexible funds from 18.6% to 16.3%, that of balanced funds from 13.1% to 11.7% and that of money market funds from 4.0% to 3.8%. The share of hedge funds remained at 0.1%.
The financial assets of Italian households in September 2023 were 2.9% higher than a year earlier, i.e. up from 5,067 to 5,216 billion. Shares and equity investments, public and bank bonds and mutual funds were up, while notes, coins, deposits, life insurance and pension funds were down.

1.3 SIGNIFICANT EVENTS OF THE YEAR

Shareholders' Meeting

On 1 April 2023, the Ordinary Shareholders' Meeting was held in person once again, after the end of the Covid-19 health emergency.
The Shareholders' Meeting approved the 2022 financial statements which closed with a net profit of €75,527,325.37 (of which €73,936,849.96 was distributable). The Shareholders' Meeting also resolved the distribution of a dividend of €0.62 per share.
In addition to approving the 2022 Budget, the Shareholders' Meeting resolved on the following topics on the agenda.

Extraordinary buyback operation

In line with the 2021-23 Business Plan, the Shareholders' Meeting of 1 April 2023 granted the Bank's Board of Directors the power to purchase treasury shares (buyback) for a maximum value of €15 million, in compliance with parity of treatment among shareholders.
With the buyback operation, promoted pursuant to art. 132 TUF and art. 144-bis, paragraph 1, letter b) of the Issuers' Regulation, the Bank therefore intended to convey a positive signal of confidence to the market as well as facilitate disinvestment by shareholders intending to exit the shareholding structure or reduce their investment.
On 3 March 2023, the Bank of Italy issued the relevant authorization for the reduction of own funds for the buyback of own shares (Prot. no. 0389568/23) pursuant to articles 77 and 78 of Regulation (EU) no. 575/2013 of the European Parliament as amended by Regulation (EU) 2019/876 of the European Parliament and of the Council (CRR2).

The terms and conditions of the buyback were established by the Board of Directors and communicated to the market on 28 April 2023. In addition to the technical methods, the Board of Directors provided for the start of the operation with the auction on 30 June 2023.
In the period between 30 June 2023 and 27 October 2023 (the date on which the buyback operation was concluded), the appointed third-party intermediary Equita SIM used the funds of €15 million made available to the Bank to repurchase on the Vorvel market over 1.8 million shares.
The respective market information is published from time to time on the Bank's website and on the distribution and storage system to which the Bank adheres, emarketstorage.com

Activities to support market liquidity

The Shareholders' Meeting of 1 April 2023, on the Report of the Board of Directors pursuant to articles 2357 and 2357-ter of the Italian Civil Code, drawn up pursuant to article 73 of the Issuers' Regulation (Consob no. 11971/1999), renewed the authorisation for the purchase of treasury shares for 3.5 million euros so as to keep annual cycles aligned in terms of the authorisation procedures (Shareholders' Meeting and Bank of Italy) and the operations of the Liquidity provider.
The Bank's purchase of treasury shares and the subsequent use of such shares must be authorised by the Shareholders' Meeting pursuant to articles 2357 and 2357-ter of the Italian Civil Code. The purchase of treasury shares was authorised by the Bank of Italy, pursuant to articles 77 and 78 of Regulation (EU) no. 575/2013 and implementing rules, dated 26 July 2023.

Free assignment of treasury shares

The Shareholders' Meeting of 1 April 2023 then authorised the free assignment of BPAA shares to members in a maximum ratio of 1 free share for every 20 shares held and in the minimum ratio of 1 free share for every 30 shares held, and in any case within the limits of the available shares in the Bank's portfolio five working days before the moment of assignment to the shareholders. The Shareholders' Meeting also authorised the Board of Directors to determine the assignment date, limiting it to the period between November 2023 and March 2024.
Following the conclusion of the buyback operation, the Board of Directors followed up on the resolution of the Shareholders' Meeting of 1 April 2023, determining the ratio of shares that will be assigned free of charge to members at 1:20.
The Bank awarded Volksbank 2,276,767 free shares for over 55,000 shareholders on 14 December 2023.

Appointment of the Board of Directors 2023-2025

The Shareholders' Meeting of 1 April 2023 also elected, by list vote, governed by article 21 of the company statute, the Board of Directors for the three-year period 2023-2025. It is composed of nine directors, compared to 12 in the previous mandate, as resolved by the Shareholders' Meeting of 31 March 2022 pursuant to article 20 of the Articles of Association. Of these, eight members were confirmed in their roles, while the Administrator Christina Gasser was appointed ex novo.
A single list of nine candidates for the position of member of the Board of Directors was presented in a valid form under the terms. The original copy of the list was submitted by hand on 13 March 2023.
The Shareholders' Meeting of 1 April 2023 voted in favour of the List from which, therefore, all the directors of the Board of Directors 2023-2025 were taken. They are:
:

Member	Position
Lukas Ladurner 04.06.1980	Director
Lorenzo Salvà 10.08.1961	Director
Giuseppe Padovan 10.05.1965	Director
Margherita Marin 29.11.1957	Director with independence requirements
Johannes Peer 21.04.1989	Director
Christina Gasser 31.03.1989	Director with independence requirements
Alessandro Metrangolo 23.12.1975	Director with independence requirements
Margit Tauber 29.05.1974	Director
Federico Marini 26.06.1970	Director with independence requirements

The outgoing directors are: David Covi, Adriano Dalpiaz, Maximilian Eisendle, Vito Jacono.
Once the Shareholders' Meeting was over, the newly appointed Board of Directors, during a full meeting, carried out the suitability check relating to the requirements and criteria set forth by the sector regulations - a check which was carried out with positive outcome at the Bank of Italy in August 2023 - and reconfirmed the Director Lukas Ladurner as Chairperson as well as the directors Lorenzo Salvà and Giuseppe Padovan as Deputy Chairmen.
As required by the bylaws and the internal implementation rules, the Board of Directors also appointed the members of the Board Committees for the three-year period 2023 - 2025 which are therefore composed as follows:

Components	Gender	Risks Committee	Credit Committee	Committee of Independent Directors
Lukas Ladurner	M			
Lorenzo Salvà	M		Chairperson	
Giuseppe Padovan	M		X	
Margherita Marin	F	X		Chairperson
Johannes Peer	M		X	
Christina Gasser	F	X		X
Federico Marini	M	X		
Alessandro Metrangolo	M	Chairperson		X
Margit Tauber	F		X	

The Shareholders' Meeting of 1 April 2023 also resolved the remuneration of the members of the Board of Directors appointed for the three-year period 2023 - 2025 as follows:

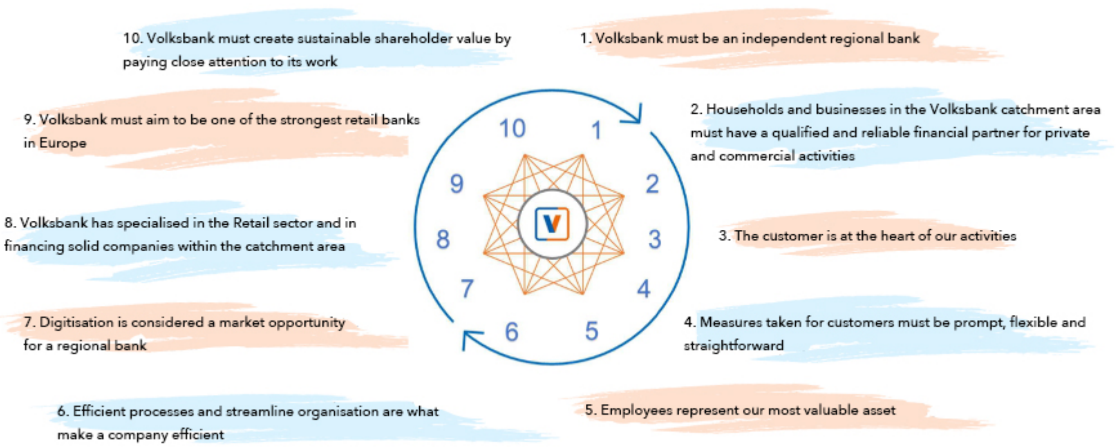
- €45,000.00 (forty-five thousand/00) as a fixed annual component;
- €250.00 (two hundred and fifty/00) daily allowance for attendance at board meetings and board committees.

Remuneration policies

The Shareholders' Meeting on 1 April 2023 then approved the Remuneration Policies applicable as of the financial year 2023, as well as the 2023 Stock Grant Plan for the free assignment of ordinary shares of Banca Popolare dell'Alto Adige Spa to the categories of personnel that have or may have a significant impact on the Bank's risk profile. These documents were previously approved by the Board of Directors on 3 March 2023. The Assembly also took note of the Report on the 2022 Implementation of the Remuneration Policies.
For more details and a detailed description of the resolutions passed, please refer to the documentation available on the bank's website www.volksbank.it in the Corporate Governance section.

The I-mpact 2026 business plan

On 24 November 2023, the Board of Directors approved the new "I-mpact 2026" Business Plan. The new Plan, which is grafted onto the previous "Sustainable 2023" Plan, has the objective of further developing the Bank's service model by becoming increasingly digital, efficient and sustainable without changing the key aspects: territorial roots, capital strength, the capacity for innovation and fair and sustainable remuneration of shareholders.



Seven vertical project streams were identified around which to create strategic, organisational, managerial and commercial measures in line with the new market and strategic development needs of the Bank. Two transversal streams were also identified. The vertical streams face the main challenges of the next three years:

A) Evolution of service models:
  - Financing for private customers: evolution and completion of the "end to end" service model; widening of the product catalogue; increase in the offer of green products;
  - comprehensive consultancy services; strengthening the ability to attract potential customers; advanced targeting with generation of commercial contacts.

B) Geographic growth:
  - development of the existing network and potential in markets already covered by physical touchpoints: analysis of commercial performance; monitoring of KPIs with targeted action plans; definition of specific growth plans for individual branches;
  - expansion of the bank's territorial footprint in the North-East: strengthening of the tools and models for periodic analysis of the territorial market; territorial expansion with the opening of new branches; honing of the model and process for opening new branches.

C) Quality banking:
  - regulations and controls: focus on internal policies and regulations; operating manuals and procedures; consolidation of the corporate culture in the regulatory field;

- cyber security: expansion of the cybersecurity system; development of the cloud infrastructure; integration of more advanced AI technologies in the fraud detection system;
- credit excellence: updating of the internal rating system; evolution of the LGD model.

D) Asset liability management
- ALM strategy and models: strengthening of the proactive interest rate risk management models (IRRBB and CSRBB) and strengthening of the organisational structure;
- RWA accuracy and capital management: monitoring and management of the latest in the Basel IV regulations; guidelines and tools to guide the commercial front line; structuring of special initiatives in the field of credit and finance policies;
- diversification of funding and finance: optimisation of the overall size of the portfolio and diversification of assets with optimisation of liquidity, return and ALM objectives; balancing and diversification of short and medium-long term funding with differentiated strategies for the various maturities.

E) Human capital:
- culture of "us" and "diversity": raising the Bank's awareness of issues of diversity, equity and inclusion, through awareness campaigns, internal codes of conduct and dedicated initiatives;
- multi skill & customer centric organisation: strengthening of talent management and employer branding mechanisms; development of the customer centric organisation model, through initiatives aimed at developing a proactive mindset to meet customer needs;
- method and skills: qualitative refocusing of the training plan; special training in project management.

Two transversal streams:

F) Social responsibility and closeness to the community:
- Environmental 2.0: continuation and strengthening of the path towards carbon neutrality, with "challenging but reachable" targets to be achieved within the time horizon of the transition plan; ESG acceleration in the offer of credit, thanks to a greater commercial push and evolving the ability to read the environmental virtuousness of customers, through solid and structured metrics and data remediation mechanisms; growth in ESG investments, based on honing of the metrics;
- Social: lines of action to facilitate access to services for the most disadvantaged categories; support for the weakest groups also through "green social mobility" projects and "supporting people with frailty" projects; more support for the families of Bank employees and initiatives for inclusion in educational and sporting activities;
- Driving force of the community: strengthening the Bank at the centre of the community, with the aim of being present and involved with stakeholders; facilitation of social cohesion by exploiting the role of the bank as an enabling factor for socio-cultural and artistic initiatives; interventions and benefits for the creation of structures of social interest (RSA, student residences, etc.) also through partnerships;

G) Digital transformation:
- Data quality and analytics: development of a data strategy based on an infrastructure capable of exploiting all of the Bank's data assets, organising and structuring it in such a way as to enable the expected evolutions in terms of AI; strengthening of the data quality and data governance system; specialised and dedicated training;
- Artificial intelligence and innovation: development of skills and dissemination of culture on the use and management of AI based technologies; introduction of AI tools; streamlining of processes and customer intelligence;
- Integrated multi-channel: continuation and completion of the native digital multi-channel path in the approach to customers and in the digitalisation of onboarding processes ("paperless" objective); renewal of the mobile banking app as a tool at the centre of the multi-channel model; redefinition of the strategy on virtual channels with a "mobile first" approach.

Inspection assessment

In the period between 26 April and 7 July 2023, the Bank was subject to an inspection conducted by the Bank of Italy pursuant to Art. 54 of (It.) Legislative Decree no. 385/1993 (TUB). The inspections conducted covered the issue of customer protection and, in particular, the transparency of banking transactions and services, as well as the rights and obligations of the parties in the provision of payment services. The sharing of the inspection report by the Authority brought to light certain points in need of attention, even in the context of the Bank's overall sensitivity to the quality of its relationships with customers. In particular, the main findings refer to developments regarding the reorganisation of internal regulations, the review of the main operational processes and the strengthening of internal controls. The Bank promptly initiated the first remedial actions even during the audits themselves. Following receipt of the inspection report, these actions merged into a structured action plan that the Bank adopted in order to monitor and supervise the remedial activities.

Judicial and arbitration proceedings

As of the Date of this Financial Report, no judicial or arbitration proceedings are pending of such amount or nature as to have significant repercussions on the financial, equity or economic situation of Volksbank, even in the event of a negative outcome, that have not been considered in the provisions for contingent liabilities.
In the normal course of its business, Volksbank is a party to civil and administrative judicial proceedings, as well as some arbitration and litigation proceedings. The disputes that arose during 2023, other than those related to credit recovery, concerned the actions of the Bank. Such litigation was brought both individually by individual shareholders and through a class action.
With reference to the latter, dated 29 December 2022, 7 shareholders initiated proceedings at the Court of Venice aimed at bringing class action pursuant to art. 140-bis of the Consumer Code, (Legislative Decree. 206/2005), in relation to alleged information gaps in the "product sheet" used for the purposes of share placements carried out in the period January 2012 - July 2015.
In this proceeding, the proposing shareholders formulated various complex and articulated complaints which were attributable, in their essence, to the bank having provided "false information" in relation to transactions for the purchase of treasury shares and breach of contract by the bank regarding the disclosure obligations set by the applicable legislation on financial intermediation in the employment, negotiation and investment advisory services relating to its shares.
On 11 October 2023, the Court of Venice declared admissible the class action brought by the 7 shareholders of the Bank and supported by 3 consumer protection associations. This decision concerned only the procedural profile of the admissibility of the class action and not the merit of the disputes raised therein. Also in light of other rulings on the same subject in its favour, the Bank continues to consider its actions correct in the reference period covered by the decision (purchases of BPAA shares between January 2012 and July 2015) and will continue in its defence, also to protect the social structure. The admissibility order does not amount to a judgment on the merits of the action. The Bank challenged the order through a complaint. In particular, with regard to the hearing held on 25 January 2024 before the Court of Appeal of Venice regarding the complaint filed by the undersigned Bank against the order of admissibility of the class action, the judging panel reserved the right to deal with the Bank's complaint and the counterparty's incidental complaint.
At present, the next hearing for the continuation of the class action is set for 26 September 2024.

Assignment of non-performing loans

During the year, Volksbank completed the transfer without recourse of several non-performing positions denominated in EUR.

Assignment of non-performing loan portfolio	2023
No. Non-performing positions transferred	157
Gross value (EUR)	14,151,238
Default interest (EUR)	2,144,003
Total (EUR)	**16,295,241**

The transfer provides no transferor guarantee of the solvency of the transferred debtors, or of any guarantors thereof, on any grounds, hence provides no guarantee of the total or partial collection of the transferred receivables. As a result of the transfer, the receivables have been de-recognised from the financial statements as of the date of execution. The price paid by the buyers was equal to Euro 3.1 million against a net exposure in the financial statements equal to Euro 0.5 million.

Eurovita

With a provision of 31 January 2023, IVASS placed the Eurovita Group under provisional management, which was then converted into extraordinary administration with the MIMIT Decree of 29 March 2023. Following the liquidation measure, the bodies with administrative and control functions of the Company were dissolved and the procedural bodies were appointed.
These measures are a consequence of the progressive deterioration of the solvency indicators that the Eurovita Group has recorded, especially in consideration of the recent and sudden increase in interest rates and the "structure" of commitments to policyholders.
On 30 June 2023, an agreement was reached - through the signing of some non-binding term sheets - between the five primary Italian insurance companies (Allianz Italia, Intesa Sanpaolo Vita, Generali Italia, Poste Vita and Unipol SAI), twenty-five distribution banks of Eurovita policies ([3]) and some of the main Italian banking institutions ([4]), on a system operation aimed at protecting subscribers to Eurovita policies.
With the aim of not further aggravating the company's equity and financial imbalance and in order to support the rescue operation, all redemption requests presented in the period by the Company's customers were suspended until 30 June 2023 – a deadline then postponed until the end of October 2023. Furthermore, a detailed discussion was held at the level of the system for the purpose of identifying a rescue scheme, with the primary objective of guaranteeing full protection of the rights of insured persons and restoring existing insurance relationships as soon as possible.
These agreements provide:

- the sale, for a symbolic consideration, of the business branch consisting of almost all of Eurovita's assets in favour of a "newco" company called Cronos Vita, whose capital is held by the companies Intesa Sanpaolo Vita, Generali Italia, Poste Vita and UnipolSai each for 22.5% and Allianz for the remaining 10%, following a dedicated capital increase;
- the granting of financing lines in favour of Cronos Vita by the financial institutions currently distributing Eurovita policies (also assisted, for any need for further support, by a pool of banks) to deal with the potential redemptions of the Class I and V policies placed by each institution.

(3) Banca Agricola Popolare di Ragusa, Banca di Credito Popolare, Banca di Piacenza, Banca Fideuram, Banca Investis, Banca Popolare dell'Alto Adige, Banca Popolare di Lajatico, Banca Popolare di Puglia e Basilicata, Banca Popolare Sant'Angelo, Banca Profile, Banco Desio, BNL, Cassa di Risparmio di Volterra, Cassa Lombarda, FinecoBank, Finint Private Bank, Banca Monte dei Paschi di Siena Group, BCC Iccrea Group, Cassa Centrale Banca Group, Cassa di Risparmio di Bolzano Group, Credem Group, Group Credit Agricole, Unicredit Group, Mediobanca, UBS EUROPE SE – Italian branch.
(4) Banco BPM, Banca Monte dei Paschi di Siena, BPER, Credit Agricole, Intesa Sanpaolo and Mediobanca.

In particular, at the conclusion of the operation, Eurovita's insurance portfolio will be taken over by the five insurance groups mentioned, thus eliminating the role of Cronos Vita as a vehicle company. Finally, the signed agreements provide for a specific commission framework, supplementary to the existing distribution agreements, which the distributing banks will pay to Cronos Vita for the performance of the servicing activity, with the aim of allowing the preservation and reactivation of commercial relationships with the customers who have subscribed to the policies. Following the agreements at the end of June, on 28 September Cronos Vita submitted a request to IVASS for authorisation to carry out the insurance business, which, following a specific investigation, was released on 17 October 2023.
On 31 October 2023, following the release of the authorisation for the transfer of the business complex from Eurovita to Cronos Vita by IVASS and the stipulation of the definitive binding agreements, the transfer of the branch was completed together with the simultaneous capital increase subscribed by the Companies for 213 million, which represents the second and final tranche of an overall capital increase of 220 million, the suitability of which from an economic-financial point of view was supported by a specific opinion issued by an independent expert.

As part of the scheme represented, the Bank was involved in the granting of a loan at market conditions to Cronos Vita as well as the payment of the aforementioned commissions.
In this context, the Bank took steps to charge the entire increased cost associated with participation in the aforementioned rescue scheme equal to Euro 1.4 million to the income statement for the 2023 financial year.

Extraordinary tax on the increase in the interest margin of banks

On 9 October, the law converting the Asset Decree or omnibus bis was published in the Official Journal no. 236 which, among other things, contains the rule on extra profits of banks substantially modified upon conversion of the decree into law.
In detail, the new law provides for the year 2023, an extraordinary tax on the interest margins (so-called extra profits) of banks operating in the territory of the State, applying a rate equal to 40 percent on the amount of the interest margin included in item 30 of the income statement drawn up according to the formats approved by the Bank of Italy relating to the financial year prior to the one in progress as of 1 January 2024 which exceeds the same margin in the financial year prior to the current one by at least 10 percent to 1 January 2022.
The change introduced by the conversion law is in the new paragraph 5-bis of article 26, which stipulates that, as an alternative to paying the tax, the banks can allocate, upon approval of the financial statements relating to the financial year prior to the current one as of 1 January 2024, to a non-distributable reserve, identified for this purpose, an amount not less than two and a half times the tax.
If the reserve were used for the distribution of profits, the bank would suffer a penalty, i.e. it would have to pay the tax, increased by an amount equal, per year, to the interest rate on deposits at the European Central Bank.
Lastly, the law states that banks are prohibited from passing on the charges deriving from the application of this new tax to businesses and end customers, and it is the responsibility of the Competition and Market Authority to oversee the strict observance of the prohibition.
The Board of Directors of the Bank, during the meeting of 10 November 2023, resolved that it will propose to the Shareholders’ Meeting, when approving the 2023 financial statements and allocating the profit for the year and distributing the dividend to the shareholders, the allocation to a specific reserve, making use of the option set out in the aforementioned provision.
For details on the transaction, please refer to paragraph 12.4 Profit reserves: other information.

1.4 OPERATING PERFORMANCE

1.4.1 RESULTS

Presentation of economic results

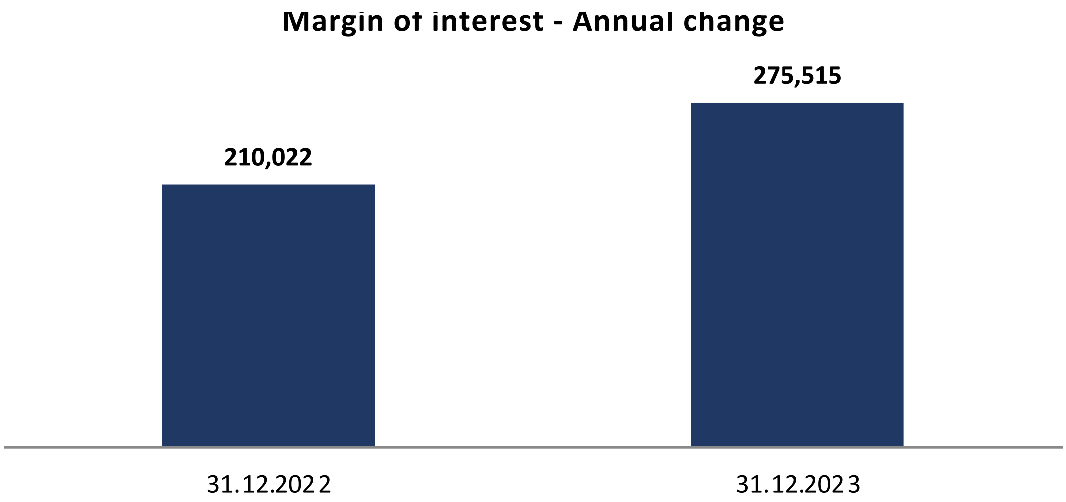
A reclassified Profit and Loss Account is presented below to facilitate reading of the results for the year.
It should be noted that, since 2023, the following changes have been introduced in the reclassification criteria:
- the economic effects relating to the sale or repurchase of financial assets valued at amortised cost which constitute loans, previously accounted for in the item "Net financial result", have been included in the item "Net adjustments on loans to customers". This reclassification was also adopted for the previous year in order to allow like-for-like comparisons;
- the net result of other financial assets and liabilities valued at *fair value* through profit and loss which constitute loans, previously accounted for in the item "Net financial result", have been included in the item "Net adjustments on loans to customers". This reclassification was also adopted for the previous year in order to allow like-for-like comparisons.

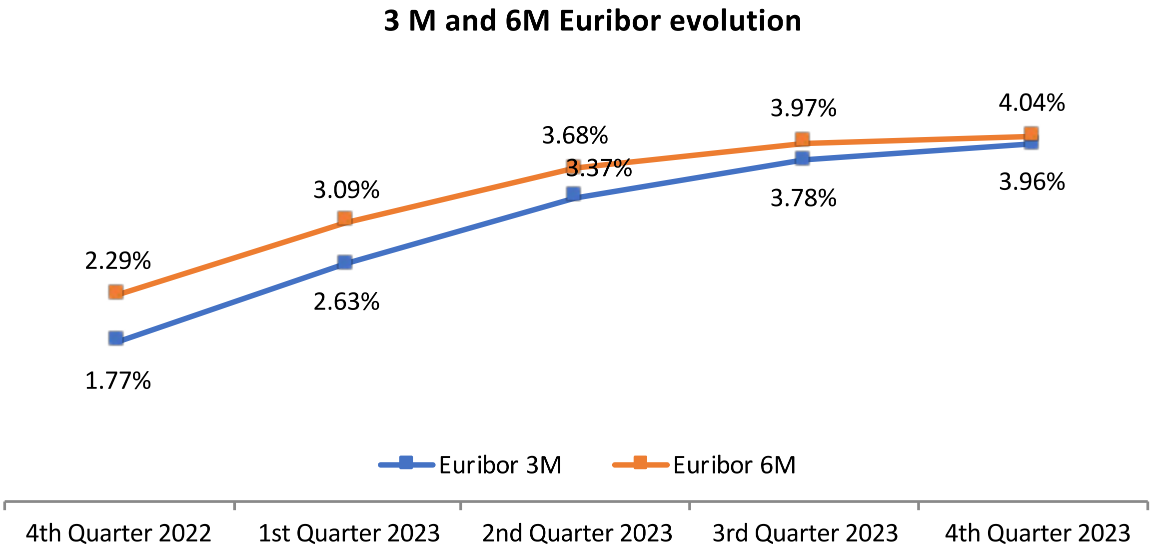
As required by Consob communication no. DEM/6064293 of 28 July 2006, a description of the reclassifications and aggregations made is provided below:
- the item “Net financial result” of the portfolio is made up of the Profit and Loss Account items “Dividends and similar income”, “Net result from trading activities”, “Net result of hedging”, and the items “Profits (Losses) from disposal or repurchase”, “Net profit/loss from other financial assets and liabilities measured at *fair value* through Profit and Loss” excluding the components referable to financial assets that constitute financing, and the item “Profit (Losses) on equity investments;
- the item “Other net operating income (expenses)” includes the item “Other operating expenses/income” net of recovered costs;
- the item “Administrative expenses” shows the balance of item 160 b) of Profit and Loss net of recovered costs and excluding taxes and charges relating to the banking system, which are reported in a specific item of the reclassified income statement;
- the item “Net adjustments on loans to customers” includes the items “Net adjustments/write-backs for credit risk of financial assets valued at amortised cost”, “Profits (losses) from disposal or repurchase”, “Net result from other assets” and financial liabilities measured at *fair value* with impact on the income statement" limited to the components referable to financial assets that constitute loans, “Profits/losses from contractual amendments without cancellations” and the “Net provisions for risks and charges for credit risk relating to commitments and guarantees given”;
- the item “Adjustments on other assets and liabilities” includes “Net adjustments/write-backs for credit risk of financial assets measured at amortised cost”, “Net adjustments/write-backs for credit risk of financial assets measured at *fair value* with impact on comprehensive income”, both limited to the components referable to financial assets that do not constitute loans.
- the item “Net provisions for risks and charges” shows the balance of item 170 b) of the Profit and Loss Account.

Overall trend in results

Reclassified Profit and Loss Account	31.12.2023	31.12.2022	Change	
(thousands of €)			**Abs.**	**%**
Interest margin	275,515	210,022	65,493	31.2%
Net commission	100,404	100,613	(209)	-0.2%
First margin	**375,919**	**310,635**	**65,284**	**21.0%**
Net result of the financial portfolio	(7,577)	6,763	(14,340)	-212.0%
Other net operating income (expenses)	(3,392)	(1,206)	(2,186)	181.3%
Other operating income (expenses)	**(10,969)**	**5,557**	**(16,526)**	**-297.4%**
Net operating income	**364,950**	**316,192**	**48,758**	**15.4%**
Personnel expenses	(112,179)	(105,362)	(6,817)	6.5%
Administrative expenses	(52,845)	(46,488)	(6,357)	13.7%
Net result of tangible and intangible assets	(14,874)	(12,934)	(1,940)	15.0%
Operating costs	**(179,898)**	**(164,784)**	**(15,114)**	**9.2%**
Operating income	**185,052**	**151,408**	**33,644**	**22.2%**
Net adjustments on loans to customers	6,782	(20,722)	27,504	-132.7%
Adjustments on other assets and liabilities	(366)	(97)	(269)	277.3%
Profits (Losses) on disposal of equity investments and shareholdings	918	(57)	975	-1,710.5%
Levies and charges relating to the banking system	(13,253)	(14,335)	1,082	-7.5%
Net provisions for risks and charges	(28,495)	(2,612)	(25,883)	990.9%
Gross profit (loss) from current operations	**150,638**	**113,585**	**37,053**	**32.6%**
Income tax	(49,509)	(38,058)	(11,451)	30.1%
Profit (Loss) for the year	**101,129**	**75,527**	**25,602**	**33.9%**

The Company closed the financial year 2023 with a net profit of 101.1 million.
The operating result shows growth of +22.2% compared to 2022.
In particular, net operating income increased by +15.4% to 365.0 million and operating costs increased by +9.2% to 179.9 million. The operating profit amounted to €185.1 million.
In 2023, net interest reached 275.5 million and net commissions stood at 100.4 million, leading to an initial margin which is up 21.0% compared to 2022.
Net interests benefited from the context of a general rise in market rates. The progress was favoured by the positive evolution (i) of customer relationships, (ii) of interest on investments in securities--items which in 2023 all show progressively improving dynamics.
Net interest from customers amounted to 293.6 million, with interest income equal to 388.4 million, while interest expense was equal to 94.8 million.





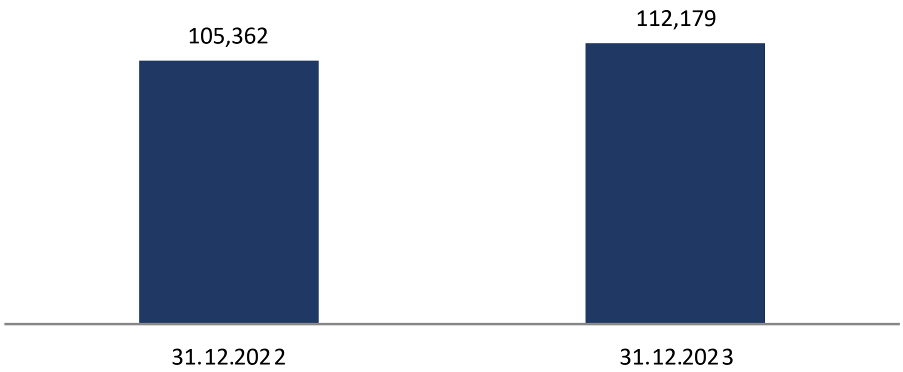
Net commission remained stable at 100.4 million. The management, intermediation and consultancy sector, which was affected by the volatility of the financial markets, nonetheless recorded a positive performance, with growth of 3.9% compared to 2022 with a positive trend in the sectors of securities intermediation and placement, asset management and administration. The performance of commercial banking decreased (-3.8%), mainly due to the decline in the segment of e-money (-19.4%) and credits and financing (-3.9%) - with the sole exception of management of current accounts and deposits (+1.3%).

Net commission - Annual change

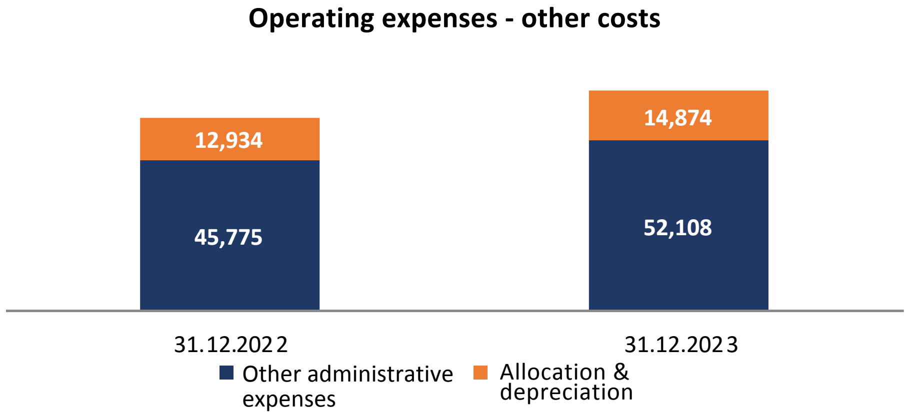
With specific reference to the proprietary portfolio, please note the increased operations on financial assets, with the Treasury function focussed on managing the liquidity portfolio and the essential concentration of the other portfolios in Portfolio Management in order to grasp market opportunities by an increase in exposure on maturities after short term, thus structurally increasing the total contribution of securities portfolio management to Company revenue, in particular for the component of interest income.
During 2023, the orientation towards a portfolio of limited-risk government bonds was strengthened and some assets measured at *fair value* with an impact on overall profitability and assets at amortised cost were sold, in order to shift the portfolio towards instruments that could be more readily liquidated and with a more favourable yield structure, in a condition of pronounced volatility of the interest rate scenario, conditioned by the ECB's monetary policy guidelines and by the markets' expectations which do not always converge.
The diversification of the bond portfolio and investment inequity-based funds were further balanced with alternative investment products in order to optimise the risk/return profile.

Other net operating income (expenses) amounted to -3.4 million.
Overall, other operating income (expenses) amounted to -11.0 million. Net operating income amounted to 365.0 million.
Operating costs amounted to 179.9 million and included personnel costs of 112.2 million, an increase compared to the previous year, also following the renewal of the national collective bargaining agreement with payment of arrears starting from July 2023.

Operating costs - Other costs



Other administrative expenses amounted to 52.8 million (+13.7%), consisting mainly of costs for outsourcing of information systems of 17.3 million, costs for information and communication technologies (ICT) of 8.9 million, property management of 7.1 million, fees to professionals of 5.1 million, legal and credit recovery of 1.5 million.



The net result of tangible and intangible assets amounted to -14.9 million. It includes, inter alia, -3.9 million relating to the amortisation of properties, -4.9 million relating to the depreciation of movable and immovable property and plants, and -1.0 million relating to the amortisation of the Client relationship recorded in the accounting of the merger with Banca Popolare di Marostica.
By introducing IFRS 16, rental costs become amortisation of rights of use entered in assets; they amounted to -4.8 million in 2023 (stable compared to the previous year).
Net adjustments on loans to customers amounted to +6.8 million. The amount recorded in the year is essentially attributable to the result of the sales and valuations of loans classified at fair value, in addition to recoveries from collections of *non-performing loans*. The coverage levels of non-performing loans are comparable to the levels indicated by European supervision for significant banks.
Total provisions for impairment accounted for 3.7% of gross lending, compared to 3.9% in the previous year. The bad debts hedging rate rose to 74.4%, against 70.7% at 31 December 2022. The coverage of unlikely to pay reached 44.1%, compared to 44.8% in the previous year. For past due loans the coverage rate was 27.6% compared to 29.9% twelve months earlier, while for performing loans the write-down percentage rose to 1.13%, compared to 1.14% at the end of 2022.

Coverage of non-performing loans	31.12.2023	31.12.2022
Coverage of Bad Debts	74.42%	70.73%
Coverage of unlikely to pay	44.12%	44.84%
Coverage of exposures past due	27.57%	29.86%
Coverage of performing exposures	1.13%	1.14%

In relation to the insolvency procedure which affected the Signa Group, based in Innsbruck, Austria, we inform you that the Bank holds exposures towards some Group companies operating in Italy, almost exclusively towards Waltherpark SpA, which is in the process of a real estate development project in the centre of Bolzano. In relation to these exposures, the Bank carefully assessed all possible risk profiles connected with the liquidation procedures that involved the Signa Group, also for the purposes of provisions against credit risk.

The charges relating to ordinary contributions provided for in Directives 2014/59/EU - Recovery and Resolution of Credit Institutions and Investment Firms and 2014/49/EU - Deposit Guarantee Schemes ("DGS") and the Bank Recovery and Resolution Directive (BRRD) amounted to €13.3 million net of taxes.
The net profit for the year was +101.1 million.

1.4.2 STATEMENT OF FINANCIAL POSITIONS

Presentation of the statement of financial position

To facilitate reading the balance sheet, the reclassified statement of financial position is shown below. The reclassification involved the aggregation and disaggregation of items in the balance sheet. In particular, note as follows:

- Cash and cash equivalents are included in the residual Other asset item;
- the separate evidence of financial assets that constitute Loans to banks regardless of the respective allocation accounting portfolios and Loans to customers broken down on the basis of the valuation at amortised cost or at *fair value*;
- financial assets that do not constitute loans are entered separately, distinguishing between financial assets measured at amortised cost, financial assets measured at *fair value* with impact on the Profit and Loss Account, financial assets measured at fair value through other comprehensive income, net of the reclassification to Loans to banks and Loans to customers;
- tangible and intangible assets are aggregated into a single item;
- separate indication of assets and liabilities for Right of use as established in IFRS 16;
- payables to banks at amortised cost are entered separately;
- the total sums due to customers at amortised cost and of outstanding securities are aggregated into a single item;
- "Provisions for risks and charges" groups funds designated for a specific use (employee severance benefits, provisions for risks and charges, provisions for commitments and financial guarantees issued) into a single item;
- reserves are indicated in an aggregated manner, net of any own shares.

Reclassified asset items	**31.12.2023**	**31.12.2022**	**Change**	
(thousands of €)			**Abs.**	**%**
Loans to banks	149,180	1,067,357	(918,177)	-86.0%
Loans to customers	7,498,354	7,457,332	41,022	0.6%
a) Loans to customers measured at amortised cost	7,482,906	7,442,401	40,505	0.5%
b) Loans to customers valued at FVOCI and with FV in the Profit and Loss Account	15,448	14,931	517	3.5%
CA-rated financial assets that do not constitute loans	2,789,634	2,985,146	(195,512)	-6.5%
Financial assets valued at fair value with impact on profit and loss	43,205	88,966	(45,761)	-51.4%
Financial assets valued at FVOCI	717,569	729,539	(11,970)	-1.6%
Investments	4,362	4,339	23	0.5%
Tangible and intangible assets	162,069	160,784	1,285	0.8%
- owned goods	143,062	140,686	2,376	1.7%
- rights of use	19,007	20,098	(1,091)	-5.4%
Tax assets	125,762	138,188	(12,426)	-9.0%
Non-current assets and groups of assets held for sale	3,235	4,849	(1,614)	-33.3%
Other assets	461,128	319,991	141,137	44.1%
Total assets	**11,954,498**	**12,956,491**	**(1,001,993)**	**-7.7%**

Reclassified liability items	**31.12.2023**	**31.12.2022**	**Change**	
(thousands of €)			**Abs.**	**%**
Payables to banks at amortised cost	889,152	2,628,754	(1,739,602)	-66.2%
Payables to customers at amortised cost and outstanding securities	9,737,589	9,159,272	578,317	6.3%
Financial liabilities held for trading	107	384	(277)	-72.1%
Financial liabilities designated at fair value	-	-	-	n.a.
Tax liabilities	46,852	29,920	16,932	56.6%
Liabilities associated with assets held for sale	-	-	-	n.a.
Other liabilities	293,721	240,397	53,324	22.2%
Provisions for risks and charges	63,108	36,717	26,391	71.9%
- of which: commitments and guarantees granted	*8,675*	*9,829*	*(1,154)*	*-11.7%*
Capital	201,994	201,994	-	0.0%
Reserves	624,819	595,373	29,446	4.9%
Valuation reserves	(3,973)	(11,847)	7,874	-66.5%
Capital instruments	-	-	-	n.a.
Profit (loss) for the year (+/-)	101,129	75,527	25,601	33.9%
Total liabilities and equity	**11,954,498**	**12,956,491**	**(1,001,993)**	**-7.7%**

Loans and payables to banks

Interbank relations	31.12.2023	31.12.2022	Change	
(thousands of €)			**Abs.**	**%**
Loans and advances to banks	104,208	87,511	16,697	19.1%
Payables to banks	889,152	2,628,754	(1,739,602)	-66.2%
Net position of banks	**(784,944)**	**(2,541,243)**	**1,756,299**	**-69.1%**

With regard to treasury activity, the net liquidity position in the interbank market at year-end was negative at 784.9 million, compared with 2,541.2 million at the end of 2022.

Direct funding

Direct customer deposits totalled 9,370.8 million, up 370.8 million (+4.1%) on the figure as at 31 December 2022 (9,000.0 million).

Direct funding	31.12.2023	31.12.2022	Change	
(thousands of €)			**Abs.**	**%**
Direct deposits and current accounts	8,426,198	8,345,064	81,134	1.0%
Liability transactions on repurchase agreements on securities	188,411	278,849	(90,438)	-32.4%
Outstanding securities	643,480	298,667	344,814	115.5%
Other funding	112,673	77,432	35,241	45.5%
Total direct funding from customers	**9,370,762**	**9,000,011**	**370,751**	**4.1%**
Wholesale funding	366,827	159,261	207,566	130.3%
- of which subordinate liabilities	76,286	101,224	(24,939)	-24.6%

Breaking down the figure shows a decrease in forms of funding at sight, represented by current accounts and deposits (-141.4 million and -1.8%), forming 84.3% of direct funding, and an increase in fixed-term funding (+430.1 million and +92.5%).
Other payables increased to 112.7 million (they were 77.4 at the start of the year). Repurchase agreements, which stood at 188.4 million at year- end, were down compared to the start of the year (+278.8 million).

Indirect funding

Indirect deposits by private customers stood at approximately 4,978.6 million at 31st December 2023, up by +12.8% compared with 4,411.7 million at the start of the year (+566.9 million).

Technical forms of indirect deposits	31.12.2023	31.12.2022	Change	
(thousands of €)			**Abs.**	**%**
Assets under administration - third party products	3,227,647	3,004,748	222,899	7.4%
Assets under management - third party securities and own shares	1,750,958	1,406,986	343,973	24.4%
Total	**4,978,606**	**4,411,734**	**566,872**	**12.8%**

Indirect funding under administration of third party products amounted to 3,227.6 million, up by +7.4% compared with the start of the year (+222.9 million).
Indirect funding under administration of third party securities and own share emissions stood at 1,751.0 million, up compared with 1,407.0 million at the start of the year (+24.4%).
Indirect funding, net of the Bank's shares, amounted to 4,619.6 million, up +13.8% compared to the same aggregate at the start of the year (4,059.5 million; +560.2 million).

Customer credits represented by loans

Loans to customers totalled 7,482.9 million, stable at +0.5% compared to the start of the year, which amounted to a balance of 7,442.4 million (+40.5 million).

Technical forms of use	31.12.2023	31.12.2022	Change	
(thousands of €)			Abs.	%
Current accounts	820,694	784,507	36,187	4.6%
Advances and loans	478,389	491,482	(13,093)	-2.7%
Mortgages	5,978,782	5,909,101	69,680	1.2%
Trade receivables	**7,277,864**	**7,185,091**	**92,774**	**1.3%**
Asset repurchase agreements	-	-	-	n.a.
Receivables represented by securities	66,862	85,887	(19,024)	-22.2%
Non-performing loans	137,459	167,887	(30,428)	-18.1%
Other	720	3,536	(2,816)	-79.6%
Other loans to customers	**205,042**	**257,310**	**(52,268)**	**-20.3%**
Total	**7,482,906**	**7,442,401**	**40,506**	**0.5%**

The short-term technical forms (current accounts, active repurchase agreements and other transactions) amounted to 821.4 million, up +4.2% (+33.4 million) compared to 788.0 million at the start of the year. Medium and long term technical forms, primarily represented by mortgages and personal loans, are stable +0.1% to 6,661.5 million (+7.1 million) compared to the start of the year.
With regard to the breakdown of trade receivables, it should be noted that the technical forms of loans comprise 79.9% of net loans, up from 79.4% at the at the start of the year.
Current accounts represent 11.0% of net loans to customers, up compared with 10.5% in the previous year.
Gross non-performing loans stood at 334.9 million, down -12.9% compared with 384.4 million at the start of the year. The ratio of gross non-performing loans to total gross loans to customers was 4.4%, down from 5.0% at the start of the year.

Credits	31.12.2023	31.12.2022	Changes	
(thousands of €)			Abs.	%
A) bad debts				
gross amounts	170,072	175,692	(5,620)	-3.2%
value adjustments	(126,560)	(124,259)	(2,301)	1.9%
net carrying amounts	43,512	51,432	(7,920)	-15.4%
% Coverage	-74.4%	-70.7%		
B) unlikely to pay				
gross amounts	153,711	199,967	(46,256)	-23.1%
value adjustments	(67,822)	(89,665)	21,843	-24.4%
net carrying amounts	85,889	110,302	(24,413)	-22.1%
% Coverage	-44.1%	-44.8%		
C) past due exposures				
gross amounts	11,126	8,772	2,354	26.8%
value adjustments	(3,067)	(2,619)	(448)	17.1%
net carrying amounts	8,059	6,153	1,906	31.0%
% Coverage	-27.6%	-29.9%		
D) Subtotal non-performing exposures (a+b+c)				
gross amounts	334,909	384,430	(49,521)	-12.9%
value adjustments	(197,449)	(216,543)	19,094	-8.8%
net carrying amounts	137,460	167,887	(30,427)	-18.1%
% Coverage	-59.0%	-56.3%		
E) performing loans - stage 1				
gross amounts	6,609,030	6,312,241	296,789	4.7%
value adjustments	(41,703)	(48,656)	6,953	-14.3%
net carrying amounts	6,567,327	6,263,586	303,741	4.8%
% Coverage	-0.63%	-0.77%		

F) performing loans - stage 2				
gross amounts	752,886	959,207	(206,321)	-21.5%
value adjustments	(41,629)	(34,166)	(7,463)	21.8%
net carrying amounts	711,257	925,041	(213,784)	-23.1%
% Coverage	-5.53%	-3.56%		
G) Subtotal Performing loans (e+f)				
gross amounts	7,361,916	7,271,448	90,468	1.2%
value adjustments	(83,332)	(82,821)	(511)	0.6%
net carrying amounts	7,278,584	7,188,627	89,957	1.3%
% Coverage	-1.13%	-1.14%		
H) performing exposures represented by securities - stage 1				
gross amounts	65,685	86,821	(21,137)	-24.3%
value adjustments	(842)	(934)	92	-9.9%
net carrying amounts	64,842	85,887	(21,044)	-24.5%
% Coverage	-1.28%	-1.08%		
I) performing exposures represented by securities - stage 2				
gross amounts	2,396	-	2,396	n.a.
value adjustments	(376)	-	(376)	n.a.
net carrying amounts	2,020	-	2,020	n.a.
% Coverage	-15.68%	n.a.		
J) Subtotal Performing loans consisting of securities (h+i)				
gross amounts	68,080	86,821	(18,741)	-21.6%
value adjustments	(1,218)	(934)	(283)	30.3%
net carrying amounts	66,862	85,887	(19,024)	-22.2%
K) Non-performing loans represented by securities				
gross amounts	-	-	-	n.a.
value adjustments	-	-	-	n.a.
net carrying amounts	-	-	-	n.a.
Total loans to customers measured at amortised cost (D+G+J+K)				
gross amounts	7,764,905	7,742,699	21,156	0.3%
value adjustments	(281,999)	(300,299)	19,350	-6.4%
Net carrying amounts	**7,482,906**	**7,442,401**	**40,506**	**0.5%**
- of which forborne performing	121,351	320,950	(199,599)	-62.2%
- of which forborne non-performing	54,468	66,867	(12,399)	-18.5%
- of which performing past due exposures	107,751	89,106	18,645	20.9%

Net bad debts decreased by -15.4% to 43.5 million, compared with 51.4 million at the start of the year. The coverage ratio was 74.4%, compared with 70.7% at the start of the year. Net bad debts accounted for 0.59% of total net loans, down from 0.70% at the start of the year.

Net unlikely to pay positions amounted to €85.9 million, down -22.1% from €110.3 million at the start of the year. The coverage ratio was 44.1%, up from 44.8% at the start of the year. The ratio of net unlikely to pay to net loans was 1.16%, compared with 1.50% at the start of the year.

Net past-due exposures stood at 8.1 million, compared to 6.2 million at the start of the year. The percentage of write-downs was 27.6%, compared to 29.9% at the start of the year.

Net non-performing loans stood at 137.5 million, down -18.1% compared to 167.9 million at the start of the year. The percentage of write-downs was 59.0%, compared to 56.3% at the start of the year. Net non-performing loans accounted for 1.85% of net loans, down from 2.28% at the start of the year.

Net *performing* loans stand at 7,278.6 million, up +1.3% compared with 7,188.6 million at the start of the year. The estimate of collective *impairment* of *performing* receivables resulted in an adjustment of 83.3 million, compared to 82.8 million at the start of the year. The percentage of write-downs was 1.13%, compared to 1.14% at the start of the year.

This section presents some key *asset quality* indicators:

Asset quality	31.12.2023	31.12.2022
Gross non-performing loans/gross loans	4.35%	5.02%
Net non-performing loans/net loans	1.85%	2.28%
Gross bad debts/gross loans	2.21%	2.29%
Net bad debts/net loans	0.59%	0.70%
Gross unlikely to pay/gross loans	2.00%	2.61%
Net unlikely to pay/net loans	1.16%	1.50%

The ratio between gross non-performing loans and gross loans including financial assets measured at *fair value* constituting loans was 4.69%, whereas the ratio calculated on net values was 1.99%.

Financial assets

Financial assets	31.12.2023	31.12.2022	Change	
(thousands of €)			Abs.	%
Financial assets valued at FV through profit and loss	58,653	103,896	(45,243)	-43.5%
- financial assets held for trading	1,774	1,608	166	10.3%
- financial assets designated at FV	0	0	0	n.a.
- financial assets compulsorily measured at FV	56,879	102,288	(45,409)	-44.4%
Financial assets valued at FV through OCI	717,569	729,539	(11,970)	-1.6%
CA-rated securities that do not constitute loans	2,789,634	2,985,146	(195,512)	-6.5%
Total	**3,565,857**	**3,818,582**	**(252,725)**	**-6.6%**

The financial assets section is as follows:

- financial assets designated at *fair value* with impact on the Profit and Loss Account, for 58.7 million, are made up of 1.8 million in financial assets held for trading, almost entirely consisting of debt securities, 56.9 million financial assets compulsorily measured at *fair value*, represented by 41.4 million in UCITS units, and 15.4 million from receivables that do not pass the SPPI test;
- financial assets designated at *fair value* through other comprehensive income of 717.6 million are made up of 662.2 million in debt securities and 55.4 million in equity securities;
- securities measured at amortised cost that do not constitute loans amount to 2,789.6 million, down -6.5% compared to 2,985.1 million at the start of the year, and are fully composed of debt securities.

Tangible fixed assets

Tangible fixed assets totalled 147.9 million, up 1.7 million from 146.2 million at the start of the year (+1.1%). A total depreciation of 13.9 million was recorded, also considering that of rights of use.

Intangible fixed assets

As part of the incorporation of the Banca Popolare di Marostica Group, customer-related intangible assets, known as "*client relationships*", were identified. These related to the enhancement of assets linked to asset management, including the placement of insurance contracts as well as funding through the management of "*core deposits*". At year end, this item amounted to 13.6 million, after depreciation of 1.0 million.
There were no significant investments in intangible assets during the year. Depreciation is negligible.

Net equity

At the end of the year, the share capital amounted to 202.0 million, divided into 50,498,438 ordinary shares, with no indication of par value.
Shareholders' equity, including the result for the period of +101.1 million, stood at a balance of 924.0 million. Own funds stand at 934.9 million.

Total own funds	**31.12.2023**
(thousands of €)	
Class 1 Primary Capital (CET 1)	859,917
Class 1 Primary Capital (TIER 1)	859,917
- TIER 2 instruments	75,000
Transitional regime - Impact on T2	-
- Items to be deducted from TIER 2	-
Total class 2 Capital	75,000
Total own funds	**934,917**

The ratio between Class 1 primary Capital ("*CET 1*") and the total weighted risk activities (*Common equity Tier 1 Ratio*) was 15.4% compared to 14.9% at 31st December 2022. The ratio between Treasury Shares and the total weighted risk activities (*Total Capital Ratio*) is 16.8%, up compared to 16.7% in the previous year.

Total own funds	**31.12.2023**	**31.12.2022**
(thousands of €)		
Common Equity Tier 1 Ratio	15.4%	14.9%
Total capital ratio	16.8%	16.7%
Risk-weighted assets (RWA)	5,578,996	5,410,721

For further information please refer to the shareholders' equity movement table and section F in the Notes related to capital and treasury shares.

1.5 THE DISTRIBUTION MODEL

1.5.1 INTEGRATED APPROACH TO CUSTOMERS, MULTICHANNEL AND MULTICHANNEL STRATEGY APPLICATION

Volksbank is dedicated to providing credit intermediation, financial and investment services to its customers, through its presence in the area of reference, maximum enhancement of the bank-customer, bank-company relationship and of specific local aspects.
The distribution model is based on the concept of integrated multi-channel, which in turn is a fundamental part of the commercial strategy. A customer-centric approach, spanning multiple channels and adopting a multi-channel strategy, is key to ensuring that the customer experience is consistent and of high quality at every interaction (information, advice, contact and product sales) with the bank.
Its multi-channel strategy implementation continued in 2023. This approach foresees four distribution channels: branch, online banking, contact centre and out-of-office offer. Customers choose the channel to use according to their needs and preferences.
The distribution network is focused on providing advice and assistance to customers to ensure the best service to all customer types, thanks to specific segmentation criteria which assigns the relevant service and consultancy models, the appropriate specifically trained personnel, and specialised advisory centres for specific customer segments. Private customers of high standing and Corporate customers are followed by consultants present in the respective consultancy centres.
Consultancy is provided according to specific service standards which include, inter alia, an periodic interview structured and supported by specific consulting applications. The customer is managed fully by a consultant

who identifies and meets his requirements, including through an integrated Customer Relationship Management ("CRM") system.
The specific commercial initiatives are undertaken with a view to differentiating the Bank's service provision from that of its competitors, inter alia, by maximum exploitation of the Bank personnel, who constitute the real added value of the Bank's service. Closeness to customers enables the Bank to identify and meet their requirements continuously. Volksbank intends to continue in this vein, to foster the development of a demand-driven service provision.
Customer care is ongoing: the customer is contacted by a consultant for after-sales support, particularly for some more complex products to ensure that the service sold to the customer has created the desired added value.
Furthermore, customers are provided with virtual channels (for example: smartphones, tablets and PCs), through which most transactions can be executed. The Bank also offers its customers the possibility of carrying out banking operations at the kiosk in the branch (Self Area).
The services provided by the Contact Centre are continuously being extended to take account of customer requirements. The consultants who operate from the Contact Centre mainly come from branches in order to guarantee customers a professionally qualified service.
The multi-channel nature and automation of services is progressively "freeing time", to the benefit of the consultancy services, improving the customer experience, allowing for more in-depth and personalised support, as well as increasing the Bank's flexibility in adapting to the needs of the market.

1.5.2 THE TERRITORIAL NETWORK AND COMMERCIAL ACTIVITY

Volksbank's commercial network is divided into geographical areas with a territorial division made up of the following areas (Bolzano/Merano, Bressanone/Brunico, Venice/Padua, Trento, Vicenza/Marostica, Belluno/Treviso/Pordenone) divided into individual "markets".
During the month of October 2023, it was decided, with effect from 1 January 2024, to create the Belluno Area as a spin-off from the previous Treviso/Belluno/Pordenone Area and to assign all the branches located in the province of Treviso to the Treviso/Pordenone area.
The changes have the aim of better covering the area, taking its specific features into account.

THE BRANCHES	31.12.2023	31.12.2022
Territorial branch distribution		
Trentino Alto Adige	**69**	**69**
- Bolzano	52	52
- Trento	17	17
Veneto	**90**	**87**
- Belluno	18	18
- Treviso	18	18
- Venice	15	14
- Vicenza	32	31
- Padua	7	6
Friuli Venezia Giulia	**3**	**3**
- Pordenone	2	2
- Udine	1	1
Total	**162**	**159**

Within the individual areas, the geographic market is divided into market areas and branches with any detached offices ("spoke"). The Corporate Centres and Private Centres distributed throughout the territory in which the Bank operates report to the territorial areas. These centres provide specialised consultancy services for private and corporate customers.

The Headquarters Manager as a fundamental element of the territorial network to strengthen the presence in the territory; all peripheral structures represented by the Corporate and Private Consultancy Centres, the Area Lead Branches, the Hub and Spoke Branches report thereto.

Volksbank's purpose is to constantly strengthen its territorial roots as a regional bank. It offers its services as an economic operator ensuring an important contribution to local economic growth.
The following branches were inaugurated in 2023:
- Arzignano branch reporting to the Lead Partner of Vicenza, Vicenza/Marostica area
- Caorle branch reporting to the Lead Partner of San Donà di Piave, Venice/Padua area
- Padua branch, Via Facciolati reporting to the Lead Partner of Padua, Venice/Padua area

THE COMMERCIAL NETWORK	31.12.2023	31.12.2022
Traditional branches	162	159
Advice points	8	8
Self Area	13	14
Corporate Consultancy Centres	10	10
Private Consultancy Centres	6	6
ATMs	202	201
Physical POSs	11,190	10,788
Virtual POSs	203	-

1.5.3 CUSTOMERS

About 247,000 private customers, 30,000 corporate customers and 6,600 customers belonging to other types are followed in the branches and consultancy centres of Volksbank.

Private customers

The Volksbank consultant continuously takes care of the relationship with the customer and follows him/her throughout the entire life cycle with multiple solutions adapted to his/her specific needs.
The Bank offers professional advice oriented to the specific needs of the customer. It is therefore proposed to carry out a precise and periodic survey of the needs, in order to adequately respond to the satisfaction of the client's requirements. Consultancy talks are placed at the centre of the commercial activity through which the consultant "identifies" the customer's needs and brings added value by proposing the most suitable solutions.
The needs range from basic products (current account, debit card and online banking) to building assets, covering both non-life and life risks, from the needs related to the purchase of a first house and a personal loan, to social security needs.
In addition to the Private Customers & CRM and Corporate Customers units, the new Wealth Management organisational unit was created in October 2023 with effect from 01/01/2024, which handles the commercial management of the financial products sector intended for high standing with the aim of developing and implementing asset consultancy models suited to the different customer segments (affluent and upper private).
Private customers of high standing are assisted by consultants highly specialised in the field of financial consultancy and who work mainly in Private Centres. These consultants aim to find targeted solutions, even with a high level of customisation, to better respond to the needs of customers, who meet with them at least once a year.

Corporate customers

Volksbank's goal is to provide the company with comprehensive advice and assistance in accordance with its needs. With this in mind, an interview is periodically held with each company to identify both their short-term and medium-long term needs.

Corporate customers are monitored in a targeted and frequent manner. These customers are invited to an interview by their consultant at least once a year. During this interview, the customer's current situation is analysed, also carving out space for a discussion on future plans.
The objective of this interview is to identify the needs of the company from a 360° perspective: from financing to risk hedging, to payment and collection systems.
Corporate Managers have a tool at their disposal called the ESG Evaluation Tool to evaluate investments with a positive ESG impact made by companies. The tool, aligned with the current European Taxonomy, allows the ESG analysis of the company and the project being financed through the investigation of the three dimensions: Environmental, Social and Governance.
During 2023, the training of Corporate Consultants continued in order to offer customers more focused and professional advice with a particular focus on sustainability.
The organisational unit, "Corporate Finance and Sustainable Credit", was transferred from the Loans Department to the Commercial Department in 2023 to support Corporate customers, and was renamed "Corporate Finance". It offers more qualified assistance for the Bank's commercial network, supporting it in organising and managing structured finance transactions, such as the subscription of minibonds and the active and passive participation and structuring of syndicated loans.

CUSTOMERS	31.12.2023	31.12.2022
Number of customers		
Private	247,432	244,067
Corporate	29,711	29,344
Others (public administration, associations, etc.)	6,635	6,587
Total	**283,778**	**279,998**

1.6 BANKING BUSINESS

1.6.1 BANKING PRODUCTS

The supervision of the following areas continued during 2023:
- continuous monitoring and analysis of the product range and optimisation of the product catalogue;
- introduction of new products in response to inputs received from the commercial network in particular;
- strategic projects, primarily the Bancassurance project with the introduction of new products and the evaluation of additional ones and the confirmation of the good performance of the partnership relating to personal finance and salary-backed loans;
- digitalisation of sales and after sales processes;
- expansion of service provision on online and mobile channels;
- support and assistance for the commercial network.
- Replacement of all the more than 200,000 debit cards from the old supplier SIA/Nexi to the new supplier Worldline with the aim of having a single international circuit (Mastercard) instead of the two previous circuits (Pagobancomat and Maestro)
- Revisiting policies and regulations relating to POG and transparency

1.6.2 PROVISION OF INVESTMENT SERVICES

During 2023, activities related to regulatory compliance with the "SFDR directive" (EU regulation 2019/2088) continued, including the so-called Principal Adverse Impacts "PAI" (effects of investment decisions and investment advice which produce negative effects on sustainability factors), with the "Taxonomy" (EU regulation 2020/852), as well as with 2021/1253 regulation amending the "Mifid II" (EU Delegated Regulation 2017/565) which will continue in 2024. These regulations provided for regulatory deadlines during 2022 and a series of requirements that led to implementation adjustments throughout the year 2023 and will provide for others in the year 2024-25. Refinements were also made to other activities (such as, for example, transparency of ex-post costs and charges, periodic assessment of adequacy), which had already been launched in previous years.

The process of providing investment services, particularly in the field of advisory services, was further developed/ consolidated, commencing with the identification of customer requirements and the determination of their investment profile. This work resulted in a specific recommendation aimed at meeting overall requirements (portfolio advice). This process has been integrated with the regulatory updates set out above in order to implement the sustainability preferences with respect to the factors (E-S-G) of the Taxonomy and the PAI within the consultancy service field.

Furthermore, developments in the digitalisation of the consultancy process were consolidated in 2023, allowing the client the possibility of remote execution of the end-to-end process, from the opening of a securities deposit to the signing of orders that are part of a personalised recommendation.

The Bank provides investment advice at various levels of depth (light, full, plus) through its branch network, while for high value customers, consultancy is provided through dedicated centres. The difference between the various levels of depth relates to the greater structuring of the portfolio models offered.

Our primary objective of supporting our customers in making rational and informed investment decisions through simple and sustainable solutions has been further enhanced: particular attention has been paid to asset management products (in conjunction with capital protection insurance products) in response to conditions which are difficult to interpret and which can therefore be met with products characterised by high levels of diversification and varying risk/ return profiles, and with a view to providing customers with comprehensive advice in response to their needs.

Meetings during the year with the various fund houses intensified in order to assess the quality of financial instruments and identify any new services and products that could enhance our offer.

Given the bank's desire to provide our customers with investment solutions characterised by sustainability, the range of products on offer was consolidated during the year with the inclusion among the products available of further products that enrich the traditional range of products but above all improve the quality of the portfolios of the "ethical" line which, designed for customers who are attentive and interested in this important strategic area for the Bank. The collaboration for the supply of "ESG" data also continued with the provider MSCI, a leader in the supply of data on the sustainability of individual companies and asset management.

In order to develop further technical and specialist knowledge, training for MiFID II certification (and maintenance) was conducted throughout the year for of the approximately 750 network consultants authorised to provide all investment services to customers, as required by legislation.

In addition to the "mandatory" courses for financial consultants required under MiFID2, it was decided to extend the training to internal training/classroom sessions, provided over several days by the Customer Investments service reserved to financial consultants, aiming to deepen knowledge about financial contents (with, for example, a particular focus on the bond market). These courses are structured at three levels (basic, advanced, evolved) depending on the employee's level of knowledge of economic/financial matters.

Again in relation to training, with a view to improving the skills and knowledge of financial consultants on the range of products offered to better meet customer investment needs, training sessions were organised during the year that included our leading asset management partners in collaboration with the Customer Investments service.

Finally, in Vorvel's Equity Auction segment, 3,754,568 own-issue ordinary shares were exchanged during 2023 for a value of €31,222,193.10.

Of these shares, 1,986,937 (for a value of €16,492,470) were purchased by the Bank: 1,807,228 (for a value of €14,999,992) as part of the extraordinary buyback purchase operation of treasury shares (with an assignment conferred by the Bank for its execution to Equita Sim) and 179,709 (for a value of 1,492. €478) as part of the activity to support the liquidity of treasury shares (with an assignment conferred by the Bank for its execution to Equita Sim).

1.7 GOVERNANCE ACTIVITIES

1.7.1 MANAGING LIQUIDITY AND FUNDING

The “strategic plan” and the “liquidity and funding operational plan” for 2023 were based on the timetable of all forms of refinancing by institutional investors, on the development of the own securities portfolio, as well as on the planning of customer movements, items which were then constantly updated during the year. The plans in question contribute to the definition of the liquidity requirement during the year and consequently guide decisions regarding the execution of transactions on the market.

The Bank managed to keep direct funding stable throughout 2023 even in a highly competitive market context due to the rapid increase in rates. For this reason it was possible to face the first TLTRO-III maturities (300 million in March and 750 million in June) with excess liquidity, without having to draw on new refinancing sources. The remaining liquidity needs, mainly made up of the TLTRO-III maturities of September (500 million) and December (200 million), the early repayment of a Tier 2 subordinated bond (25 million), the repayment of securitisations placed for an amount of approximately 28 million and by the amortisation of existing EIB loans for an amount of approximately 20 million, was covered by a gradual reduction of the proprietary securities portfolio, by the issue of green Guaranteed Banking Bonds (OBG), by short-term loans granted by the Ministry of Economy and Finance (MEF) and by greater use of refinancing sources on the interbank market.

The substantial amount of "eligible securities" not pledged as collateral was further integrated by the securities released by the TLTRO-III reimbursements.

At 31st December 2023, Volksbank had an LCR ratio above 131%.

The fully phased-in leverage ratio as at December 31st 2023 is 6.78%. The same value, calculated according to the transitional regime, is equal to 6.85%.

1.7.2 PERFORMING LOANS DEPARTMENT

The Performing Loans Department is responsible for the process of disbursing and monitoring the performing loan portfolio according to the principles of sound and prudent management.

Until the end of February 2024, the Workout Department dedicated itself to monitoring credit risk and managing the under performing and non-performing loans portfolio, with the aim of ensuring active management of positions that have already shown a deterioration profile. Starting from 1 March 2024, the two departments were merged into the Credit Department.

The Bank's standards for origination and monitoring of credit risk throughout the entire credit process (acquisition, appraisal, creditworthiness analysis, resolution) are uniform throughout the reference territory. The standards, where necessary, are aligned with the new regulations and expectations of the Regulatory Authorities (e.g. EBA) and Supervisory Authorities (e.g. ECB, Bank of Italy). In particular, the Bank fully complies with the requirements of the recently introduced “Loan Origination & Monitoring” regulation.

Around 40% of the credit portfolio regards credit to retail customers (private individuals and small entrepreneurs) and about 60% credit to corporate customers.

The households located in bank’s reference area remain the primary target of reference, both as private individuals and as owners of family-run businesses. The aim is to take on a role of a bank of reference for individuals with the "home loan" strategic product, with particular attention being paid to mortgages for properties with a high degree of energy efficiency (e.g. CasaClima).

With a view to remaining a Bank who is firmly rooted in the territory, the “special loans” section gives small and medium-sized enterprise better and easier access to credit, exploiting opportunities related to facilitated loans with interest rate subsidies pursuant to the Sabatini bis Law, loans through revolving funds, or to public guarantees granted by the Guarantee Fund pursuant to (It.) Law 662/96. In this context, cooperation continued with finance companies in support of territorial economic growth with the various Credit Guarantee/Underwriting Consortia with which the relative agreements were concluded. These bodies manage various concessional instruments for the development of regional companies.

The key criterion for granting credit remains the customer's ability to honour the contractual commitments undertaken (repayment of principal and payment of interest), thanks to the income/savings generated with his production activities. These criteria are supported by appropriate guarantees calibrated on the perceived credit risk, in order to minimise any losses in the event of reductions/interruptions in the income flow.
The collection of real guarantees, public guarantees and the granting of credit to small and medium-sized enterprises (SMEs - which benefit from the so-called support factor for SMEs), in addition to mitigating the credit risk, also reduces the absorption of equity capital (reduction of risk weighted assets - RWA) that the bank must make available for the concession.
For selected customers, the Bank grants syndicated loans with other banks or other corporate structured finance products.
The "I-mpact 2026" business plan envisages a moderate annual compound growth rate of the total volume of loans, in order to guarantee constant growth. This growth must be accompanied by a progressive alignment of productivity levels in the credit processes of all areas. Specific projects (e.g., restructuring of the rating system, enhancement of the early warning system, refinement of the analysis of the financial statements) have been launched for this purpose.
In line with the business plan, the 2023 credit policy envisaged the application of sustainability measurement (ESG) for corporate clients both for the company as a whole and for its ecological transition projects (decarbonisation, circular economy, preservation of biodiversity) in line with the European taxonomy (a classification system aimed at identifying environmentally sustainable economic activities), which are the subject of financing.
The portfolio is monitored using a set of automated indicators and individualised assessments to ensure suitable ongoing monitoring of credit risk and prompt identification of exposures that require restructuring and/or credit classification interventions.

1.7.3 PERSONNEL

Male and female employees

The most important resource available to the Bank is represented by Personnel, who, as such, require special attention and specific management that takes into account their specific characteristics. Personnel determines the business result and is the real competitive factor, personifying the specific characteristics and ethical values, which belong to the tradition and code of ethics of Banca Popolare – Volksbank as a regional bank.

The primary objective of the Human Resources department is to implement strategies that allow all employees to develop and consolidate their professional and personal skills. The development of these skills is also pursued through the continuous and progressive training of personnel, as well as through planning the evolution of one's role with a view to being able to make a concrete contribution and feel proactively part of Volksbank's development. The Human Resources department of the Bank ensures, through internal rotation, new hires and personalised professional paths and continuous training, as well as the resources employees for the consolidation of the organizational units and branches located in the various provinces. The HR department also guarantees the strengthening of the workforce in keeping with the sizing policies adopted annually by the company and the timely replacement of both employees who have ceased work and those absent for an extended period (maternity, injury or illness). The Bank values the exchange of experience and professionalism between internal offices and the commercial network based on the organizational needs to be implemented from time to time.

In order to achieve personnel management strategies, specific training courses have been defined in keeping with the company's strategy and values and responding to the employee's professional and personal development needs.

The annual interview with the employee is the main focus for the review of performance and behavioural factors, the identification of the training needs required by the position held, and the analysis of individual potential. The growth pathway is of a professional, cultural and human nature and aims to lead the employees to holding roles of greater responsibility.

The workforce of Banca Popolare – Volksbank at the end of 2023 consisted of 1,391 employees (1,357 at the end of 2022). Maintaining staffing levels, in line with the objectives set out in the business plan, involved the hiring of 114 new employees over the course of 2023, many of whom (56%) are under the age of 30. This favoured the generational turnover in the structure, a process that has already been underway for some years.

Of the hires in 2023, 77 employees are included in the commercial network and 34 employees in the internal organisational units.

The following table shows the number of employees active in internal services and branches, broken down by province, compared with the preceding year:

Figures per province	31.12.2023		31.12.2022	
	No. Number of persons	%	No. Number of persons	%
Bolzano - internal services and branches	702	50.47%	688	50.70%
Trento	86	6.18%	84	6.19%
Belluno	80	5.75%	81	5.97%
Venice	77	5.54%	72	5.31%
Treviso	116	8.34%	114	8.40%
Vicenza	285	20.49%	279	20.56%
Padua	34	2.44%	28	2.06%
Pordenone	11	0.79%	11	0.81%

Great importance has always been attributed to the creation of work groups diversified by gender and generation. The percentage of women in the company workforce is currently 44% and has been constant since 2021, while 16% of managers are women, fourteen in the central offices and 20 in the network.
In Italy, participation in the world of work by people with disabilities is governed by law.
Volksbank considers it essential to ensure that people with disabilities also have employment opportunities and interprets its role within local communities as an opportunity to allow these employees to provide a concrete contribution and not simply as a fulfilment of legal obligations.
The Bank is aware of how the balancing and reconciling of work-related needs with the personal and family needs of its employees constitutes a fundamental aspect for the creation of conditions which permit the full expression and development of their professional potential, favouring the creation of a shared, lasting and sustainable value over time. Therefore, with a view to retaining its employees, increasing their well-being and work-life balance, the Bank adopts innovative incentive policies and instruments in favour of the Beneficiaries (as defined below), even if they are not strictly monetary.
Without prejudice to the provisions of the Code of Ethics and code of conduct and discipline, the Bank refrains from engaging in prejudicial behaviour against its workers and promotes behaviours aimed at establishing a serene work environment, in keeping with the Bank's values, which do not hinder the enhancement of their individuality and diversity. We have maintained the gender equity certification according to the UNI/Pdr 125:2022 practice and placed particular focus on Female Empowerment. This programme designed exclusively for Volksbank employees involved 55 women in 2023 and will continue in 2024. The main objectives are to strengthen managerial skills, increase awareness and network participants.
In order to ensure a certain amount of attention to the issue of reconciling life and work, in recent years the Bank has established, among other things, a particular sensitivity for requests for part-time work and the return to work for employees who finish their period of compulsory maternity leave. The Bank guarantees the latter the possibility of requesting and obtaining a reduction in working hours with various forms of part-time work.
For some years now, Volksbank has set up a company nursery within its Bolzano office with places reserved for the children of employees.

Every year, as part of the review of the remuneration and incentive policies, the Bank conducts a specific analysis of the gender pay gap according to the criteria and guidelines established by the regulations at various levels in order to implement any corrective actions with respect to wage gaps characterising the less represented gender.
Over the years, Volksbank has implemented various safeguards aimed at increasing the welfare of its workers. Among these, in addition to the regulatory obligations (such as, for example, those deriving from the information obligations of the employer, safety at work, the application of the regulations relating to parental leave), the Bank has introduced a structured system aimed at giving precise indications on the values that workers must follow as well as the behaviours to be followed and those that, conversely, must not take place. In this regard, the Bank has adopted a corporate welfare system, flexible hours, a precise process for requesting part-time work and introduced work-from-home in a definitive manner even after the emergency of the pandemic. In order to encourage a serene working atmosphere, the HR department implements various activities aimed at continuously listening to the needs of workers by increasing sensitivity to issues such as diversity by coordinating, among others, the DEI project (Diversity, Equity and Inclusion).
The HR department constantly monitors the effect of the activities implemented with particular reference to the consequences impacting the well-being of the workers. More specifically, especially as regards regulatory obligations or obligations required for various reasons by the Italian regulator, in close collaboration with the Corporate Control Departments, the level of adequacy of the safeguards put in place by the Bank are periodically evaluated through a risk-based approach. Furthermore, with specific reference to the obligations deriving from collective bargaining at all levels, the HR department is in constant contact with the trade union organizations represented in the company.
The Bank and, in particular, the HR department, is constantly looking for the best solutions to compatibly satisfy the reconciliation of life and work balance with organizational and business needs.
In addition to the National Collective Labour Agreement, the Bank also applies company supplementary contracts and specific trade union agreements which regulate particular matters such as part-time contracts, the reorganization of the commercial network, the establishment of the Contact Center, the introduction of the Welfare system and the Ethical Bank of the Hours. In recent years, second-level collective bargaining has paid particular attention to topical issues such as, for example, work from home.

Personnel training and development

The training and updating of employees is an aspect that the Bank has always valued and continues to value as of primary importance in the professional development of its personnel. The Bank annually prepares an extensive training program aimed at all personnel to encourage constant professional development and updating of technical, behavioural and relationship management skills, as well as at fulfilling the professional updating obligations established by law. In 2023, the training activity was organized both through digital means by arranging sessions in webinar or e-learning modules, and through coaching, on-the-job training and in-person classrooms.
Overall, 85,500 hours of training were provided in 2023, which correspond to an average of more than 62 hours per employee, upholding the data from the previous year, and an increase compared to the previous year.

The professional development of the sales network employees was mainly oriented towards training of a technical-banking nature, through the offer of in-depth preparation in the areas of finance, securities, loans and banking products, and the development of skills related to leadership and business. In particular, an in-depth course was prepared for newly hired employees aimed at introducing topics useful for carrying out their duties and for the typical activity of the banking sector. On issues related to leadership, the bank annually provides a course for employees who have taken on a role of responsibility during the year, to help them settle into their new role.
In 2023, the second edition of the professional development project aimed at employees under the age of 40 called “Cresciamo Insieme” took shape. The approximately 20 selected participants took part in various training modules structured and aimed at developing knowledge of the banking sector, with specific reference to the Volksbank’s ambit, and technical-banking and soft skills (leadership and communication).

Annual interview with each employee

Employee interviews are held annually and are an important feedback and development tool. In 2023, the evaluation form first introduced in 2016 was improved to make it simpler while maintaining a focus on the objective assessment of professional performance and potential of individual employees.
As part of the process, the dialogue between the supervisor and the collaborator continues to be of great importance, the activities assigned are discussed and commented on, including everything that can be subject to improvement. The annual interview with the employee is an important tool for establishing mutual expectations, developing strengths and compensating weaknesses, and requires personal commitment on both sides. To support this important process, all Volksbank managers have been given training and refresher courses over the years in the effective handling of employee discussions and there is also a specific module for the training of new managers.

1.7.4 WORKOUT DEPARTMENT

Until the end of February 2024, the Workout Department dedicated itself to monitoring credit risk and managing the under performing and non-performing loans portfolio, with the aim of ensuring active management of positions that have already shown a deterioration profile. Starting from 1 March 2024, the Department was merged with the Management of Performing Loans in the Loans Department.
The organisational structure of the Workout Management is designed to ensure an adequate process for the oversight and management of non-performing loans and is divided into the Abnormal Loan Analysis Service and the Non-performing Loans Service, with support from the Credit Monitoring Service.
The anomalous credit analysis service continued with the prevention and proactive management of classified credits from the first critical points through targeted interventions according to the types of individual customers.
During 2023, together with the Credit Monitoring Service, the introduction of the monitoring tools required by the "Loan Origination and Monitoring" regulation was also completed; in this context, additional indicators for automatic monitoring and classification of the portfolio have been envisaged where these indicators reach warning thresholds, or follow negative trends.
Risk reduction activities continue to be carried out effectively, both through partial or total payments and through rescheduling of contractual deadlines, continuously providing appropriate levels of coverage with respect to assessments from time to time of the intrinsic credit risk of individual positions.
The Non-performing Loans Service continued its periodic review of the bad loan portfolio on the basis of the Policy relating to the evaluation of non-performing loans in force, with the aim of integrating the most recent regulatory developments and methodological practices and thus aligning itself with the expectations of the Supervisory authorities. The methodology adopted was based on the specific characteristics of our bank (location, economic situation, competent courts, etc.) in order to align internal valuation practices with market best practices and the Bank's previous experience.
The Non-performing Loans Service also continued its core business of proactively managing the portfolio by recovering both out-of-court and in-court positions classified as non-performing. The setting of the recovery strategy and its implementation are elaborated by the team of internal managers who make use of the support of external lawyers where it is necessary to proceed judicially to the consolidation of the credit and following start of the movable and/or immovable asset enforcement procedures. For minor exposures, for which there are no property guarantees, the Bank continues to collaborate with a well-known Italian servicer which mainly carries out phone collection activities.
In order to optimise the bad debt portfolio, during 2023 Volksbank took part in a new pro soluto multi-originator securitisation transaction which made for the sale of approximately 150 positions for a gross book value of approximately 10.4 million. A number of single-name transactions were also finalised.
The Credit Monitoring Service has extended periodic reporting with the aim of covering the entire credit process and examining the dynamics of the portfolio in all the different stages and in the transition from one stage to the other. The activity to strengthen controls on the quality and granularity of the data used for reporting and the

preparation of specific extractions aimed at improving the proactive management of the portfolio, in particular that managed by the Abnormal Loan Analysis Service, also continued.

1.7.5 TECHNOLOGICAL AND ADMINISTRATIVE SERVICES AND PROCESS INNOVATION

Core Banking System

Volksbank adopts an ICT outsourcing strategy for the core banking system and for those innovative applications that require significant investment and specific skills. For these services Volksbank avails itself of the support of the IT outsourcer Accenture Financial Advanced Solutions & Technology (Accenture FAST) for the management, evolution and innovation of the entire IT system that supports all banking processes, both branch and internal.
Accenture FAST offers advanced multi-channel solutions and centralised back-office services, capable of ensuring adequate levels of service and the constant evolution and innovation of the products and services offered by the bank.
The evolution of the IT system continues according to the project plans shared between bank and full-outsourcer. The main business and regulatory IT projects in 2023 include:

- Digitisation of the End-to-End Credit Process: in order to cope with the profound changes within the banking sector, which is increasingly orienting itself towards the logic of innovation technologies and digitalisation, the project "digitalisation of end-to-end credit processes", i.e. consultation for finalisation of the loan, is underway. The project focuses on two strategic products: i) mortgage loans for individuals, and ii) the unsecured loans guaranteed by MCC and/or guarantee Consortia for the corporate segment and aims to increase the automation of processes and start end-to-end digitalisation. Specifically, it aims at greater standardisation of processes, greater integration between the various operating systems and applications, and greater process automation by minimising redundant, manual or superfluous tasks. In addition to the features already released in 2022, a number of improvements were implemented based on user feedback.
- T2-T2S Consolidation: one of the most important regulatory projects, this initiative maximises synergies between TARGET2 (T2) and TARGET2-Securities (T2S) by integrating the securities and cash settlement service offerings and providing new functionalities to meet the latest market needs. Consolidation of the technical, application and infrastructural components is also aimed at improving the use of services offered, continuing to guarantee high security levels in line with the international best practices and standards. The new system went into production in March 2023 and radically modified the network infrastructure it is based on and the messages exchanged between banks.
- Amlet: the new anti-money laundering management platform was launched in 2022 with the first modules for managing due diligence questionnaires, and in 2023, testing started on the modules for transaction reporting. When fully operational, Amlet will be a complete management system integrating all Anti-Money Laundering processes in a single application.

Digital channels, infrastructure and branch automation

The use of the bank's app continues to rise sharply and has now overtaken the use of direct banking via PCs, which is also the result of the investments that have been made in recent years to improve the user experience and the completeness of the services that can be carried out via the app.
In this regard, the use of remote signing and contracting processes is also increasing. This is a sign of the greater propensity on the part of customers to carry out even more complex transactions and advice through channels without physical contact. The Bank will continue with investments and initiatives to complement this offer and improve the user experience on these channels.

As for the infrastructure, the gradual upgrading of the “self-service” equipment continued in 2023 with the installation of latest-generation deposit ATMs and the replacement of coin-counters, partly with 24/7 machines in branches with a high volume of coin deposits.
Furthermore, the Bank has invested in "kiosks" with the renewal of more than half of those in place and with the replacement of the software of these devices which continue to be appreciated by customers who prefer to carry out banking operations 24/7 in a protected environment of the bank as is the self-service area of each branch.
In the area of branch organisation, it should be noted that 106 branches now work with the so-called 'multi-branch' organisational model. In these branches, the role of the stationary cashier and the classic counter are no longer present, but a multi-operator cash desk is installed in the common area of the branch, which is accessible to all employees. The client may accordingly turn to any adviser for support on cash transactions. This branch model, which is particularly suitable for small and medium-sized branches with limited cash operations, allows employees to make the most of their time and thus concentrate on consulting and services with higher added value.
Finally, it should be noted that in the area of internal IT developments, the migration of applications on the HCL Domino platform to applications developed in-house on a "low code" platform with agile development methods is being concluded. This platform is fundamental for completely new apps to support the objectives of digitisation and streamlining of internal business processes, an important objective of the new business plan.

1.7.6 SPONSORSHIPS AND DONATIONS

Sponsorships

Volksbank's sponsorship activity financially supports events, activities or organisations for certain advertising and/or economic benefits in accordance with a specific marketing plan, in order to achieve specific image and/or commercial objectives.
Sponsorships promote the image and popularity of the company, but also tend to consolidate a bond with the customer and constitute a strategic means of facilitating the establishment of new relationships.
In 2023 Volksbank invested a total of €1,006,388 thousand in sponsorships.
The sectors that have benefited from its sponsorship range from sport, culture, social affairs and training. Support for youth sections of sports associations is particularly important.
In 2023, Volksbank sponsored around 130 associations. The investment was approximately 88% in sports activities, while the remaining 12% benefited cultural, social and environmental and category associations.
Sums managed directly by the branches in support of local small/medium-sized enterprises can be added to this total. In 2023 this totalled €287.546.

Sponsorships in 2023	**Amount**	**% of total**
(in EUR)		
Sports	888,076	88.24%
Culture	66,220	6.58%
Social	27,349	2.72%
Other	24,743	2.46%
Total	**1,006,388**	**100.0%**

Donations

Volksbank also supports the territory through donations in to entities worthy of support. Usually donations are intended for the common good and can also be provided to cultural institutions. Traditionally, the Company contacts the local structures donated to directly, in the user basin. In 2023, donations amounted to a total of about €192 thousand. The recipient institutions include parishes, voluntary secular associations and local institutions.
Furthermore, €172,000 obtained from the auction sale of works of art owned by the Bank and 129,500 euros of extraordinary funds were donated to 52 associations active in the social sector.

1.7.7 BANCA POPOLARE DI MAROSTICA • VOLKSBANK FOUNDATION

The Banca Popolare di Marostica Volksbank Foundation aims to promote and support initiatives with cultural, educational, training, recreational, social and healthcare, worship or scientific research objectives for the benefit of the civil and social fabric in the area where the former Banca Popolare di Marostica, now incorporated into Volksbank, operated.
In 2023, the Bank disbursed €308,000 to the Foundation for initiatives to support the local area.

1.8 RISK MANAGEMENT

In view of the significant regulatory changes and the complexity of the operating environment, the Company attaches special importance to risk management and control, which must be safeguards for the creation of value in a context of controlled risk, in line with the objectives of current and prospective profitability as defined by the competent decision-making bodies.

INTERNAL AUDITS

Consistent with what is set forth in the Supervisory Provisions issued by Bank of Italy and in line with the Joint Bank of Italy - Consob Regulation implementing art. 6, paragraph 2-bis of the TUF of 29 October 2007, Internal audit holds the internal Auditing function.
The purpose of the Internal Audit activities, based on Supervisory regulations, is twofold: to ascertain, by means of so-called third level checks and on-site audits, carried out both remotely and within the premises of the Bank/ of its key suppliers, the propriety of transactions and the evolution of risks; and to assess 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, particularly with regard to the risk management process, and the instruments for measuring and controlling them.
Internal Audit operates within the context of an integrated assessment model for the internal control system, on the basis of a "risk-based" - "process-oriented" approach, primarily designed to enable company departments to conduct integrated risk analysis and organisational and control measures.
The integration is, above all based on use of information shared amongst all structures involved (in primis, the control functions, but also the operating ones involved each time), and on the growing interaction between company control functions. Besides establishing specific mutual information flows, of importance in this regard was the creation, in 2014, of the internal control Committee, formed by the Corporate Control Departments, to facilitate operational coordination and the exchange of information and to generate synergy when performing their respective tasks.
Internal audit does not respond hierarchically to any Head of business units and reports directly to the Board of Directors, also through the Risks Committee, thus preserving its independence. The corporate bodies are systematically informed of the results of audits carried out, with special evidence of any critical issues detected.
Internal audit has budget autonomy which enables it, amongst other things, to use external consultancy services.
It also has the right to access all Bank activities performed in Central Offices, branches and by outsourcers.

The appointment and revocation of the Head is among the sole, non-delegable responsibilities of the Board of Directors, having sought the opinion of the Board of Statutory Auditors. The Board also approves the internal regulations establishing the Internal Audit Function.
Internal audit operates in line with an annual/multi-year audit plan drawn up by its Head through a “risk based” and “process oriented” approach approved by the Board of Directors. By carrying out the activities envisaged in the plan, Internal Audit does the following:
- it assesses the completeness, adequacy, functionality, reliability of the other components of the internal control system, of the risk management and other company processes, also considering the ability to identify errors and irregularities. In this context, it audits, inter alia, the company’s Risk Management, Compliance and Anti-Money Laundering departments;
- it assesses the effectiveness of the RAF definition process, the internal consistency of the overall layout, operational compliance with the RAF and their compliance of with other strategies approved by company bodies;
- it verifies, also through audits:
    - the regularity of several company activities, included outsourced ones, and the evolution of risks in both the Bank’s Central Offices and branches;
    - the monitoring of compliance with regulations of the activities at all company levels;
    - compliance, in the different operating sectors, of limits set by delegation mechanisms, and the full, correct use of information available in the various activities;
    - the effectiveness of the powers of the risk control function to provide preliminary opinions on the consistency the most important transactions with the RAF;
    - the adequacy and correct functioning of processes and methods for assessing corporate assets and, in particular, financial instruments;
    - the adequacy, overall reliability and security of the information system (ICT audit);
    - the elimination of anomalies detected in the operation and functioning of controls (“follow-up” activities);
- performs regular tests on the functioning of operating and internal control procedures;
- performs detection duties, including in relation to specific irregularities;
- regularly controls the business continuity plan;
- if it should gain knowledge of critical issues emerging during the independent audit during its collaboration and exchange of information with the party appointed to carry out the independent audit, it takes action so that the company functions responsible take the necessary action to overcome those issues.

In order to perform its activities correctly, effectively and efficiently, Internal Audit:
- has access to all company documentation and information;
- may use any necessary external support to obtain any technical or specialist skills, or skills of any other kind, on the basis of a formal agreement, which in any case does not determine the delegation of responsibilities by the Internal audit;
- in cases where it has not participated directly, it is kept informed of relations with the Authorities, and the Supervisory one in particular;
- it collaborates with the different Organisation levels, with the Board of Statutory Auditors and with the other subjects appointed to carry out controls (especially with Risk management, Compliance/Anti money laundering, Reporting Officer).

When pursuing its “mission” Internal audit is inspired by the rules of conduct (Code of Ethics) established by the Board of Directors of the Institute of Internal Auditors (hereinafter also “IIA”), that every member of the department must comply with. These rules are based on four principles briefly described below:
- integrity: internal auditing is conducted with the utmost care, honesty, diligence and professionalism. Internal Audit operators must not knowingly engage in any illegal activity or take any action that could bring the profession or the organisation for which they operate into disrepute;
- objectivity: the assessments made take into account all significant facts and are not influenced by other people or particular interests. The subject expressing the assessment maintains his/her independence of opinion, analysis and constructive criticism. The internal auditor must report all significant facts of which he becomes aware in carrying out his duties, the omission of which could provide an altered picture of the activities analysed;

- confidentiality: persons operating in Internal Audit are bound by the confidentiality of the information that they disclose during their work and are therefore required not to disclose such information without prior authorisation, unless there are legal and/or ethical reasons. Information obtained must not be used for personal benefit or in a manner that is contrary to law or to the ethical and legitimate objectives of the organisation;
- competence: Internal Audit operators must only perform services for which they have the necessary knowledge, expertise and experience. They must also continually improve their professional preparation and the effectiveness and quality of their services. On this point, please note that Internal audit resources follow a skills growth and development path by taking part in courses and conventions of specific subjects/ regulations and through continual professional updating, also through self-training.

COMPLIANCE DEPARTMENT

The regulatory compliance department oversees, according to a risk-based approach, the management of the risk of non-compliance with regard to all company activities, verifying that the internal procedures are adequate to prevent this risk. To this end, it has access to all the bank's central and peripheral activities and to any information relevant to that purpose.

The Compliance department operates independently and autonomously within the structure, reporting functionally only to the Board of Directors for its operations. The current mandate of the Compliance department was approved by the Board of Directors at its the meeting of 7 July 2023.

The main obligations that the Compliance Department is called upon to perform are as follows:

- assistance to corporate structures for the definition of methodologies for assessing the risks of non-compliance with regulations;
- the identification of suitable procedures for the prevention of the risk detected, with the possibility of requesting their adoption as well as the verification of their adequacy and correct application;
- the continuous identification of the rules applicable to the Bank and the measurement/evaluation of their impact on the Bank's internal processes and regulations;
- the proposal of organisational and procedural changes aimed at ensuring adequate control of the identified non-compliance risks;
- the preparation of information flows directed to the Corporate Bodies and the structures involved (for example, operational risk management and internal audit);
- the verification of the effectiveness of the organisational adjustments (processes/internal regulations) suggested for the prevention of the risk of non-compliance with the rules.

During the 2023 financial year, the Compliance department systematically monitored the legislative and regulatory changes applicable to the Bank, informing the internal services which were involved; it interacted continuously with the corporate bodies (providing them with advice and assistance in all matters in which the risk of non-compliance was relevant) and with the organizational units through consultancy activities and ex-ante verification of the adequacy of safeguards put in place to mitigate the risks of non-compliance; they also communicated with them through ex-post verification activities related to the consistency of operational conduct. These activities were identified, structured and formalised through:

- annual planning of ordinary activities;
- alerts to internal organisational units;
- analytical reports on the organisational impact of new regulations;
- ordinary verification reports in implementation of the annual plan and activities, and extraordinary reporting if necessary;
- reports on regulatory consultancy, requests to the various company departments for development of new service products or organisational changes and, as a result of those reports, indications to company structures of organisational measures needed to achieve and maintain regulatory compliance;
- control of correct adoption by company departments of organisational measures following compliance reports (follow up);

- periodic interim reporting to the Board of Directors and its committees;
- the annual report for the 2023 financial year, submitted to and approved by the Board of Directors.

The Compliance Department acts as part of the "Internal control system" whose activities are coordinated by the internal controls Committee, composed of the heads of the company's second and third level control departments; the objective is to increase, through common rules and methodologies, the risk awareness level of the bodies managing the company.
Its activities mainly concerned the following areas:
- Governance of products (POG);
- Strategies, company policies and internal organisation;
- remuneration and incentive systems;
- management of conflicts of interest;
- Investment Services and Market Abuse;
- Credit process;
- Taxation;
- Verification of supervisory reporting;
- new products and services;
- Transparency, customer protection and payment systems;
- Insurance distribution and management of related potential conflicts of interest;
- Verification of management of the handling of complaints;
- Secretariat of the Supervisory Board pursuant to Legislative Decree 231/2001
- Monitoring of the Code of Ethics;
- The internal control system;
- Privacy and Data Protection;
- ICT and information systems;
- Sustainability issues (ESG);
- Logical and physical security;
- Relationships with the authorities.

The Compliance Department plays a decisive role in protecting the reputation with its customers and the community at large. It is therefore also responsible for compliance with the Code of Ethics that the Board of Directors adopted in 2005 and which is periodically revised. Compliance monitoring in this area contributes to the establishment and growth of reputational assets. The Compliance Department therefore represents a benefit for the clientele, more generally, consumers, who have a point of contact within the company for their rights and grievances, and for the company itself, by virtue of the creation of the reputational value that this safeguard can produce.

RISK MANAGEMENT

With the Risk management department mandate, the Board of Directors formalised the tasks and responsibilities of the risk control function, implementing all the most recent national and international regulations on the role and obligations of corporate control functions that Risk Management belongs to, part of the more general Internal Control System, especially imposing:
- independence requirements for all corporate control functions;
- requirements of suitable professionalism for function heads and personnel, excluding that they have responsibilities or take a direct part in the operating areas being controlled;
- specific planning and reporting of control activities to be provided annually to company bodies.

The mandate establishes that Risk Management depends hierarchically and functionally from the Board of Directors directly. The head of the Risk Management Department communicates and reports on his/ her work to the Board of Directors and fulfils the mandate granted to the function independently.

Within the Internal Control System, the risk control purpose is to implement risk governance policies.
As of 2015, the Bank of Italy circular no. 285/2013 - as an internal advisory committee within the Board of Directors to advise the Board on risks and internal control system. It is composed of between three and five non-executive directors and has the task of:

- identifying and proposing the appointment of heads of company control functions;
- examining in advance the programmes of activity and annual reports of the functions;
- providing assessments and opinions to the Board of Directors on compliance with the principles to which the Internal Control System and the company organisation must conform, and on the requirements to be fulfilled by the company control functions, drawing the Board's attention to any weaknesses and the resulting corrective actions to be taken;
- checking that company control functions comply correctly with the body's indications and lines and support the latter with drawing up the coordination document;
- defining and approving the strategic guidelines and risk governance policies ("RAF"), performing the assessment and proactive activity necessary for the Board, acting as a strategic supervisor, to define and approve the risk objectives and tolerance threshold;
- supporting the Board of Directors in verifying proper implementation of risk governance strategies, policies and the RAF;
- supporting the Board of Directors in defining the policies and processes for assessment of corporate activities, including verifying that the price and terms of transactions with customers are consistent with the business model and risk strategies.

The Risk Policy and the related Regulation set out, in an organic, systematic manner, the policies for identifying, measuring, managing and controlling risks and the conditions for the informed assumption of such risks. During 2023, steps were taken to formalise and fully rationalise the risk management processes in specific and detailed internal operating manuals.
The Regulation firstly contains the definition, in accordance with the rules contained in the aforementioned Bank of Italy Circular no. 285/2013, of the so-called Risk Appetite Framework (RAF) for which it defines, consistent with the maximum risk to be taken by the Bank, its business model and strategic plan, the following fundamental sizes:

- the risk appetite,
- the tolerance thresholds,
- the risk limits,
- the risk governance policies,
- the processes of reference necessary to define and implement them.

The objective is to define the risks in single business activities and describe the variations over time of the structure of risks; in order to ensure accurate, prompt risk control and management. Any unfavourable changes can thus be identified early thanks to systematic oversight, ensuring the possibility of corrective action to the risk structure.
The framework adopted provides for four levels of risk assumption based on the ability or willingness to take on risk and they depend, in particular, on its capital base, which is set aside to cover risks, the income capacity and the risk the bank is willing to take on in order to achieve economic and strategic objectives:

- the "risk covering potential" representing the absolute risk limit that the Bank can assume, although this may compromise the continuation of its business, while protecting savers and preserving the stability and efficiency of the financial system - thus avoiding a contagion effect on the system. It reflects the Bank's ability to deal with adverse emergency or crisis scenarios;
- maximum risk capacity, representing the maximum risk amount the Bank can take on without compromising normal business continuity ("going concern"). It reflects the ability to confront and survive adverse, emergency or stress scenarios;
- the risk appetite, which constitutes the overall (or aggregated) level of risk by risk category that the Bank intends to assume in pursuit of its strategic objectives. It reflects the risk appetite in the context of normally conducting its business;

- risk tolerance, which represents the maximum deviation permitted by risk appetite. It is the physiological risk deviation accepted compared to its appetite when conducting normal economic activities and is set to ensure sufficient margins to operate, even in stressful conditions, within the maximum risk that may be assumed.

On an annual basis, the Board of Directors, supported by the risk control department, checks the adequacy of the RAF, and its compliance with the business model, and quantifies, in compliance with strategic objectives, risk objectives and any tolerance thresholds for each financial year, in a document entitled the *Risk Appetite Statement ("RAS")*.

With regard to risk assessment, i.e. the periodical assessment of the relevance and significance of each risk to which it is exposed, the Bank uses an evaluation method and scale that conform to the integrated verification method common to company control functions. In particular, the methodology requires that, for each risk category, its relevance considers - where possible - the probability that the risk will occur and the resulting impact. Each control function, in respect of its areas of expertise, is involved and shares the outcome of the audit.

Within the internal control system ("ICS"), the "integrated method", common to all company control functions, defines, in a uniform, consistent framework, objectives, roles, procedures and techniques to be adopted when designing and assessing controls implemented to mitigate risks. This method requires involving and empowering process owners and the adoption of a bottom-up approach to identifying and assessing risks.

As part of the control activities, the ICAAP process (*Internal Capital Adequacy Assessment Process*) plays a fundamental role, provided for by current legislation and aimed at verifying the adequacy of the Bank's capital endowment, also from a prospective perspective and in situations of stress of system and/or internal.

The activity includes, among other things, the verification of ongoing compliance with all regulatory prudential requirements and those indicated by the Supervisory Authority as part of the SREP process. Starting from 2023, the process also considers the minimum requirements for capital and eligible liabilities in case of resolution (MREL, *Minimum Requirements for own funds and Eligible Liabilities*).

Similarly, in compliance with the information requirements set out in Circular No. 285 of the Bank of Italy, which transposed the SREP guidelines of the European Banking Authority, the *Internal Liquidity Adequacy Assessment Process* (ILAAP) is carried out in conjunction with the ICAAP process; the results of which, referring to 31 December 2022, were transmitted to the Supervisory Authority in April as part of a specific report drawn up jointly with the ICAAP report.

RISKS THE BANK FACES

Credit risk

The credit risk is the risk of total or partial insolvency of a counterpart with loans and is the main risk factor the Company is exposed to, consistent with its bank type, oriented towards retail customer and small and medium-sized companies.

Consequently, its credit risk management is designed on the one hand to improve processes for granting credit facilities to render them consistent with underlying risks, while on the other preventing any deterioration of the solvency of customers with loans through increasingly effective and reliable monitoring systems.

During 2023, credit risk management was entirely based on the contents of the Risk Policy and the Risk Management Regulation. This document establishes an organic definition of management guidelines for all possible forms of credit risk (default risk, solvency risk, foreign currency exposure risk, risk of concentration of the loan portfolio, residual risk). The two documents regulate in particular:

- the definition of economic risk appetite in relation to customer credit risk;
- the scope of application of the policy, expressly mentioning the Bank's reference values for lending that apply to the annual credit policy and management policies;
- the organisational model, specifying the minimum responsibilities, roles and activities assigned to each of the company departments involved;

- the description of the credit risk management and control process, broken down into five key phases: the credit granting phase, the control and monitoring phase for assigned positions, the risk measurement and quantification phase, the adverse scenario analysis phase (stress tests), and the non-performing credit management phase;
- for each phase, the essential procedures for execution, monitoring and control are outlined, making regular reference to detailed internal documentation;
- risk mitigation techniques, i.e. the collateral collection and management process, with their implications for capital requirements;
- the “credit position monitoring” system, which relies on five pillars: specific monitoring assigned to periodic reviews, performance monitoring through the internal rating system, performance monitoring of individual exposures by the Risk Management Department as part of level 2 controls, the supervisory system and warning of positions at risk (early warning, GDC) and the monitoring of risk mitigation instruments;
- the model for recording the likelihood of official default of the loan portfolio and quantifying the expected and unexpected loss;
- the effects of credit risk on the Bank's assets and financial statements: identification of capital requirements for credit risk (Pillar I); regulatory and internal limits for concentration risk (Pillar II); criteria adopted for impairment losses on loans.

During 2023, the internal operational regulations relating to credit risk management were also entirely rationalised. Furthermore, during the first half of 2023, the new rating system became fully operational in the disbursement and monitoring processes, becoming a fundamental support tool for the processes of credit disbursement, credit monitoring, credit assessment (impairment), and loan portfolio analysis.

From an operational standpoint, the credit monitoring process is continuously guaranteed through an automatic system for classifying anomalous positions (GDC, Credit Management). This uses an early warning engine which, based on performance rating and other indicators calculated and entered on a daily basis, can report the emergence of potentially degraded situations. In addition, the system enables streamlining the internal process of classification and management of problem customers, which in turn is governed by a specific regulation that contains the details of the controls to be performed, the procedure for classifying anomalous positions, and the operating instructions for the administration and management of such positions.

In addition to the usual risk classes for non-performing loans established by the supervisory body (bad debts, unlikely to pay positions, impaired past due positions and forborne exposures), the system also establishes three classes of performing loans for customers, which are graduated according to the presence of anomaly indicators which, although not requiring classification in the category of non-performing loans, nevertheless require attentive management of the risk profile.

In particular, there is system in place to monitor and manage “pre-past two” positions, i.e. positions that have constantly overrun for more than 30 days, in order to prevent their deterioration to “past due” status.

The adoption of credit risk mitigation methodologies for calculating the capital requirement for credit risk in accordance with Basel 3 regulations continues to require a precise definition of the estimation, assessment and periodic re-evaluation processes for properties used as mortgage guarantees, in order to comply with the eligibility and admissibility criteria for such guarantees.

Amongst actions taken to guarantee a correct classification and assessment of credit exposure, the Risk management department controls the trend of single positions, in particular:

- checking that the trend monitoring exposure, both performing and non performing loans, is conducted systematically, with method, in compliance with internal organisational processes;
- ensures that the said monitoring uses methods and procedures that:
    - enable prompt identification and reporting of any anomalies;
    - ensure that adjustments and reported losses are adequate.
- assess, with regard to credit management:
    - whether classifications are consistent, i.e. whether the breakdown into credit classes complies with internal regulations;
    - the adequacy of provisions, i.e. the adequacy of coverage of non-performing loans.
- verify the adequacy of the debt recovery process, in particular:
    - that non-performing loans are correctly placed;
    - the reliability of estimates of recovery times and of the levels of non-recoverability of non-performing loans;
    - the processing of guarantees, including the updating of specialist reports.

The control performed by Risk Management Department take the form of:

- spot checks, using a predefined logic, of all categories of receivables;
- systematic checks, through adoption of summarised remote indicators applied to all outstanding exposures at every stage of the life of the receivable;
- systematic controls through participation in internal credit committees and simultaneous verification of compliance with internal regulations.

During the year, the capital requirement level was monitored continuously as part of the ICAAP process and no significant variations to the average weighting level of exposures in single regulatory portfolios were reported.

The quarterly credit risk report prepared for the Board of Directors serves as the means of reporting on the performance of the lending activities and the associated risks, together with the risk objectives (defined in the "RAF") and the objectives and guidelines defined in medium and long term strategic planning. The report includes an assessment of risk indicators (probability of default and estimation of expected losses), the methods adopted in the calculations and scenario analyses to assess the behaviour of the loan portfolio in response to unexpected events.

A reduced report containing key information on the composition and overall risk level of the loan portfolio is also prepared on a monthly basis.

The assessment and control of credit risk was also the subject of monthly discussions within the Internal Loan Committee, during which the aforementioned monthly and quarterly reports and the detailed situation of the main non-performing positions were examined in detail.

Market Risk

The market risk is defined as the risk of loss on financial instruments owned resulting from possible fluctuation in financial market variables (interest rates, volatility, foreign exchange rates, share prices), considering scenarios in which each individual financial instrument is exposed to one or more of these risks. The market risk is risk is measured as a change in the value of stocks due to market movements.

The market risk measurement and control system is based on the Value-at-Risk (VaR) method, on which it bases a system of maximum tolerable risk and loss limits (risk capital) over various time horizons. The VaR method calculates the maximum potential loss of a portfolio over a given time horizon and with a given probability, under normal market conditions. The VaR is a uniform measurement system, applicable to all types of financial instruments, thus making it possible to compare risk values calculated from the point of view of both time and daily profitability. to calculate the VaR, the Bank uses the parametric model of variance-covariance provided by a leading company with widespread experience, supported by internal models used for the necessary checks,

as well as for planning purposes: for example, VaR from Monte Carlo simulations and historical VaR using the Extreme Value Theory for the highest levels of confidence.
In addition to VaR and maximum sustainable loss analysis, market risk management is based, through specific limit systems, on the control of counterpart risk, country risk, the sensitivity of the portfolio to market rate risk ("basis point value") and credit risk ("*credit risk sensitivity*").
In order to avoid and prevent possible overruns in authorised risk limits, a standardised daily reporting system monitors and raises an alert when the thresholds are approached.
Thee Risk Management Department compiles a detailed, comprehensive monthly report on market risks relating to the proprietary portfolio. Finally, the Risk Management Department is tasked with continuously validating and verifying the pricing system for financial instruments held, in order to maintain a reliable price profile that is consistent with market prices (*fair value*).

Counterparty Risk

Counterparty risk is the risk that a counterpart to a transaction will fail to fulfil its obligations by the methods and deadlines established in the contract. Counterparty risk is regulated through a specific system of operating limits, based on a series of criteria for assessing the creditworthiness of counterparts, in separate form according to their type (corporate or financial).
The general rule that all financial transactions must be carried out exclusively with contracted counterparties also applies.
The limit for each counterparty is approved by the Board of Directors and may be employed by the Treasury and Investment services on the basis of specific percentage shares of the limit assigned to homogeneous categories of financial instruments.

Interest Rate Risk

With regard to the supervisory trading book, which corresponds to the Bank's entire commercial operations in relation to the transformation of the maturities of all balance sheet assets and liabilities, including those of treasury, and hedging derivatives, changes in the structure of market interest rates may have unfavourable effects on net interest income and capital, and thus constitute a source of risk (interest rate risk).
The management and investment strategies for this portfolio are based on criteria for optimising the risk/return profile, and are implemented on the basis of expectations for interest rate trends. The Bank's investment policy is accordingly focused on optimising interest margins and minimising their volatility (Asset & Liability Management).
The guidelines and regulations for managing the interest rate risk of the supervisory trading book are in the "Finance and treasury policy" and in the "Risk management regulation", while the operational limits and delegations for financial and liquidity management are in the "Finance and liquidity limits and delegations policy". In these documents, two indicators, among others, are identified, relating respectively to the sensitivity of the interest margin and the present value of the assets in the face of unfavourable changes in the rate curve, also used in the definition of the RAF.
The interest rate control especially avails itself of quarterly processes prepared using an application module integrated with analysis and simulation supporting the ALM and risk rate process; the model has been continually refined to process all asset and liability items of the supervisory trading book in a more realistic, reliable way, in order to optimise the strategies of the financial statement asset and liability items.
The verification and control of the interest rate risk profile are discussed quarterly in the Bank's ALCO, during which a specific quarterly report is presented by the Risk management department. In particular, the report includes a so-called fixing analysis which makes it possible to illustrate the amount of the most important balance sheet items subject to rate change, broken down by indexing parameter. This enables, inter alia, monitoring of the current natural hedging capacity of the supervisory trading book, in terms of both timing and amount, between assets and liabilities.

Liquidity Risk

Liquidity risk is the risk that the Bank may not be able to meet its payment obligations as they fall due and/or finance increases in its assets. It mainly emerges as an:

- inability to raise funds by financing itself on the market (funding liquidity risk);
- inability to mobilise funds by selling assets on the market (asset liquidity risk).

In compliance with the provisions of circular no. 285 of the Bank of Italy, the Internal Liquidity Adequacy Assessment Process (ILAAP) was reviewed as well.

Liquidity management is based on the indications and operating guidelines set out in the Risk Management Regulations, which is constantly updated. An essential element of that management is the distinction between short-term operational liquidity (with a time horizon of up to 12 months) and medium- to long-term structural liquidity (with a time horizon of more than 12 months). The former is aimed at avoiding situations of sudden liquidity tension, caused by specific shocks of the Bank or systemic market shocks; the latter responds to the need to ensure optimal management, from a strategic point of view, of the transformation of the maturities between deposits and loans, through an adequate balance of the maturities of the assets and liabilities, so as to prevent future liquidity crisis situations.

The measurement and control of operational liquidity and structural liquidity have been defined by means of a system of indicators, limits and periodic reporting, also on a daily basis. Furthermore, the organisational structure of the offices and departments responsible for liquidity management and the associated controls and the emergency plans to be implemented in the event of situations of stress or crisis - the so-called Contingency Funding Plan (CFP) - are also clearly defined.

Liquidity risk is calculated using the Liquidity at Risk (LaR) method which estimates - at different confidence intervals - the liquidity requirement, which cannot be directly influenced by the Bank, over pre-defined time horizons. The cash flows of interest in the LaR analysis are the daily imbalances not attributable to choices made by the Bank, i.e. flows that are "independent" of the Bank's will and therefore attributable to the activity of customers. This approach is used to verify the level of reserves.

The liquidity situation is constantly monitored by the relevant offices on a weekly and monthly basis. The Contingency Funding Plan also foresees an alarm signal system monitored on the so-called Liquidity Monitor and based on measurement of pre-alarm indicators divided between systemic and specific crisis indicators.

The indicators are appropriately weighted in order to identify five different operating situations that can be traced back to a progressive deterioration of the Bank's liquidity position: normal operating conditions - in turn are broken down into situations of normality, under observation, and attention - a state of stress (emergency), and a crisis situation (a grave emergency).

The Treasury Service, responsible for managing operating liquidity, also employs the so-called liquidity synoptic chart, a daily report that briefly and exhaustively describes the liquidity situation in the short- to medium-term enabling prompt identification of critical situations and the maintenance of the indicator values at the desired levels.

The liquidity metrics are reported, according to the deadlines in force, to the Supervisory Authority through COREP harmonized reporting: LCR and AMM (monthly) and NSFR (quarterly).

For what concerns the excessive financial lever risk, that is the risk that an especially high indebtedness level compared to treasury stock makes the bank vulnerable, making it necessary to adopt business plan corrective measures, including the sale of assets recognising losses which could imply value adjustments to the remaining assets, every year the Board of Directors defines, in the RAF, the bank's risk appetite in financial lever terms establishing a minimum leverage level (ratio between Tier1 and total assets), as set forth in Basel 3.

The liquidity management policy privileges maintaining stably consistent reserve liquidity funding, always enough to handle stress situations. For this purpose, all available instruments are used, including those implemented by the European Central Bank and the Italian Government. The proprietary stock portfolio is configured to guarantee an ample reserve over time with which to manage liquidity; establishing, for that purpose, suitable investment regulations in terms of duration, sector, issuer risk, eligibility, etc.

The ABACO refinancing channel, through which loans that meet specific eligibility requirements can be collateralised with the ECB, was activated extensively in 2016.

Operational Risks

Operational risks are naturally inherent in the execution of processes, in the characteristics of the products and services offered, and in the possibility of being the subject of fraudulent or incidental events.
For these reasons, the Bank analyses the causes of operational losses and systematically detects and measures events with the aim of limiting and reducing the relevant risks.
In accordance with the definitions of the Basel Committee, the operational risk is identified as "the risk of losses arising from errors or inadequacies in internal processes, human resources, systems, or from external events". Legal risks are included but not strategic, reputational or systemic risks.
Thus the definition of operational risk does not include opportunity risks (missed business), reputational damage, or risks involving the entire banking system.
The Bank uses an internal system to detect and measure operating losses for better management of potential sources of danger that could undermine its stability.
This system is based on a similar initiative in which the Bank participates, which is promoted at national level by the Italian Banking Association (ABI). With the DIPO (Italian Operational Losses Database) project, ABI intends to raise awareness and assist banks in the implementation of these procedures, and to create a national database that will enable banks to obtain broader, more significant statistical information and data.
The operational loss collection process is based on an internal reporting process, which involves the detection and forwarding to a central collection point located with the Risk Management Department, of all listed operational loss events arising from accidents, fraud, legal action, customer complaints, disputes with staff, etc. The collection, cataloguing and systematic analysis of that information over the years has provided precious indications and suggestions for assessing and optimising Bank processes and activities.
Assessment of operational risks is also included in the *assessment* of the company control functions following the introduction of new products, services or other commercial initiatives, the introduction or modification of new operating processes, the outsourcing of functions , the implementation of new IT solutions.
The Risk Management Department is responsible for managing operational risks. This is also the subject of attention, within the Internal Control System and the Internal Control Committee, which meets periodically in order to coordinate all company control departments (Internal Audit, Compliance, Anti-money laundering, and Risk Management), to share control perimeters and results of audits, direct corrective actions towards operational departments, and develop and disseminate a risk and control culture among the Bank's operating offices.
On a quarterly basis, the Risk management department draws up a report on the Bank's operating risks discussed in the internal controls committee and submitted to the Board of Directors.
Since 2012, capital requirements compared to operational risks have been calculated applying a standardised method, which also imposes taking actions to improve the general operating risk control level. These include:

- execution of a comprehensive self-assessment process for the operational risk management system, designed to assess the overall quality of the system in relation to the Bank's organisational structure by assessing the overall level of exposure to operational risks and the system's compliance with applicable regulatory requirements and evaluating the effectiveness of the system in relation to the objectives and programmes of the current strategic plan and the evolution of the market of reference;
- regulations for the correct distribution of operating losses among the Bank's business lines;
- an annual review of the operational risk management system by the Internal Audit department.

The operational risk management system is integrated with the so-called "Conduct risk", as defined in the European Central Bank's SREP guidelines. This is the risk of loss from the inadequate provision of financial services, including cases of wilful misconduct or negligence, and arises from any unethical conduct on the part of the Bank's executives and employees, including in violation of properly defined controls and processes: i.e. the result of an unethical corporate culture. This category includes the following risks:

- the fraudulent sale of products on retail and wholesale markets;
- the forced cross-selling of products to private customers, such as "packaged" bank accounts or additional products that customers do not need;
- conflicts of interest in the execution of transactions;

- the manipulation of reference interest rates, exchange rates, or other financial instruments or indices to improve the profits of entities;
- barriers to switching from a financial product during its life cycle and/or to switching to other financial services providers.

A risk assessment is part of the *assessment* by the company control functions upon the introduction of new products, services, or other commercial initiatives.

In order to assess the risk, the internal method for assessing so-called "model risk" was more widely used for those areas of banking activity that, for decision-making and the measurement of certain market variables, employ "models", i.e. methods, systems and quantitative approaches that use theories, techniques and statistical, mathematical, economic and financial assumptions to obtain quantitative results/estimates from the processing of input data.

Specific attention is paid to the processes of analysis, measurement and treatment of the "*IT risk*" with reference both to Accenture's *main outsourcer* AFAST, which continues to constitute the Bank's outsourced IT centre, and to the in-house IT components, i.e. that are not outsourced (as well as any other supply /outsourcing involving relevant ICT components.

In 2023, special attention was given to the handling and control of risks arising from applications using *cloud computing* services, a case study that is being progressively extended. In addition, the monitoring of *cyber risk* continues to be progressively strengthened, in view of the constantly evolving potential types of cyber attacks.

To monitor the operational risks associated with the processes relating to payment systems, the Bank carries out a specific annual *assessment* in accordance with the provisions of the PSD2 regulation and sends the results of this assessment to the Supervisory Authority.

Still in the area of operational risks, processes and methodologies for the analysis and assessment of the so-called "*outsourcing risk*" have also been implemented, aimed at controlling the risks associated with corporate functions transferred to external suppliers, with particular, but not exclusive, reference to essential company functions pursuant to the regulatory framework in force. The checks involve analysis and evaluation processes and methodologies, specifically defined to monitor this type of risk.

Concentration Risk

The concentration risk is defined as a risk resulting from credit exposures with counterparts, groups of connected counterparts, counterparts in the same economic sector or performing the same activity.

The concentration risk per individual borrower is measured in accordance with the provisions of Bank of Italy Circular 285 (Title III - Chapter 1 - Annex B) according to the *Granularity Adjustment* ("GA") method.

As part of ICAAP, specific methods have been developed, in accordance with applicable legislation, to calculate the concentration risk by geographical area, i.e. the risk arising from exposures to counterparts operating in the same economic sector or geographical area.

A comprehensive limit system is also in place that controls and directs guidelines for limiting the level of concentration risk in the Bank's loan portfolio.

The concentration risk in its various forms is also monitored in the quarterly credit report and is discussed during the quarterly meetings of the Internal Loan Committee.

ESG risks

The ESG (*Environmental, Social and Governance*) risk is defined as the current or prospective risk of a fall in profits or capital resulting from the direct or indirect impact of events linked to environmental (with particular attention to those linked to the phenomenon of climate change), social and governance factors.
During 2023, the Bank, in continuity and consistency with the requirements of the Supervisory Authority, launched a series of projects and workshops aimed at mapping the materiality and impact that this type of risk can have on the business of the Bank in general and on the credit portfolio in particular. In particular, the Bank's analysis activity put a particular focus on the Bank of Italy’s guidelines on climate and environmental risks, i.e., on the environmental aspect.
The projects carried out during 2023 follow and improve upon the path the Bank embarked on in 2022 and also confirmed in the "Intervention Plan" shared with the Bank of Italy in line with the "Supervision Expectations on climate and environmental risks". The first project concerned a materiality assessment carried out with a qualitative/quantitative approach aimed at identifying and assessing the impacts of ESG risks in relation to the Bank's "traditional" risks, as well as by mapping the transmission channels of the various risk factors analysed. Following assessment activities, it was possible to prepare an updated heatmap which provides a graphical representation of the materiality of ESG risks in relation to traditional risks. The second project, started at the end of 2023 and still ongoing, focuses more on quantitative aspects; in fact, a Climate Stress Test activity was conducted, aimed both at retracing the analyses carried out the previous year, with the aim of monitoring any changes that occurred at the risk level, and at deepening the Bank's knowledge of climate risks (physical/transition risk) with the aim of expanding the subset of climate hazards analysed. In continuity with what was already carried out in the previous year, the climate stress test analyses are aimed at evaluating the impacts, in the short term, of the physical and transition risk on the credit portfolio. The impact of the various climatic risks analysed effectively translates into a variation of the Probability of Default parameters or into a variation of Loss Given Default with respect to their unstressed values. This type of analysis allows the Bank to obtain the information required to quantify the possible impact of the aforementioned risks with respect to the loan portfolio, while at the same time allowing the Bank's exposure to these risks to be assessed. Starting from 2023, as part of the ICAAP process, stress scenarios referring to climate crisis situations were also considered as well as a measurement of additional equity capital to cover certain climate risk factors.

Finally, it should be noted that the Bank has continued to fully implement and execute the activities reported in the "intervention plan", monitoring compliance with the timescales and activities and plans to update the aforementioned intervention plan in order to incorporate where possible/necessary the "good practices" covered by the Supervisory Authority in the document "Action plans on the integration of climate and environmental risks into the business processes of LSIs: main evidence and good practices". Furthermore, it should be noted that the Bank has started a "scouting" activity to identify an IT platform for mapping and measuring climate and environmental risks both within the processes of disbursement and monitoring of loans, and for analyses and risk assessment and measurement activities by the Risk management department.

Other Risks

The risk Policy identifies and defines the following additional categories of risk that are periodically analysed and assessed:

- the strategic risk divided into the following sub-types in terms of the time horizon of the event:
  - the short-term risk (business or commercial risk), i.e. the risk of losses due to unexpected changes in sales volumes (lower revenues) and/or expected margins (higher costs due to technological innovation, the tightening of the tax treatment, a change in the regulatory environment, etc.);
  - the strategic risk in the strict sense, or positioning risk, i.e. the risk of current or prospective losses, a fall in profits or capital arising from changes in the operating context or bad company decisions, inadequate implementation of decisions or insufficient reaction to changes in the competitive environment;
- risks deriving from securitisation transactions, with particular reference to those that entail the Significant Transfer of Risk;
- the equity investment risk, i.e. the risk that the book value of an equity investment may decrease as a result of a reduction in its price stock markets price, in the case of listed companies, or of the equity default of the investee, which renders it necessary or advisable to revise its carrying value in the financial statements, in the case of unlisted companies;
- the reputational risk, i.e. the current or prospective risk of a decline in profits or capital arising from a negative perception of the Bank by stakeholders or by any person with whom the Bank has had a relationship.

THE ANTI-MONEY LAUNDERING OFFICE

Money laundering and financing terrorists are phenomena that, partly because of their possible transnational dimension, pose a serious threat to the legal economy and may have destabilising effects, particularly on the banking and financial system.
The articulated legal bases that the international and internal fight against money-laundering and the financing of terrorism is based on are intended to protect the banking system against the risk of being exploited, even unknowingly, to perform illegal actions, calling on operators to perform so-called "active collaboration", reporting any transactions suspected of an illegal origin of funds transferred to the Authority responsible.
To enable the anti-money laundering system to be fully effective, an international harmonising process for prevention to avoid that, in an increasingly more open and competitive market, those moving illegal funds can take advantage of gaps in the protection nets established by the different countries.
However, some geographical areas and territories remain where legislation is not yet in line with international best practice and where stricter anti-money laundering controls, calibrated to the highest risk level, must be applied.
On this point, primary and secondary legislation is abundant and is continuously expanded by Authorities appointed to do so. In brief, the system of obligations incumbent on intermediaries and which Volksbank is careful to implement continuously, is still focused on the following three fundamental institutions:

i) customer due diligence;
ii) data storage;
iii) reporting of suspicious transactions.

Below are the main elements that characterise the anti-money laundering legislation:

- the obligation to adopt suitable strategies, policies, procedures and processes to identify, assess and monitor the money laundering risk;
- the obligation to conduct a periodical assessment of the money laundering (ML risk) and financing of terrorism risk (TF risk) it is exposed to, with attention for risk factors associated to its customer type, the operational geographical area and distribution channels, products and services offered;
- the obligation to adopt measures deemed the most suitable to prevent the money laundering risk, consistent with the exposure to the money laundering risk;

- the clear definition, at different role, task and responsibility levels, and the preparation of procedures to guarantee compliance with customer due diligence obligations, preservation of documents and proof of relations and transactions, and the obligation to report suspicious transactions;
- a control function architecture with coordinated components, also through suitable information flows, while being consistent with the company structure, complexity and size, type of services offered and the entity or risk that can be associated with customer characteristics;
- a control activity whose purpose is the compliance by personnel and collaborators with internal procedures and all regulatory obligations; with special attention for ongoing analysis of customer transactions, the “active collaboration” and protection of confidentiality over reporting;
- customer due diligence obligations, with indication of “when” (e.g. establishing an ongoing relationship, execution of an occasional transaction for an amount exceeding the legal thresholds) and “how” (e.g. how we identify a customer, the effective owner, the purpose and nature of an ongoing relationship) fulfil those obligations;
- the risk-based approach, for which the customer due diligence obligations are structured at different due diligence levels based on the customer’s risk profile, that of the transactions and the ongoing relationship;
- the obligation to apply enhanced customer due diligence methods when faced with a high money laundering or financing of terrorism risks, considering the risk factors related to the customer, products, services, transactions and distribution channels and the geographical area involved.
- related to “politically exposed persons”, an extensive approach for those holding public offices or in any case who administer public assets, with no longer any distinction between domestic and international PEPs;
- the obligation to abstain from opening a new continual account, to maintaining an existing account or executing a transaction if it is objectively impossible to perform a customer due diligence;
- the obligation to report suspicious transactions when you know, suspect or have reasonable motives for suspecting they are in progress or money laundering or financing of terrorism transactions have been committed or attempted or, in any case, the funds, regardless of their amount, come from criminal activities;
- the obligation to periodically transmit to the UIF data and information identified based on objective criteria, concerning transactions risking money laundering or the financing of terrorism (so-called “objective disclosures”);
- the obligation to store documents, useful data and information to prevent, identify or ascertain money laundering or financing of terrorism activities and to enable audits to be conducted, for their respective attributions, by the UIF or another competent Authority;
- the limits established for use of cash and bearer bonds;
- the obligation to send the UIF the aggregated figures for transactions, to enable targeted analyses and bring forth any money laundering or financing of terrorism phenomena in certain territorial areas;
- carrying out permanent training programs for all employees, for the correct application of provisions, to recognise transactions connected to money laundering or the financing of terrorism and for the adoption of behaviour and procedures;
- carrying out permanent specialist training programs for the members of the anti-money laundering department;
- the introduction of the so-called procedure in the context of the prevention of money laundering and terrorist financing “whistleblowing”, in order to protect those who report violations within the intermediary of the provisions dictated in order to prevent the risk of money laundering and terrorist financing;
- obligation to adopt enhanced control measures to contain the risk of involvement in terrorist activities or proliferation (e.g. monitoring the accounts, freezing funds).

Finally, it notes that the Bank of Italy Provisions on organisation, procedures and internal controls, in transposing the EBA Guidelines on policies and procedures relating to compliance management and the role and responsibilities of the anti-money laundering manager (EBA/GL/2022/ 05) in force from 14 November 2023, provide for the appointment of a Director as "Exponent responsible for anti-money laundering" upon the first renewal of the corporate bodies and in any case by 30 June 2026. This Director has the task of overseeing anti-money laundering matters, in a logic of ever greater commitment and involvement of the Board of Directors.

MANAGEMENT OF COMPLAINTS

Volksbank is convinced that real and lasting growth and development are possible only if the customer is at the heart of every strategic decision taken by the company. This customer-centred approach, the basis of which can be found in the company's Code of Ethics, emerges straight from the design phase of products and services, with constant focus on quality research, but above all on managing the relationship with the customer in order to provide him or her with the product or service that best suits his or her needs.
Despite the best efforts of employees, given the large number of transactions that are concluded daily, it is not possible to avoid possible cases in which, from time to time, customer expectations are not met, hence generating dissatisfaction by those who believe that they have not received an adequate service. On such occasions, customer cooperation becomes essential in order to identify and eliminate the causes of service failure and to implement appropriate procedural improvements.
Some time ago, the company set up an internal office to handle complaints and adhered, in accordance with applicable legislation, to the relevant extra-judicial bodies to settle disputes arising between banks and their customers. With a view to the continuous improvement of the services offered to customers, third party analysis and judgement of complaints received has been guaranteed; and the personnel of the complaints management office are in a position of organisational and hierarchical independence of business units responsible for marketing products and services.
In cases where a customer is not fully satisfied with a proposed solution, he or she can refer to extra-judicial dispute settlement systems which, as they operate as an alternative to the ordinary judicial authorities, can provide a faster and less costly means of resolving disputes. Through its commercial network and its website, on this point the Company provides customers with information containing, inter alia, complaint regulations and information on the various extra-judicial dispute resolution systems.
During the year, 1,558 written complaints were received and were handled, 244 of which were related to banking and financial services and 1,314 of which were related to investment services.
Of the 1,558 complaints as of 31st December 2023, 103 complaints were closed, 1,012 were closed pending settlement, while 443 were being evaluated.
A complaint is considered closed when a reply is sent to the customer which is signed by the Complaints Management Coordinator or the Head of the "Corporate and Legal Affairs" organisational unit, while a complaint is considered settled when it has been considered well-founded or when the reason for the complaint made by the customer has been overcome in some other way (e.g. following the settlement of the dispute by judicial or extrajudicial means).
In addition, a complaint is deemed to have been settled if the client does not reply within 12 months of its closure. However, any further reply from the customer on the same issue implies the reopening of the complaint, even beyond the 12-month limit for such settlement.
With regard to the complaints received in 2023 concerning banking and financial services, the Company reimbursed customers a total of €27,274.
With regard to complaints received in 2023 concerning investment services, the Company reimbursed clients for a total of €41,050.
In 2023, reimbursements of €26,064 were made relating to complaints relating to banking and financial services presented in previous years and €258,600 relating to complaints about investment services presented in previous years. Also during the year, allocations were made to the provision for risks and charges for civil cases, bankruptcy clawbacks, banking and financial services and for investment services and other charges for a total of €29,760,000.

On 22 December 2023, the Bank received a multiple complaint referring to over 280 shareholders in which defects are alleged in the contract for the purchase of the Bank's shares and the methods with which these contracts were stipulated and in which the reimbursement of the invested sums is requested, as well as a copy of the documentation relating to the purchase orders of the individual complainants.

In this regard, the Bank points out that this is a second tranche of a multiple complaint received by the Bank on 2 October 2023, addressed in general in the interest of over 400 investors.
Therefore, the total of the aforementioned complaints amounts to over 680, which are in addition to those received in previous years.
For further information, please refer to the paragraph “Judicial and arbitration proceedings”, point 1.3 Significant events during the year.

CODE OF ETHICS

The reflection on business ethics - the sphere of values and the system of rules that guide the behaviour of the company towards its stakeholders (customers, shareholders, employees, communities) - for banks is initially found in the principle of healthy and prudent management, which requires them to operate according to criteria of functional efficiency and risk mitigation with professionalism and fairness, respecting the legislation, guidelines, supervisory provisions and other regulators and the recommendations and expectations that the authorities address to supervised entities.
Rapid and significant changes in the context continually confront banks with new risks and may increase known risks, even in circumstances where the regulatory framework may not be a sufficient guide to govern operational and reputational risks; in this context, the first safeguard is the Code of Ethics, which is adequately formalised and approved by the Board of Directors and made public and disseminated at all levels of the organisation.
It expresses the values and principles of conduct that constitute the foundation of the corporate culture in Volksbank and is a top-level governing document of the Bank and the companies of the group. Listening to interests and balancing them with company strategies (stakeholder engagement) are oriented towards the values and principles indicated in the Code.
The Code of Ethics approved by the Board of Directors in 2022 is linked to the values that Volksbank activities are based on including:

- **Integrity**: we pursue our objectives with honesty, fairness and responsibility, in full and substantial compliance with legislation, professional ethics and the spirit of the agreements we have signed.
- Transparency: we operate with transparency - with respect to rules, communication, and conduct - to enable our counterparts to make informed and informed decisions for themselves.
- **Quality**: we always try to improve, looking at changes as opportunities to learn. We use our merit - which for us is knowledge, method and relational competence - to redesign the value chain of products and services on the basis of the new habits of households and businesses and the opportunities of technological innovation and digital transition.
- **Value of the person**: We orient our conduct towards the principle of personal dignity. We adopt attitudes and behaviours of inclusion and equal opportunities, with full and substantial respect for the diversity of gender, sexual orientation and identity, origin, culture and language, social class, age, different abilities, political and trade union membership, religion.
- **Relationship with the territory**: we pursue close and lasting relationships of trust with the local communities in which we operate and we never lose sight of the legitimate interests that people have in what we do. We promote the development of the territory and we want to be an active part of stable growth over time, in terms of economic value with a positive, measurable influence on society and the natural environment.
- **Responsibility in the use of resources and sensitivity to ESG issues**: we cultivate an awareness of the social and environmental effects of our choices: we promote a responsible use of resources, trying to avoid waste and wastefulness, we pursue a better protection of the natural environment, favouring sustainable choices over time and encouraging virtuous behaviour.

The rules of conduct set out in the Code of Ethics derive from these ethical principles (the “values”) sustained and actively experienced by persons operating, for any purpose, at the Bank and in group companies.

CERTIFICATION PURSUANT TO ART. 154 BIS TUF

(It.) Legislative Decree of 6 November 2007, no. 195 implementing Directive 2004/109/EC on the harmonisation of transparency requirements (the "Transparency Directive"), partially extended to companies that issue securities which are admitted to trading on a regulated market under the provisions of Law 28 December 2005, n. 262 on 'Provisions for the protection of savings and the regulation of financial markets', amending Legislative Decree. 58/1998 (Consolidated Finance Act).

These provisions establish an obligation for the Financial Reporting Officer to produce corporate accounting documents that provide a true and fair representation of the Issuer's financial position, results and cash flows.

To this end, in a specific report the Financial Reporting Officer certifies that the administrative and accounting procedures for the preparation of the annual financial statements and all other financial communications have been adequately and effectively applied, and that the documents correspond to the results as stated in company accounting books and records.

In order to issue this certification, the Financial Reporting Officer reviews the adequacy and efficacy of the internal control system for Financial Reporting:

by means of a concise, comprehensive analysis at company level, designed to verify the existence of a corporate climate that is committed to reducing the risks of errors or improper conduct accounting and financial reporting purposes;

at a process level, through analysis and audits of company operations generating and supplying Financial Reporting, also conducted using results produced by other control functions. For that purpose, they identify the scope of area activities in order to identify significant processes that need to be checked.

Accordingly, Volksbank has embarked on an organisational process to define a reference model, in line with national practice; with a view to strengthening the processes underlying the reliability of financial reporting, i.e. of activities related to the collection, processing and publication of economic and financial information flows.

1.9 OTHER INFORMATION

1.9.1 INFORMATION PURSUANT TO BANK OF ITALY/CONSOB/ISVAP DOCUMENTS NO. 2 OF 06.02.2009 AND NO. 4 OF 03.03.2010

On 6 February 2009, the Bank of Italy/Consob/Isvap issued document no. 2 on application of the IAS/IFRS, in order to recommend the inclusion in financial reports of information on a going concern basis, the financial risks borne by the company, audits of the possible existence of asset impairments and uncertainties regarding the use of estimates.
The importance of making every effort to assess the applicability of the "going concern" assumption and related financial statement disclosures was further emphasised in Document No. 4 of 3 March 2010 issued by the same authorities. This stresses the need to ensure a high degree of transparency in disclosures on the valuation of goodwill and other intangible assets with an indefinite useful life, on equity investments, the valuation of equity securities classified as "available for sale", and the classification of financial liabilities backed by special contractual clauses.
With regard to the going-concern principle, the Directors have not detected in the operating performance or in the evolution of their financial position any situations that could jeopardise the company's ability to continue operating normally. The Directors therefore believe that the capital and financial structure is suitable to guarantee business continuity in the near future. On the basis of this reasonable expectation, the financial statements as at 31st December 2023 were therefore prepared on a going concern basis.
With respect to reporting financial risks, please note that they were analysed both in the report on operations and in Chapter E of the explanatory notes: "Risks and related hedging policies".
When preparing its year-end financial statements, Volksbank performed an audit on the possible impairment of its assets, including equity investments recorded in the balance sheet and equity investments. The description of how the audits were conducted and their results is specifically illustrated in the Explanatory Notes where single assets are dealt with.
With regard to uncertainties in the use of estimates in the preparation of financial statements, in the Notes to the Financial Statements "Part A - Accounting Policies, A. 1 - General Part", there is a specific paragraph entitled "Uncertainties associated with the use of estimates".
Finally, with regard to the classification of its financial payables, it should be noted that there is no medium/long-term liability to be classed as "current" due to the forfeiture of an acceleration clause or failure to comply with the contractual clauses governing the liability.

1.9.2 DISCLOSURE OF STRUCTURED CREDIT PRODUCTS AND EXPOSURE TO SPECIAL PURPOSE ENTITIES

On the basis of the recommendations made in 2008 by the *Financial Stability Forum* (now the *Financial Stability Board*) and by the Bank of Italy, the following information is provided on exposures as at 31st December 2023 for those financial products that the market considers to be high-risk, such as, in particular, *Collateralised Debt Obligations* ("CDOs"), real estate mortgage-backed securities ("RMBS"), commercial mortgage-backed securities ("CMBS"), other special-purpose entities ("SPEs") and *leveraged finance*.

EXPOSURE TO TOWARDS SPES ("SPECIAL PURPOSE ENTITIES")

Special Purpose Entities (SPEs) are entities set up on an ad hoc basis to achieve a specific objective, normally the securitisation of receivables and operations for the issue of Covered Bonds.
Securitisation operations refer to the vehicle companies, established pursuant to Art. 3 of Law no. 130 of 30 April 1999, which place on the market the debt instruments issued to finance the purchase of the securitised loans. These receivables are used to guarantee repayment of liabilities issued by the vehicle company.

Covered Bond transactions, governed by law no. 130 of 30 April 1999, are issues of debt securities by credit institutions specifically guaranteed by a portfolio of assets identified and separate from the issuer's assets. These assets are sold by the issuer to a duly incorporated special-purpose vehicle.
The overall exposure to *covered bonds* is minimal and, in terms of book value, amounts to 176.0 million, of which 38.4 million classified at amortised cost ("HTC") and the remaining EUR 137.6 million classified at fair value with impact on overall profitability ("HTCS"), with limited exposure compared to the overall portfolio (at 4.86%).
It should be noted that the Company holds a senior tranche of the VIVERACQUA 11.34 TF security, which was recorded among the instruments measured at amortised cost for EUR 9.2 million, related to a bond securitisation.

STRUCTURED PRODUCT EXPOSURES

As at 31st December 2023, the main positions in structured credits issued by third parties were corporate bonds, in addition to a number of corporate minibonds.
Structured securities, which have a carrying amount of €176.2 million (equivalent to 4.84% of the total portfolio) are classified at amortised cost ("HTC") for an amount of 98.5 million and *fair value* through other comprehensive income ("HTCS") of 76.3 million and among financial assets held for trading for 1.4 million. All these instruments have a residual maturity of ten years or less.

1.9.3 EXPOSURES TO SOVEREIGN DEBT SECURITIES

In accordance with the recommendations of the European Securities and Markets Authority (ESMA) with document no. 2011/226 of 28 July 2011 and of Consob with communication DEM/11070007 of 5 August 2011, the exposure of the Company to sovereign debt, consisting for the most part of Italian government debt securities is reported. As stated in the ESMA document, "sovereign debt" relates to bonds issued by central and local governments and government bodies, as well as loans granted to them.

Exposure to sovereign debt securities - by due date

(thousands of €)	**2024**	**2025**	**2026**	**2027**	**2028**	**After 2028**	**Total**
FVTPL	-	-	-	-	-	-	-
HTCS	-	223,382	5,154	5,848	24,658	5,356	264,398
HTC	172,015	531,457	436,937	167,034	295,829	919,926	2,523,197
Total	**172,015**	**754,839**	**442,091**	**172,881**	**320,488**	**925,282**	**2,787,595**

A breakdown by accounting category and issuing country is shown below.

Exposure to sovereign debt securities - by issuing country

(thousands of €)	**FVTPL**	**HTCS**	**HTC**	**Total 31.12.2023**
EU countries				
- Italy	-	263,532	2,502,713	2,766,245
Other EU	-	-	20,484	20,484
Non-EU				
- USA	-	866	-	866
Other Non-EU countries	-	-	-	-
Total portfolio	**-**	**264,398**	**2,523,197**	**2,787,595**

There are no additional exposures in sovereign debt securities. A percentage of 66.8% of the overall exposure held has a residual maturity of less than 5 years.
At 31 December 2023, the sensitivity to a 1bp increase in the credit spread of the Republic of Italy on securities classified in FVOCI Debt (including not only government bonds in the strict sense but also, conservatively, securities issued by public sector entities and regional governments closely correlated with Italian sovereign bonds) amounted to -53,766 euros/bp, with an implied spread-duration of approximately 1.8 years.
At 31st December 2023, Volksbank had an LCR ratio above 1.31.

1.9.4 ATYPICAL OR UNUSUAL TRANSACTIONS

With reference to Consob Communication no. 6064293 of 28 July 2006, there are no atypical and/or unusual transactions during the year, such transactions being understood to be, in accordance with the provisions of Consob communications no. DAC/98015375 of 27 February 1998 and no. DEM/1025564 of 6 April 2001, transactions that are not part of normal business operations and which, due to their significance and/or importance, the nature of the counterparties, the method of determining the transfer price and the timing of the event, may give rise to doubts as to the correctness and completeness of the information in the financial statements, conflicts of interest, the safeguarding of the company's assets and the protection of shareholders.

1.9.5 INFORMATION ON PUBLIC DISBURSEMENTS PURSUANT TO ART. 1, PARAGRAPH 125 OF LAW 124 OF 4 AUGUST 2017 ("ANNUAL LAW ON THE MARKET AND COMPETITION")

Law no. 124 of 4 August 2017 "Annual Law on the Market and Competition" (hereinafter also Law no. 124/2017) introduced in Art. 1, paragraphs 125 to 129, some measures aimed at ensuring transparency in the system of public disbursements.

In particular, the law establishes, inter alia, that companies must provide in the notes to the financial statements - and in any consolidated notes - information on "grants, contributions, remunerated assignments and in any case economic benefits of any kind" (hereinafter for brevity "public grants") received from public administrations and other persons indicated in art. 1, paragraph 125 of the aforementioned law. Failure to comply with the publication obligation will result in the return of sums received to the paying agents.

In order to avoid the accumulation of insignificant information, it is stipulated that the publication obligation does not exist if the amount of public disbursements received is below €10,000.

Despite the clarifications provided by the Council of State in its opinion of 1 June 2018, no. 1149, the law in question poses certain doubts as to interpretation and application, in particular its objective scope of application, for which reference was also made to the guidelines emerging from the trade associations (Assonime). In particular, in view of the criteria that inspired the law and the guidelines that emerged, the reporting obligations should not include the following types:

- fees for services rendered by the company as part of the provision of professional services and supplies or any other task that is part of day-to-day business operations. In fact, these are sums received that do not relate to the field of donations/public support policies;
- tax expenditures available to all businesses that meet specific conditions, based on pre-established general requirements, which are also the subject of specific disclosures;
- granting of subsidised loans to its customers, as this involves the disbursement of others' funds (e.g. interest payments by public administration) and not of the Bank's own resources as intermediary.

In addition, since August 2017, the National State Aid Register has been operational at the Directorate-General for Incentives for Companies at the Ministry of Economic Development, in which State aid and de minimis aid for each company must be published by the entities granting or managing the aid. For individual aid to the Bank, please refer to the section entitled "Transparency of the Register", which is publicly available.

That said, without prejudice to the above in relation to what is available in the National State Aid Register, in compliance with the provisions of art. 1, paragraph 125 of the Law of 4 August 2017, no. 124, there were no amounts collected during the year by way of "grants, contributions, paid assignments and in any case economic benefits of any kind" exceeding the threshold of €10,000 set by the provisions of the law in question.

1.10 BUSINESS OUTLOOK

Real GDP is estimated to have grown by 0.6% in 2023, marginally below the autumn 2023 forecast, due to moderation in private consumption and a notable slowdown in investment due to rising financing costs and to the gradual elimination of tax credits for housing renovation. After a decline of 0.3% in the second quarter, GDP increased in the third and fourth quarters, with a marginally positive spillover effect into 2024.

Economic output is expected to continue to grow slowly in 2024, with household purchasing power expected to benefit from disinflation and rising wages, amid a resilient labour market. Investments are set to recover, thanks to infrastructure projects financed by the government and the PNRR, which will offset the reduction in spending on residential construction. Annual GDP is expected to grow by 0.7% in real terms, slightly less than forecast in the autumn.

An acceleration of investments is expected in 2025, with the acceleration of the implementation of projects supported by the PNRR, which will increase both infrastructure spending and the purchase of tangible and intangible assets of businesses, which should also benefit from the improvement of financial conditions. This surge in capital spending will translate into stronger growth in imports, above the prospects of a slight improvement in exports. Overall, real GDP is expected to increase 1.2% in 2025, unchanged from the autumn.

HICP inflation declined steadily in 2023 from its 2022 peak, driven by rapid declines in energy prices that gradually passed through to other goods, but also limited increases in services inflation. In the fourth quarter of 2023, inflation returned to 1% year-on-year and remained below 1% in January. Moderate wage increases have so far helped keep inflation under control. With the gradual renewal of the main collective labour agreements, workers should recover the losses in purchasing power suffered in the past. The latest estimates from the EU Commission see HICP inflation expected at 2.0% in 2024 and 2.3% in 2025, thanks to the expected recovery in wages, led by the public sector. Compared to the autumn, this figure has been revised downwards for 2024, but remains unchanged for 2025.

In this context, the Bank's profitability will be supported by the interest margin component, both in relation to the customer segment and the financial portfolio, as well as by maintaining the margin on the commission component, with a contribution in particular from the Investment Services and Bancassurance segments.

The close monitoring of the dynamics of operating costs will continue also in 2024 in order to manage the expected increases related to the application of the national sector contract, to the growth of investments in IT and to inflation.

With regard to the cost of credit, the conservative approach adopted in the last three years in the assessment of both performing and non-performing credit exposures, despite a trend in non-performing loans which is expected to increase compared to the past year, should allow for further progress in the process of consolidating the quality of assets launched in recent years, favouring the continuation of the risk reduction process and the retention of solid levels of coverage.

Barring any significant worsening of the scenario, which is possible in light of the extreme uncertainty and complexity of the current scenario, the overall performance in 2024, which could also rely on the sustainability of the results achieved in the last three years, can be expected, at present, to be consistent with the trend outlined in the Strategic Plan and with the related short-term targets.

1.11 SIGNIFICANT EVENTS OCCURRING AFTER THE YEAR ENDED

In accordance with the special regulations issued by the Bank of Italy, significant events occurring after the end of the financial year are illustrated in Part A, Section 3 of the Explanatory Notes.

1.12 REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

1.12.1 SHARES AND EXERCISE OF RIGHTS

Banca Popolare dell’Alto Adige S.p.A. is a public limited company resulting from the transformation of the “Banca Popolare dell’Alto Adige società cooperativa” decided by the Shareholders’ Meeting of 26.11.2016 pursuant to (It.) Law 33/2015.

The Bank’s share capital amounts to EUR 201,993,752, fully paid in and divided into 50,498,438 ordinary shares with no nominal value. The shares are traded on the multilateral trading system called Vorvel (Equity Auction segment) organized by Vorvel Sim Spa (formerly Hi Mtf Sim Spa). On 3 November 2023, Vorvel Sim Spa communicated to the market the new model of the equity auction segment, called Vorvel Equity Auction (Model), in force from 1 January 2024. In a press release published on 6 November 2023, the Bank informed the market about the preliminary choices made in order to manage the transition to the aforementioned new Model, as required by the transitional rules of the new Vorvel Equity Auction Market Regulation.

Pursuant to and for the purposes of Art. 2357 et seq. of the Italian Civil Code, the Shareholders' Meeting of 30 March 2019 authorised the purchase of treasury shares, as a reduction of equity, up to a maximum amount of €5 million. This authorisation was subsequently renewed by the Shareholders' Meeting for 2020, 2021, 2022 and 2023, without interruption with respect to the expiry of the previous shareholders' resolution, up to a maximum amount respectively equal to Euro 3.5 million.

These repurchase plans, authorised by the Bank of Italy from time to time in accordance with the provisions of the relevant regulations, are aimed at

a) operating in the market, through intermediaries, to support the liquidity of the Bank's stock;
b) establishing/maintaining the "Share Warehouse" from which BPAA shares may be obtained, e.g. for share exchanges in the event of corporate transactions and share or option rights for members of the Board of Directors and employees in accordance with the provisions of the Remuneration Policy adopted by the Bank from time to time;
c) purchasing treasury shares for the purposes set out in Art. 5 of Regulation (EU) no. 596/2014 (Market Abuse Regulation or MAR) - i.e. the fulfilment of the obligations deriving from share option programs or other assignments of shares to employees and corporate officers or any other purpose that may be contemplated by this regulation in the pro tempore version in force - and / or for the purposes contemplated by market practices accepted pursuant to art. 13 MAR, under the terms and conditions that may be decided by the Board of Directors.

In relation to the purpose referred to in subparagraph a) above, it should be noted that in order to ensure maximum transparency and correctness of market behaviour, Consob requires that transactions involving the purchase and sale of treasury shares are carried out, on the basis of a service contract oriented towards the market practices accepted by the Authority, by an experienced third party intermediary (the "Liquidity Provider") which operates independently, within the limits of the resources transferred to it by the issuer under a mandate agreement. To this end, on 25 October 2019, the Bank signed a mandate agreement with the liquidity provider Equita SIM Spa - which is subsequently renewed on an annual basis - "inspired by the principles" contained in market practice no. 1 as per Consob resolution no. 21318/2020, in implementation of which, the agent, within the limits of the resources transferred to it by the Buyback Fund, intervenes on the Vorvel market to support the liquidity of BPAA shares. In view of the entry into force of the new Vorvel Equity Auction Regulation on 1 January 2024, the Bank terminated the mandate contract in force and signed a new contract with Equita Sim SpA communicating it to the market on 18 December 2023.

Starting from 8 November 2019, for shares put up for sale on the trading platform, the specialist operator Equita SIM Spa, registered with the mobile property intermediation company Register held by Consob under no. 67, acts as liquidity provider, based on methods and assignment limits granted by the Bank. The disclosure to the market was provided on the emarketstorage.com website and by publication on the Bank's website.

In the period from 8 November 2019 to 31 December 2023 (value date 27 December 2023) Equita SIM Spa intervened on the Vorvel market by purchasing a total of no. 1,022,737 BPAA shares. In this regard, it is specified that the activity of the Liquidity Provider remained suspended during the period of the extraordinary buyback operation, i.e. in the auctions from 30 June 2023 to 27 October 2023.

It should be noted that as of 31 December 2023 the Bank holds no. 2,362,914 treasury shares, deriving mainly from purchases made as part of the buyback operation and as part of the mandate to support the liquidity of the stock.

Each BPAA share entitles the holder to one (1) right to vote in the Shareholders' Meeting, except for treasury stock held by the Bank, for which the right is suspended. Voting rights are certified pursuant to Art. 83-sexies of the Consolidated Finance Act, based on deposit accounts, related to closure of the accounting day on the seventh market day open prior to the date set by the Shareholders' Meeting. Credits and debits recorded on accounts after that term do not count to legitimise exercising the right to vote in the Shareholders' Meeting.

Exercising the right to vote is not limited.

Volksbank is owned by a widespread shareholder base of approximately 56,000 shareholders. The considerable fragmentation of share ownership, the legacy of the form of governance which foresaw the capita vote and strict legal limiting for acquiring shares in co-operative banks results in the presence at the Shareholders' Meeting of a capital share that is, usually, relatively low with regard to the shareholders who only participate in person. Therefore, for corporate activities to take part in an orderly manner, voting proxies and the forms of joint representation of shareholder interests take on a certain importance and, in general, as does organisational simplification to take part and vote at the Meeting. On the proposal of the Board of Directors, the Shareholders' Meeting of 30 March 2019 introduced some amendments to the Articles of Association aimed at ensuring greater numbers of voting rights at the Shareholders' Meetings; from now on:

- the proxy to attend and vote may be conferred with a simple signature and no longer just to shareholders;
- Volksbank may have designated one or more independent third parties to whom the shareholders could confer a voting proxy with instructions in accordance with the procedures established by law for listed companies in Italy, without prejudice to the number of proxies exercisable pursuant to art. 2372, paragraph 6 of the (It.) Civil Code;
- Volksbank could organise the proxies and the participation and vote in the Shareholders' Meeting electronically.

It is understood that the directors, statutory auditors and employees of the Bank and its subsidiaries may not take on proxies.

The legitimacy of the right to participate and vote is certified by the custodian bank of the shares in favour of the person who has the right to vote pursuant to art. 83-sexies of the Consolidated Law on Finance.

For the purpose of exercising the vote, the holders of rights can aggregate - typically, depending on the specificity of the associated interests, in:

- an association of shareholders: it exercises the voting proxies obtained from its members;
- a shareholder voting agreement (voting syndicate): it expresses the vote agreed by a majority;
- a vote holding company: voting is decided by the Board of Directors of the holding company.

On 18 November 2019, the Bank was notified of the existence of a shareholders' agreement between some shareholders with commitment for consultation and vote in the Shareholders' Meetings, to define some limits to the circulation of Volksbank shares owned by the associates and establish terms and methods for other shareholders requesting it to adhere to the agreement (the "Agreement").

Within the terms set forth in the Notice of call, a list of candidate directors (the "List") was presented, which was the only validly filed list of candidates, from which all the directors of the Board of Directors 2023 - 2025 were drawn, with the vote of the Shareholders' Meeting held on 1 April 2023.

As far as the Bank knows, when this document was drafted, the voting rights held directly or indirectly by the shareholders singly or aggregated in forms permitted by law, do not reach any relevant threshold for Supervisory purposes.

1.12.2 THE SHAREHOLDERS' MEETING

The call of the Shareholders' Meeting is published with an advance notice of at least twenty (20) days, as per the Articles of Association. The Meeting is normally held, by legal and statutory methods, in a single call in ordinary and extraordinary session and is, in a single call, validly constituted whatever the part of share capital present in ordinary and extraordinary session when at least 1/5 of voting rights are present or represented or, on share capital subscribed to and paid up of EUR 201,993,752, divided into number 50,498,438 shares, when at least 10,099,688 rights are present. The high number of voting rights required for the valid constitution of an extraordinary Shareholders' Meeting reflects concerns that an adequate quorum be reached and the importance of establishing proxies and correct organisation in the interests of shareholders for the orderly management of the company.
The Articles of Association allow for multiple convocation of the Shareholders Meeting, at the discretion of the Board of Directors. In that case, with special constitutional and decision-making quorums; and a reinforced quorum regulates matters indicated in art. 16, paragraph 3 of the Statute.
The Shareholders' Meeting adopts resolutions openly, by a majority of the established voting rights, with the exception of the appointment of the Board of Directors and the Board of Statutory Auditors, which takes place by list voting in accordance with the procedures established in the articles of association: art. 21 for the Board of Directors and in Art. 33 for the Board of Statutory Auditors.
Corporate bodies serve for three year terms, with the terms of office under way in 2023 expiring:
- for the Board of Directors, upon approval of the financial statements for the year ending 31st December 2025;
- for the Board of Statutory Auditors, upon approval of the financial statements for the year ending 31st December 2024.

Lists of candidates for the election of directors and statutory auditors are validly submitted, in accordance with legislation, including regulatory and statutory provisions governing the matter, with signature authenticated by a Notary or signed in Volksbank, in the presence of employees authorised to receive it, of shareholders who, together, hold voting rights equal to at least one per cent (1%) of share capital. The threshold of voting rights (capital) necessary and sufficient for the presentation of a list of candidates (directors or statutory auditors) is represented by 504,984 Volksbank shares.
To present candidate lists, the shareholders consult the articles of association, the Shareholders' Meeting regulation, the regulation of time availability and limits to the accumulation of roles in third-party companies, and the appointing Meeting notice of call, as well as documents published on the Bank website when Bank Bodies are renewed.
For the purposes of the criterion for drawing from the lists of candidates to form the Board of Directors or the Board of Statutory Auditors, the list that obtains the highest number of votes at the Shareholders' Meeting is considered the "majority" list, while the second and third most voted lists for the election of the Board of Directors or the second most voted list for the election of the Board of Statutory Auditors are deemed to be the "minority" list when they have obtained a vote of at least one per cent (1%) of share capital.

1.12.3 THE SIZE PROFILE AND GOVERNANCE MODEL OF THE BANK

NOTES ON SIZE PROFILE

Volksbank is a commercial retail bank for families and small and medium-sized enterprises. Established in South Tyrol through the merger of the three local credit cooperatives dating back to the second half of the 1800s, as at the end of 2023 it operates with a distribution network in the Northeast of 170 branches integrated into an advanced multi-channel system for the use of banking services.
Volksbank is the issuer of financial instruments that are widely distributed among the public, traded on the multilateral trading facility Vorvel.
It is subject to surveillance by the Bank of Italy in the context of guidelines and supervision in any case under the responsibility of the European Central Bank. As the issuer of widespread financial instruments, the Bank is required to comply with the related obligations set out in the Consolidated Finance Act (It.) Legislative Decree no. 58/1998) and by the Issuers' Regulations (Consob Regulation no. 11971/1999).

As part of the harmonisation process of banking supervision at European level with the entry into force in 2014 of the Single Supervisory Mechanism (SSM), Volksbank is one of the "*Less Significant Institutions*", which remain subject to the supervisory powers of the National Authority.
With the issue of the 35th update of Circular no. 285/2013, the Bank of Italy replaced Chapter 1 of Part One, Title IV, containing the supervisory provisions on "Corporate Governance", making, inter alia, changes to the quantitative criteria for classifying banks (larger banks and banks of operational complexity, intermediate banks and smaller banks). These changes have no impact on Volksbank which, with 11.95 billion in total assets (assets are now calculated as the average of the four years immediately preceding the current financial year), falls into the category of "intermediate banks", i.e. banks with assets of between 5 billion (compared to 3.5 billion previously) and 30 billion.
Volksbank applies the traditional type of corporate governance system, characterised by the presence of a Board of Directors (which has the function of strategic supervision and management) and a Board of Statutory Auditors which performs the audit function; supervision of current activities is exercised by the General Manager, who represents the top of the Bank's internal structure.

CORPORATE GOVERNANCE MODEL

Quality of organisational and corporate governance design is an essential requirement for ensuring that the Bank is managed in a *sound and prudent manner*, that it is capable of generating profitability, and that it can foster the confidence of its economic partners. Based on the assumption of *sound and prudent management*, the Bank of Italy establishes the general principles and application lines for enhancement of governance structures, with particular attention to the:

- financial structure and the relationship with its owners;
- configuration and functioning of corporate bodies;
- requirements for company officers and the role of directors;
- organisational architecture and monitoring of internal controls and risk management;
- control of conflicts of interest;
- remuneration and incentive policy;
- fight against money laundering and terrorist financing;
- disclosure obligations to investors and the market.

The governance regulations of Volksbank are based on Articles of Association and on the organisational and corporate governance project. The latter is considered as the group, updated from time to time, of Company control documents based on Supervisory guidelines and provisions.
With the issue of the 35th update of Circular no. 285/2013, some provisions were introduced to strengthen the governance structures, which include, ***inter alia***, gender diversity in the administration and control bodies; the extension of the non-delegable powers of the Board of Directors; strategic planning profiles; accountability for standards of ethical conduct; the command documents under the purview of the Board.
Volksbank adopts the so-called "traditional" corporate governance model which prescribes the corporate Bodies and the functions they are called on to perform, in compliance with statutory and banking Supervision regulations, in:

- a Board of Directors which defines the strategic lines and objectives, monitors their implementation and supervises the management of the Bank (body in charge of strategic supervision and management);
- a Board of Statutory Auditors which monitors compliance with regulations, the adequacy of the organisational structure and the proper administration of the Bank.

THE BOARD OF DIRECTORS

Pursuant to art. 28 of the Articles of Association, the Board of Directors is responsible for strategic and management supervision and is vested with all powers of ordinary and extraordinary administration for the pursuit of the corporate object, without prejudice to the requirement for specific authorisation in the cases required by law, and without prejudice to acts that come within the competence of the Shareholders' Meeting.

The strategic Supervision involves the definition of the Group's strategic guidelines and objectives and the verification of their implementation and includes, in particular:

- the commercial model;
- the Business Plan;
- the risk objectives, their relation with the Business Plan and the external context, and the risk governance policies;
- the guidelines of the internal control and risk management system, such as to ensure that the main Bank risks are correctly identified and adequately measured, managed and monitored in order to assess their compatibility with business management consistent with the strategic objectives;
- the direction and coordination guidelines of the subsidiaries;
- operations and measures of strategic importance and which cannot be delegated.

The Board of Directors is also responsible for taking decisions concerning the design of the organisational structure and the verification of its adequacy and appropriateness with respect to the Bank's size profile, as well as the conduct of operations in the area of:

- the Bank's organisational, administrative and accounts structure;
- the delegation and the directional information flow systems;
- the risk management process and IT security;
- The internal control system;
- the process for introducing services, products and new activities and for entering new markets;
- policy for the outsourcing of corporate functions;

Management supervision includes monitoring and coordination of guidance and verification area to ensure:

- internal consistency between decisions in the Business Plan, RAF, risk objectives, ICAAP, budget and internal control system;
- the consistency between supply of capital, liquidity reserves and risk appetite, risk governance policy and resulting management processes.

With the issue of the 35th update of Circular no. 285/2013, the powers of the body with strategic oversight function that cannot be delegated were extended to cover the main command regulations and crisis management.

Operational management is controlled, pursuant to law and the articles of association, by the General Manager who supervises the internal structure, executes board resolutions and exercises current activities based on guidelines and within limits of powers established by the Board of Directors.

The system of proxies assigns management powers

- by categories of deeds, to the operational structure and
- on the granting of credit, in particular, to executive directors organised in the Credit Committee, to operating structure committees (e.g. internal credit Committees) and employees individually.

The Delegated Functions take care of the activities with executive powers according to the guidelines and objectives set by the Board and report to the Board, also for aggregate amounts, on the powers exercised.

<u>The number of directors</u>. Pursuant to art. 20 of the Articles of Association, the Board of Directors may consist of a minimum of nine and a maximum of twelve directors, elected by the Shareholders' Meeting for a period not exceeding three years. Directors may be re-elected. The number of directors to be elected is determined by the Shareholders' Meeting in the year preceding the appointment, on proposal of the Board of Directors in compliance with the Supervisory instructions and in accordance with the procedures set out in the Supervisory Provisions, Circular 285/2013.

The proposal is based on the self-assessment carried out by the Board of Directors with regard to the body's composition deemed optimal.

<u>The professional qualification of directors</u>. The Shareholders' Meeting of 1 April 2023 elected the directors for the 2023 - 2025 term with a list vote governed by articles 20 and 21 of the Articles of Association. Directors must hold the position requirements established by the law, by bank supervision provisions and by the articles of association and have the "competence" and "time" appropriate to the *professional diligence* required by the position.

In preparing the lists of candidates, the promoting members take into account the requirements and suitability criteria established by the legislation, including regulatory provisions, in force pro tempore as well as the provisions of the Articles of Association.

Without prejudice to the possession of the aforementioned requirements and criteria, the quality of the Board of Directors as a whole is given, among other things, by the balanced combination of skills and professional paths, appropriately diversified between the individual directors, who are in any case asked to contribute with independent judgment and analytical and evaluation skills to resolutions in all areas of the board's remit.
Furthermore, personality factors of the individual directors and dynamics that can facilitate the effective performance of the tasks entrusted to them as well as an appropriate degree of diversity of the group of directors (e.g. in terms of gender, culture, age, seniority in office and geographical origin) also contribute to the high quality profile of the Board of Directors.
In order for the Shareholders to be able to select and appoint suitable members of the Board of Directors for the various duties concerned, the sector regulations also require "each body" to identify in advance its optimal qualitative and quantitative composition in order to facilitate the search for suitable individual profiles and their optimal collegial combination.
The results of this analysis are brought to the attention of the shareholders in sufficient time for the information to be taken into account during the process of selection and appointment of the candidates.
This remains without prejudice to the possibility for members to carry out their own assessments on the optimal composition of the Board of Directors and to present candidatures consistent with these, justifying any differences compared to the analyses carried out by the outgoing Board.
The document "optimal qualitative and quantitative composition" – guidelines for Members on the appointment of the Board of Directors for the three-year period 2023 - 2025 – was approved by the outgoing administrative body on 10 February 2023 and published on the Bank's website.
The "Optimal qualitative and quantitative composition" takes into account the provisions of the Regulation on the diversity of the Board of Directors, introduced in order to define and formalise certain criteria and objectives to be considered to encourage the achievement of an appropriate level of diversity within the Board of Directors, in accordance with the provisions of the legislation, including regulations, in force at the time, the statutory provisions, and sector best practices.
As part of the process of assessing the suitability of the members, the Board of Directors compares the composition deemed optimal with the actual one resulting from the appointment process, fully justifying any deviations. The results of this are made known to the members.
In addition to specific induction sessions aimed at facilitating the induction of newly appointed corporate officers, the Bank periodically organises further in-depth sessions (so-called continuous training), in order to consolidate the skills/knowledge required to perform the role knowledgably.
Roles in the Board of Directors.
Directors are required to act in an informed manner and make collective decisions, each with full autonomy of judgement.
The chairman is required to ensure the effective functioning of corporate governance and the effectiveness of Board discussions so that the decisions that the Board takes are the result of a genuine dialectic process, based on the informed and reasoned contribution of all directors.
Executive directors are organised in Board committees with executive mandates for the granting of credit.
Non-executive directors shall participate in the Board's resolution process with specialist expertise, in particular to analyse the risk associated with major decisions.
Independent directors are non-executive directors who have been formally assessed as meeting the independence requirements established from time to time by the sector regulations and by the Articles of Association. They participate in Board discussions on potential conflicts of interest with authority and autonomy that is not influenced by relations with the Bank or persons connected with the Bank.
The Board of Directors establishes:

- the Risk Committee (CR) – art. 30 of the Articles of Association- assists the Board of Directors with risk assessment and matters relating to the internal control system;
- The Committee of Independent Directors (CiD) - articles of association, art. 28, paragraph 2, letter (l) - which handles the risk mitigation procedures pursuant to and for the purposes of the company regulations implementing the legislation on transactions with related parties and shareholdings that can be held; it also assists the Board of Directors in which sector regulations to delegate to the Remunerations Committee and the Appointments Committee, the establishment of which is not mandatory for intermediate banks;

- The Credit Committee (CC) - articles of association, art. 31, paragraph 2 - which exercises deliberative powers regarding the granting of credit to facilitate the discussion of the board agenda, through the reduction of the discussion of loan procedures to the advantage of the strategic direction activities of the plenary meeting of directors. The aforementioned powers are exercised within the limits of the executive delegations granted to him by the Board to which he reports at the first available meeting. As a result of the appointment, the members of the Credit Committee assume the status of "executive" directors. The Credit Committee also advises the Board of Directors in matters regarding credit operations within the latter's competence. It is made up of three to five directors, one of whom comes from the Veneto Region; the General Manager is also a member of the Credit Committee with voting rights.

The appointments of the members of the Committees are normally decided in the first board meeting held after the appointment of the directors or, during the mandate, when their replacement becomes necessary or appropriate. The resolution appoints the chairpersons of the Committees from among their members and defines the methods for replacing them in the event of impediment or absence.

The Committees remain in office for the duration of the mandate of their members.

The members of the Committees are required to have (even general) knowledge, skills and experience in the matters pertaining to the respective Committees. The directors accept appointment to the Committees if they believe they can dedicate the time necessary to effectively carry out their duties.

Each Committee has a secretariat in the Bank's internal functions/departments who provides the documentation and information required for the committee to effectively perform its duties.

The role and organisation of the Committees are governed in detail by the respective internal regulations, approved by the Board of Directors and updated from time to time.

For more information on the *pro tempore*composition of the corporate bodies and committees, please refer to the document "Information on corporate governance" published on the Bank's website.

The Board of Directors (appointed by the Shareholders' Meeting of 1 April 2023)

Number of components	9 directors
Number of meetings (2023)	17 (*)
Gender balance	6 M and 3 F
Average age	50 years old
Average years in office	8 years
Directors drawn from minority lists	no minority lists were submitted

The 2023 Board Committees (appointed by the Board of Directors of 1 April 2023)

Risks Committee	
Number of components	4 non-executive directors, of whom 3 are independent
Number of meetings	24
Committee of Independent Directors	
Number of components	3 independent non-executive directors
Number of meetings	15
Credit Committee	
Number of components	4 Executive Directors
Number of meetings	20

(*) 4 meetings relating to the previous Board of Directors in office until the approval of the financial statements as at 31 December 2022.

Self-assessment by the Board of Directors

In accordance with the provisions of the Bank of Italy's Supervisory Provisions - Circular no. 285/2013, in the last months of 2022/at the beginning of 2023, the Board of Directors carried out its annual self-assessment with the support of a specialised consultancy firm.
As part of this process, the information needed for the assessment was collected by means of a questionnaire, followed by individual in-depth interviews with the interested parties in order to gather further insights.
During the meeting of 20 January 2023, the Board of Directors discussed the results of the analyses carried out, subsequently drafting a specific final document while also taking into account the *"Guidelines of the Bank of Italy on the composition of the Board of Directors of less significant institutions"* published on 29 November 2022.
The self-assessment referring to the 2022 financial year confirms the proper functioning and dynamics of the Board of Directors. This was also demonstrated by the fact that the answers provided by the directors were generally an improvement compared to what was found during the self-assessment referring to the financial year 2021. The self-assessment also made it possible to identify some elements to strengthen the efficiency of the Board of Directors in the future, in line with the continuous improvement action undertaken by the new governance of the Bank.
Based on the results of the self-assessment process referring to the year 2022, while also taking into account the experience gained during the expiring three-year period and the reflections made on the aforementioned *"Guidelines of the Bank of Italy on the composition and functioning of the boards of directors of LSI"*, the outgoing Board of Directors prepared the document *"Optimal qualitative and quantitative composition of the Board of Directors"* in order to facilitate the process of:
a) search for appropriate individual profiles and
b) their optimal collegial combination
such that the Board of Directors appointed for the three-year period 2023 - 2025 by the next Shareholders' Meeting for the approval of the financial statements as at 31 December 2022 has the prerogatives to best perform the tasks of "head of the strategic supervision and management" in relation to the Bank's operational and dimensional characteristics and in a particularly challenging transition context of the reference sector.
The results of these analyses, approved by the Board of Directors on 10 February 2023, were brought to the attention of Volksbank's shareholders in good time and published on the bank's website so that the candidates to be nominated can take into account, in particular, the professionalism/characteristics indicated therein, as well as by the proper board composition decided on by the expiring Board of Directors.
The self-assessment referring to the 2023 financial year did not bring to light critical issues in any of the sections assessed, confirming the proper functioning and dynamics of the Board of Directors. This was also demonstrated by the fact that the answers provided by the directors were generally an improvement compared to what was found during the self-assessment referring to the financial year 2022.

THE BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors supervises compliance with the legislation governing the activities of Volksbank and the proper administration and adequacy of the Bank's organisational, administrative and accounting structure.
The Board of Statutory Auditors is required to report to the Bank of Italy on matters it becomes aware of when exercising the mandates provided for in art. 34 of the Articles of Association, where such facts may constitute an irregularity in Bank management or, in general, an infringement of the rules governing proper banking conduct.
The incumbent Board of Statutory Auditors was elected by the Shareholders' Meeting of 31 March 2022 for the three-year term 2022-2024. Its mandate expires with approval of the financial statements for the year ending 31st December 2024.

The Board of Statutory Auditors (appointed by the Shareholders' Meeting of 31 March 2022)	
Number of components	3 standing auditors, 2 alternate auditors
Number of meetings (2023)	27
Gender balance	2 M and 3 F
Age – standing auditors (average)	50 years old
Length of office – standing auditors (average)	5 years
Statutory auditors drawn from the minority list	no minority lists were submitted

Board of Auditors Self-assessment

In accordance with the provisions of the Bank of Italy's Supervisory Provisions - Circular no. 285/2013, in January and February 2024, the Board of Statutory Auditors carried out its self-assessment with reference to the 2023 financial year with the support of an external consultant.
At the end of this process, overall the auditors did not detect any specific critical issues in the functioning and composition of the Board of Statutory Auditors.

1.12.4 THE REFORM OF ART. 26 OF THE CONSOLIDATED BANKING ACT (TUB)

The Italian Consolidated Banking Act (Legislative Decree 385/1993) provides in art. 26 provides that persons performing administrative, management and control functions at banks must be suitable for the performance of their duties and grants the Minister for the Economy and Finance a mandate to identify, by means of a decree adopted following consultation with the Bank of Italy, the requirements and eligibility criteria to be met by the officers, the limits on the number of positions they may hold in third party companies, the grounds on which they may be temporarily suspended from office and the duration of any such suspension, and the cases in which the requirements and eligibility criteria also apply to the heads of the main corporate departments in major banks.
On 15 December 2020, the decree of the Minister of Economy and Finance was published in the Official Journal containing the regulation on the requirements and criteria for suitability for carrying out the duties of the corporate officers of the banks, the provisions of which were applied in full to the appointments made after the date of its entry into force.
The main changes in the decree, compared to the superseded regulatory framework of 1998, are inspired by the guidelines of the European Central Bank (*Guide to fit and proper assessments - May 2017*) and propose some new parameters for the suitability of corporate officers, including:

- new criteria for propriety, independence, and independence of judgement, in addition to good repute requirements;
- greater professionalism and competence, based on the principle of proportionality in relation to the size of the Bank;
- an exhaustive indication of the criteria of independence, under penalty of forfeiture of office;
- stricter criteria for assessing the commitment of company representatives, including their availability and the time they intend to dedicate to their mandate and stricter limits the holding of multiple positions;
- a review of the criteria for adequacy of the Board's collegiate composition.

The regulation significantly strengthens the standards of suitability of officers, partly by raising the requirements already envisaged by the previous regulations but above all through the introduction of new profiles (fairness, competence, independence of judgment, availability of time, limits on the accumulation of offices and search for a balanced collective composition by factors of diversity and complementary skills).

1.12.5. INTERNAL CONTROLS RELATED TO ACCOUNTING AND FINANCIAL REPORTING

The Internal Control System for corporate reporting can be understood as a process that, as it involves multiple corporate functions, can provide reasonable assurances as to the reliability of financial reporting, the reliability of accounting documents, and compliance with applicable legislation.

There is a close and clear correlation with the risk management process, which is the process of identifying and analysing those factors that may compromise the achievement of the company's objectives, in order to determine how these risks can be managed. In fact, an appropriate, effective risk management system can mitigate any negative effects on the company's objectives, including the reliability, accuracy, reliability and timeliness of accounting and financial information.
In order for the Bank to establish and maintain an adequate system of control over corporate reporting and assess its effectiveness, a comparative model must firstly be identified to which reference can be made. It must generally be accepted, rigorous, complete and therefore serve as a guide to proper implementation and evaluation of the control system.
The presence of an adequate system of administrative and accounting procedures and its proper functioning over time is verified according to specific methodologies defined in internal regulations and is partly achieved by the appropriate organisational unit established for this purpose, and partly by the same unit with the support of other corporate functions.
The scope of analysis must also take account of the components of the internal control structure at company level that affect financial reporting; these controls operate across the single line business processes.
Below please find a description of the main characteristics of the existing risk management and internal control systems in relation to the financial reporting process.

Identification of risks on financial reporting

Risks are identified primarily by analysing the risks that reside alongside the business processes from which financial reporting originates.
This activity involves defining quantitative and qualitative criteria.
Significant processes identified are defined as such if associated with material data and information, i.e. accounting items for which there is no possibility that they could contain errors that could potentially have a significant impact on financial reporting.
In each significant process, the most significant "assertions" are also identified, again according to assessments based on risk analysis. Assertions in the financial statements consist of the existence, completeness, need and valuation of rights, obligations, presentations and disclosures. The risks are therefore associated with the possibility that one or more assertions in the financial statements are not correctly recognised, with a consequent impact on reporting.

Assessment of financial reporting risks

Risk assessment is performed both at the overall corporate level and at the level of the specific process. The first category includes, with particular regard to financial reporting, risks of fraud and risks of IT systems functioning incorrectly or of failure to separate functions. At process level, the risks associated with financial reporting (operational errors, underestimation or overestimation of items, inaccurate reporting, etc.) must be analysed at the level of the activities making up the processes.
An assessment of relevant risks and controls associated with the critical processes of the Financial Reporting Officer is conducted using a risk-based approach, which has as a fundamental prerequisite the precise mapping of company processes.
The potential risk index is a summary assessment of the single risk event, the occurrence of which could cause direct/indirect economic and financial damage, damage to assets, sanctions, or damage to the company's reputation. It is recognised as part of the process and is independent of existing controls. The risk index is assessed on the basis of the intensity of potential damage and its frequency, i.e. the number of times the risk may occur. A combination of intensity and frequency gives rise to an indication of an inherent or potential risk.

Identification of controls for the identified risks

In the first instance, the focus centres on controls at company level that can be linked to data/information and the relevant assertions, identified and evaluated by monitoring the impact both at process and general level.
Company-wide controls can prevent or detect any significant errors although they do not operate at the process level.
Having adopted a “risk based” approach, determination of critical processes and, within them, of accounting risks at process level, guides the analysis and involves the subsequent identification and evaluation of controls, which can mitigate the level of inherent risk and bring the residual risk within acceptable levels.

Assessment of controls in response to identified risks

An assessment of the control system used is carried out based on various elements: virtuous controls; timing and frequency; adequacy; operational compliance; organisational evaluation. An overall analysis of the controls of each risk is defined independently as a synthesis of the process of assessing the level of adequacy and compliance of the controls. These analyses summarise subjective considerations regarding the effectiveness and capacity of controls to control single risks. The overall assessment of risk management may be broken down into assessments of existence, adequacy and compliance.
The risk assessment process ends with a determination of the level of residual risk as a value resulting from application of the overall assessment of controls in relation to the inherent risks.
Information flows with the results of assessments are made available to the administrative bodies on a half-yearly basis as operating reports of the Financial Reporting Officer. These reports include: the results of determination of the critical scope of analysis, identification of accounting risks with related final valuation scores, a focus on the deficiencies and points for improvement detected and the relevant mitigation procedures, together with a summary of the adequacy and effectiveness of controls at the company level.
The Financial Reporting Officer is essentially at the top of the system overseeing the drafting of financial reporting. In order to pursue his mission, the Financial Reporting Officer has the power to lay down the organisational guidelines for an adequate structure within his remit.
Various company departments contribute to providing economic and financial information. Accordingly, the Financial Reporting Officer must establish a systematic and fruitful relationship with these offices.
The Board of Directors is responsible for ensuring that the Financial Reporting Officer has adequate powers and means to perform the tasks assigned to him, as well as ensuring actual compliance with administrative and accounting procedures.
The Financial Reporting Officer is required to inform the Board of Statutory Auditors promptly if any problems of an accounting, asset and financial nature arise.
The above model is being progressively refined as part of a project to formalise the administrative, accounting processes and relative controls. The subsequent integration of processes and controls in a specific application will enable the financial information controls system to evolve towards better management of growing company complexity.
The model used during 2023 is believed to provide sufficient guarantees for correct accounting and financial reporting. It should be noted, however, that we cannot be certain that dysfunctions or anomalies with an impact on accounting and financial reporting cannot occur, even if the internal control systems are established and functioning correctly.

1.12.6 THE INDEPENDENT AUDITING FIRM

The Shareholders' Meeting of 30 March 2019 appointed, pursuant to Art. 13 Legislative Decree 39/2010 based on a motivated proposal by the Board of Statutory Auditors, the company KPMG S.p.A. to conduct the independent auditing of the accounts of Banca Popolare dell’Alto Adige S.p.A. for the financial years 2019 – 2027, within the terms and under the conditions contained in the Board Report for the Shareholders’ Meeting decision.

1.12.7 MANAGEMENT OF CONFLICTS OF INTEREST AND RELATED-PARTY TRANSACTIONS

The "Group Regulation for management of Transactions with related parties and connected Subjects" updated by the Board of Directors on 19 May 2023 sums up, in a single body of rules:

- prudential limits on risk activities by an individual related party;
- the constraints of overall exposure to all connected parties: the determination of the maximum ceiling is defined in the Risk Appetite Framework;
- procedures for the identification, approval and execution of transactions with related parties and internal rules to ensure the transparency and substantive and procedural propriety in making decisions on transactions, together with procedures for the fulfilment of public disclosure obligations, financial reporting requirements, and any other reporting requirement established by applicable legislation, including regulatory provisions;
- supervision of transactions in which an employee is a bearer of his own interest or of that of third parties, even when not in conflict with that of the BPAA;
- internal policies for controls on risk activities and conflicts of interest involving related parties;
- the responsibilities of the corporate departments involved.

The Regulation illustrates the procedures that, in compliance with Consob and Bank of Italy rules and regulations, the Bank adopts to identify the "related parties" and their "connected" parties and to oversee the transactions carried out with related and connected counterparties and ensure compliance with the prudential limits for risk activities in relation to such transactions. This safeguard is designed to capture the risk that any proximity of certain parties to the decision-making centres could compromise the objectivity and impartiality of decisions on the granting of loans and other transactions with such parties, with possible distortions in the resource allocation process and the consequent exposure of the Bank to risks that are not adequately measured, to the potential detriment of depositors and shareholders.

The Bank uses IT systems for the automatic acquisition and reporting of the agreements and transactions entered into with the counterparties, Related Parties and Connected Subjects, identified in accordance with the Implementation Regulations of the Consob and Bank of Italy Provisions.

For further details on the management of transactions with related parties and connected persons, please refer to the documentation available on the Bank's website in the corporate-governance-documents section.

1.12.8 REMUNERATION POLICIES

On 18 November 2014, the Bank of Italy supplemented the Supervisory Provisions for Banks (Circular no. 285 of 17 December 2013) with a new chapter on remuneration and incentive policies, implementing the European Directive 2013/36/EU (CRD IV). In particular, the 25th update of the Circular, published on 23 October 2018, introduced a series of provisions mainly aimed at adapting the Italian regulatory framework to the EBA Guidelines on sound remuneration policies. The 37th update of the Circular published on 25 November 2021, implemented the changes introduced by Directive 2019/878/EU (CRD V) on this matter and the Guidelines of the European Banking Authority implementing the Directive (EBA/GL/2021/04).

Starting from 2015, Volksbank has therefore launched an annual review process of the Remuneration Policies in order to guarantee the constant update and regulatory adaptation thereof. On 1 March 2023, the Shareholders' Meeting approved the text of the Remuneration Policies, updated due to the changed regulatory context mentioned above, with the goal of pursuing its medium- and long-term company objectives.

In particular, the Remuneration Policies in force include a bonus and incentive system anchored to the long term performance of "key personnel" who have a greater impact on Bank risk. Therefore, in compliance with European legislator principles and Bank of Italy regulations, the Remuneration Policies applied by Volksbank foresee payment of a part of variable remuneration in the form of financial instruments, deferment over time of a part of those variable payments, the prohibition to sell (for a set period of time) the financial instruments paid and a series of ex post corrective mechanisms, if the performance assumptions the remuneration received are based on prove to be wrong or, in worse cases, depended on the non-compliant conduct (or even fraudulent) of beneficiaries - so-called malus and claw-back mechanisms.

Neutrality of the gender pay system

With reference to paragraph 4 of the Remuneration Policies "Gender neutrality of the remuneration system" or in compliance with national legislation and the most recent EBA Guidelines on sound and prudent remuneration policies, Volksbank aims to ensure, at the same of activity carried out, that the personnel have an equal level of remuneration, also in terms of conditions for recognition and payment.
In terms of remuneration, therefore, Volksbank adopts the principle of neutrality which is duly set out in the annually reviewed remuneration and incentive policies. Therefore, objective and uniform criteria are applied for the assessment and disbursement of remuneration in compliance with the provisions of the remuneration policies applied by the Bank and the underlying code of ethics. In particular, the Bank's remuneration policies envisage and regulate a variable part of the remuneration linked to the achievement of individually assigned objectives which also take into account the professional profile covered by individual employees and, consequently, the responsibilities assumed by them.
Specifically, the Volksbank Board of Directors - on the proposal of the Committee of Independent Directors and with the support of the Human Resources department- launched a formal process aimed at pursuing the highest level of pay parity within the structure.
This process, aimed at the entire corporate population, was launched in 2021.

With reference to the year 2023, as part of the analysis of best market practices (benchmarking) conducted in relation to the annual update and review of the remuneration policies applied in Volksbank, a precise process of analysis and evaluation of the gender pay was conducted gap (GPG) within the Bank. In this analysis, a statistical approach was used which divided the Bank's personnel into quartiles. In identifying the clusters, the personnel was sorted in ascending order from the lowest to the highest gross overall remuneration.
This approach was used on the basis of the indications contained in the EBA Guidelines "on benchmarking exercises on remuneration practices, the gender pay gap and higher ratios approved pursuant to directive 2013/36/EU" of 30 June 2022.
For the purposes of calculating any remuneration gaps, the Annual Gross Remuneration (RAL) and Annual Overall Remuneration (AOR) of the personnel was taken into consideration, which is calculated as the sum of the fixed component plus the variable bonus coming from the employee’s performance. The GPG was analysed with respect to the mean and the median data of each quartile. The results did not bring to light any critical issues. It should be noted that, compared to the average RGL, the indicative threshold of 5% is not exceeded: the first 1st quartile presents a figure of -4.40% and the 4th quartile of 3.87%. It was also noted that, especially with reference to the 2nd and 3rd quartile, the same median figure was between 1.08% and 3.97%.

1.12.9. INTERNAL CONTROL AND RISK CONTROL SYSTEM

On 18 November 2014, the Bank of Italy supplemented the Supervisory Provisions for Banks (Circular no. 285 of 17 December 2013) with a new chapter on remuneration and incentive policies, implementing the European Directive 201

CHANGES SINCE THE END OF THE FINANCIAL YEAR OF REFERENCE

Except for what was reported in “Part A of the Explanatory Notes, Section 3 – Events occurring after the date of reference of the financial statements”, no further changes to the governance structure need to be reported.

COMPANY REPORTING FORMATS

Balance Sheet

Assets and liabilities		31.12.2023	31.12.2022
(in EUR)			
10.	Cash and cash equivalents	132,670,583	1,063,322,866
20.	Financial assets at *fair value* through profit or loss	58,653,057	103,896,451
	a) financial assets held for trading	1,774,089	1,608,254
	b) financial assets designated at *fair value*	-	-
	c) other financial assets that must be measured at *fair value*	56,878,968	102,288,197
30.	financial assets measured at *fair value* through other comprehensive income	717,569,420	729,539,423
40.	Financial assets measured at amortised cost	10,376,748,655	10,515,057,702
	a) due from banks	245,172,714	181,590,462
	b) receivables from customers	10,131,575,941	10,333,467,240
50.	Hedging derivatives	-	-
60.	Value adjustment of hedged financial assets (+/-)	-	-
70.	Equity investments	4,362,010	4,339,450
80.	Tangible fixed assets	147,884,495	146,207,245
90.	Intangible fixed assets	13,600,431	14,576,571
	of which:		
	- goodwill	-	-
100.	Tax assets	126,346,004	138,188,423
	a) current	46,894,557	47,966,227
	b) anticipated	79,451,447	90,222,196
110.	Non-current assets and groups of assets held for sale	3,235,390	4,848,930
120.	Other assets	373,427,815	236,513,588
	Total assets	**11,954,497,860**	**12,956,490,649**

Liabilities and equity items		31.12.2023	31.12.2022
(in EUR)			
10.	Financial liabilities valued at amortised cost	10,626,740,679	11,788,026,227
	a) due to banks	889,151,607	2,628,753,865
	b) due to customers	9,017,823,164	8,759,381,566
	c) debt securities issued	719,765,908	399,890,796
20.	Financial liabilities held for trading	107,184	383,503
30.	Financial liabilities designated at *fair value* (IFRS 7 par. 8 lett. e))	-	-
40.	Hedging derivatives	4,964,943	-
50.	Value adjustment of hedged financial liabilities (+/-)	-	-
60.	Tax liabilities	46,851,980	29,919,529
	a) current	41,875,686	28,863,357
	b) deferred	4,976,294	1,056,172
70.	Liabilities associated with assets held for sale	-	-
80.	Other liabilities	288,757,446	240,397,398
90.	Employee severance indemnities	12,411,268	12,742,904
100.	Provisions for risks and charges	50,696,872	23,973,950
	a) commitments and guarantees issued	8,674,927	9,829,176
	b) pensions and similar obligations	-	-
	c) other provisions for risks and charges	42,021,945	14,144,774
110.	Valuation reserves	(3,973,462)	(11,847,028)
120.	Redeemable shares	-	-
130.	Capital instruments	-	-
140.	Reserves	372,616,920	326,729,530
150.	Share premium reserves	275,887,768	298,773,829
160.	Capital	201,993,752	201,993,752
170.	Treasury shares (-)	(23,686,096)	(30,130,270)
180.	Profit (loss) for the year (+/-)	101,128,606	75,527,325
	Total liabilities and equity	**11,954,497,860**	**12,956,490,649**

Profit and Loss Account

Profit and Loss Account		31.12.2023	31.12.2022
(in EUR)			
10.	Interest receivable and similar income	448,284,277	237,543,697
	of which: interest income calculated according to the effective interest method	416,309,775	217,259,275
20.	Interest paid and similar charges	(172,768,887)	(27,521,449)
30.	**Interest margin**	**275,515,390**	**210,022,248**
40.	Commission income	114,899,632	112,271,291
50.	Commission expense	(14,495,684)	(11,658,203)
60.	**Net commission**	**100,403,948**	**100,613,088**
70.	Dividends and similar income	3,230,542	3,600,101
80.	Net result of trading	3,429,743	2,721,390
90.	Net result of hedging	4,136	-
100.	Profits (losses) on disposal or repurchase of:	(12,154,179)	4,924,540
	a) financial assets measured at amortised cost	(3,926,817)	2,334,065
	b) financial assets measured at *fair value* through other comprehensive income	(8,227,362)	2,590,447
	c) financial liabilities	-	28
110.	Net profit/loss from other financial assets and liabilities measured at *fair value* through profit and loss	922,527	(2,291,211)
	a) financial assets and liabilities designated at *fair value*	-	-
	b) other financial assets that must be measured at *fair value*	922,527	(2,291,211)
120.	**Net banking income**	**371,352,107**	**319,590,156**
130.	Net adjustments/write-backs on credit risk:	1,481,888	(22,144,708)
	a) financial assets measured at amortised cost	1,569,301	(21,844,440)
	b) financial assets measured at *fair value* through other comprehensive income	(87,413)	(300,268)
140.	Profits/losses from contractual amendments without write-downs	867,139	61,228
150.	**Net profit from financial activities**	**373,701,134**	**297,506,676**
160.	Administrative expenses:	(198,493,637)	(185,874,966)
	a) personnel expenses	(112,178,706)	(105,361,632)
	b) other administrative expenses	(86,314,931)	(80,513,334)
170.	Net provisions for risks and charges	(27,341,138)	(4,810,225)
	a) for credit risk relating to commitments and guarantees issued	1,154,249	(2,197,904)
	b) other net provisions	(28,495,387)	(2,612,321)
180.	Net adjustments/write-backs on tangible assets	(13,884,512)	(11,827,951)
190.	Net adjustments/write-backs on intangible assets	(989,421)	(1,105,966)
200.	Other operating charges/revenue	16,824,330	18,484,613
210.	**Operating costs**	**(223,884,378)**	**(185,134,495)**
220.	Profits (Losses) on equity investments	(97,201)	1,269,771
230.	Net result of measurement at *fair value* of tangible and intangible assets	-	-
240.	Goodwill value adjustments	-	-
250.	Profits (Losses) on disposal of investments	918,379	(56,933)
260.	**Pre-tax profit (loss) for the period from continuing operations**	**150,637,934**	**113,585,019**
270.	Income taxes on current operations	(49,509,328)	(38,057,694)
280.	**Profit (Loss) from current operations after tax**	**101,128,606**	**75,527,325**
290.	Profit (Loss) on discontinued operations after tax	-	-
300.	**Profit (Loss) for the year**	**101,128,606**	**75,527,325**

Statement of comprehensive income

Items *(in EUR)*		**31.12.2023**	**31.12.2022**
10.	**Profit (Loss) for the year**	**101,128,606**	**75,527,325**
	Other profit components net of taxes not reversed to the Profit and Loss Account		
20.	Equity securities designated at *fair value* through other comprehensive income:	(1,097,209)	645
30.	Financial liabilities designated at *fair value* through profit or loss (changes in credit rating)	-	-
70.	Defined benefit plans	(166,785)	2,375,010
	Other income net of taxes reversed to the profit and loss account		
140.	- Financial assets (other than equity securities) measured at *fair value* through other comprehensive income	9,077,459	(15,030,151)
160.	Share of valuation reserves of equity accounted investments	-	-
170.	**Total other income net of taxes**	**7,813,465**	**(12,654,496)**
180.	**Comprehensive income (Item 10+170)**	**108.942,071**	**62,872,829**

Statement of changes in shareholders' equity

Statement of changes in shareholders' equity from 1st January to 31st December 2023

(in EUR)	Balance as at 31.12.2022	Change in opening balances	Balance as at 01.01.2023	Allocation of result for previous year		Changes in the year								Shareholders' equity as at 31.12.2023
				Reserves	Dividends and other allocations	Reserve changes	Transactions on equity						Comprehensive income of year 2023	
							Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Variation to capital instruments	Derivatives on treasury shares	*Stock Options*		
Capital	**201,993,752**	-	**201,993,752**	-	-	-	-	-	-	-	-	-	-	**201,993,752**
a) ordinary shares	201,993,752	-	201,993,752	-	-	-	-	-	-	-	-	-	-	201,993,752
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserves	**298,773,829**	-	**298,773,829**	-	-	**(22,886,062)**	-	-	-	-	-	-	-	**275,887,767**
Reserves	**326,729,529**	-	**326,729,529**	**45,903,753**	-	**(16,363)**	-	-	-	-	-	-	-	**372,616,919**
a) of profits	326,622,966	-	326,622,966	45,903,753	-	(16,363)	-	-	-	-	-	-	-	372,510,356
b) other	106,563	-	106,563	-	-	-	-	-	-	-	-	-	-	106,563
Valuation reserves	**(11,847,026)**	-	**(11,847,026)**	-	-	**60,102**	-	-	-	-	-	-	**7,813,465**	**(3,973,459)**
Capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	**(30,130,270)**	-	**(30,130,270)**	-	-	-	**22,945,616**	**(16,501,441)**	-	-	-	-	-	**(23,686,096)**
Profit for the year	**75,527,325**	-	**75,527,325**	**(45,903,753)**	**(29,623,572)**	-	-	-	-	-	-	-	**101,128,606**	**101,128,606**
Shareholders' Equity	**861,047,139**	-	**861,047,139**	-	**(29,623,572)**	**(22,842,323)**	**22,945,616**	**(16,501,441)**	-	-	-	-	**108.942,071**	**923,967,488**

Statement of changes in shareholders' equity from 1st January to 31st December 2022

(in EUR)	Balance as at 31.12.2021	Change in opening balances	Balance as at 01.01.2022	Allocation of result for previous year		Changes in the year								Shareholders' equity as at 31.12.2022
				Reserves	Dividends and other allocations	Reserve changes	Transactions on equity						Comprehensive income of year 2022	
							Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Variation to capital instruments	Derivatives on treasury shares	*Stock Options*		
Capital	**201,993,752**	-	**201,993,752**	-	-	-	-	-	-	-	-	-	-	**201,993,752**
a) ordinary shares	201,993,752	-	201,993,752	-	-	-	-	-	-	-	-	-	-	201,993,752
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserves	**298,786,747**	-	**298,786,747**	-	-	**(12,918)**	-	-	-	-	-	-	-	**298,773,829**
Reserves	**284,004,937**	-	**284,004,937**	**41,215,965**	-	**1,508,627**	-	-	-	-	-	-	-	**326,729,529**
a) of profits	283,898,374	-	283,898,374	41,215,965	-	1,508,627	-	-	-	-	-	-	-	326,622,966
b) other	106,563	-	106,563	-	-	-	-	-	-	-	-	-	-	106,563
Valuation reserves	**2,375,681**	-	**2,375,681**	-	-	**(1,568,211)**	-	-	-	-	-	-	**(12,654,496)**	**(11,847,026)**
Capital instruments	-	-	-	-	-		-	-	-	-	-	-	-	-
Treasury shares	**(25,225,203)**	-	**(25,225,203)**	-	-	-	-	**(4,905,067)**	-	-	-	-	-	**(30,130,270)**
Profit for the year	**70,076,010**	-	**70,076,010**	**(41,215,965)**	**(28,860,045)**	-	-	-	-	-	-	-	**75,527,325**	**75,527,325**
Shareholders' Equity	**832,011,923**	-	**832,011,924**	-	**(28,860,045)**	**(72,502)**	-	**(4,905,067)**	-	-	-	-	**62,872,829**	**861,047,139**

Cash flow statement

A. OPERATING ACTIVITY *(in EUR)*	31.12.2023	31.12.2022
1. Management	**157,474,896**	**117,459,594**
- interest revenue received (+)	448,284,277	237,543,697
- interest expense paid (-)	(172,768,887)	(27,521,449)
- dividends and similar income (+)	3,230,542	3,600,101
- Profit/loss on hedging activities (+/-)	4,136	0
- net fees (+/-)	100,403,948	100,625,361
- personnel costs (-)	(111,970,308)	(105,139,483)
- other costs (-)	(89,513,904)	(83,795,020)
- other revenues (+)	29,314,421	30,204,082
- taxes and duties (-)	(49,509,328)	(38,057,694)
2. Cash generated/utilised by financial assets	**66,454,673**	**1,264,283,117**
- financial assets held for trading	3,263,908	2,754,054
- financial assets designated at *fair value*	-	-
- other assets necessarily measured at *fair value*	46,331,756	16,588,376
Financial assets measured at *fair value* through other comprehensive income	11,635,478	(61,357,505)
- financial assets measured at amortised cost	127,527,553	1,391,986,217
- other assets	(122,304,019)	(85,688,026)
3. Cash generated/utilised by financial liabilities	**(1,093,783,709)**	**(356,394,842)**
- financial liabilities measured at amortised cost	(1,161,285,548)	(350,073,315)
- financial liabilities held for trading	(276,319)	323,763
Financial liabilities designated at *fair value*	4,964,943	-
- other liabilities	62,813,215	(6,645,290)
Net cash provided by/used in operating activities	**(869,854,140)**	**1,025,347,869**

B. INVESTMENT ACTIVITY		
1. Cash flows generated by	**918,379**	**(56,933)**
- sales of equity investments	-	-
- dividends received on equity investments	-	-
- sales of tangible assets	918,379	(56,933)
- sales of intangible assets	-	-
- sales of business units	-	-
2. Cash absorbed by	**(15,694,804)**	**(20,479,301)**
- purchases of equity investments	(119,761)	2,208,084
- purchases of tangible assets	(15,561,762)	(22,679,400)
- purchases of intangible assets	(13,281)	(7,986)
- purchases of business units	-	-
Net cash generated/utilised by investment activities	**(14,776,424)**	**(20,536,235)**

C. FINANCING ACTIVITIES		
- issues/Purchases of treasury shares	6,444,174	(4,905,067)
- issues/Purchases of capital instruments	(84,716,695)	(72,501)
- distribution of dividends and other	32,250,801	(28,860,045)
Net cash generated/utilised by funding	**(46,021,720)**	**(33,837,613)**
NET LIQUIDITY GENERATED/ABSORBED DURING THE YEAR	**930,652,285**	**970,974,021**

RECONCILIATION	31.12.2023	31.12.2022
Cash and cash equivalents at beginning of year	1,063,322,866	92,348,846
Total net cash generated/utilised during the year	930,652,285	970,974,019
Cash and cash equivalents: effect of changes in exchange rates	-	-
Cash and cash equivalents at end of year	**132,670,581**	**1,063,322,865**

NOTES TO THE FINANCIAL STATEMENTS OF THE COMPANY

PART A ACCOUNTING POLICIES

A.1 GENERAL PART

Section 1 DECLARATION OF CONFORMITY WITH THE INTERNATIONAL ACCOUNTING STANDARDS

This financial statement was prepared in accordance with (It.) Legislative Decree of 28 February 2005 no. 38 and the accounting standards (IAS/IFRS) issued by the International Accounting Standard Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and approved by the European Commission as established by Community Regulation no. 1606 of 19 July 2002.

The financial statements were prepared applying the IAS/IFRS principles in force at the time of the financial statements, including the interpretative documents called SIC and IFRIC as approved by the European Commission.

The accounting principles adopted for the preparation of the financial statements, with reference to the phases of classification, recognition, measurement and derecognition of financial assets and liabilities, as well as the methods of recognition of revenues and costs, have not changed with respect to those adopted for the preparation of the 2022 Financial statements of Volksbank.

For an overview of the standards endorsed in 2023 or those endorsed in previous years, the application of which may be planned or permitted for 2023, reference should be made to the following "Section 4 - Other Aspects", in which the main impacts on the Company are also described.

In addition, the financial statements as at 31st December 2023 have been prepared on the basis of the "Instructions for the preparation of the company's financial statements and the consolidated financial statements of banks and financial companies parent company of banking groups" issued by the Bank of Italy on 22 December 2005 and subsequent updates. These instructions set out in a binding manner the format of the financial statements and the way in which they are drawn up, as well as the content of the Notes to the Financial Statements.

Section 2 BASIS OF PREPARATION

The financial statements consist of the Balance Sheet (statement of financial position), the Income Statement, the Statement of comprehensive income, the Statement of Changes in Equity, the Cash Flow Statement and the Notes to the Financial Statements and are accompanied by a report by the directors on operations, the economic results achieved and the financial position of Volksbank.

These financial statements have been prepared using the Euro as the reporting currency.

The amounts in the financial statements are expressed in Euros, while the figures in the tables in the Notes to the Financial Statements are expressed - unless otherwise indicated - in thousands of Euros.

In accordance with provisions applicable, the financial statements must be drawn up clearly and give a true and fair view of the financial position, the results of operations and the cash flows for the year. If the information required by international accounting standards and by the provisions contained in the above Circular is considered insufficient to give a true and fair view, the Notes to the Financial Statements provide the additional information needed for this purpose.

If, in exceptional cases, application of a provision of the international accounting standards is incompatible with a true and fair view of the financial position, the results of operations and the cash flows, it will not be applied. In this case, the reasons for possible derogation and its influence on the presentation of the statement of financial position, financial situation and economic result must be explained in the Notes to the Financial Statements.

The financial statements have been drafted in accordance with the following general principles:

- *Going concern*: the financial statements have been prepared on a going concern basis;
- *Accrual basis for accounting*: the financial statements are drafted in accordance with the principle of accrual, regardless of the settlement date;
- *Consistency of presentation*: the presentation and classification of items in the financial statements is constant

from one financial year to the next, except when a standard or an interpretation does not require a change in presentation or when another presentation or classification is deemed more appropriate taking into account the requirements of IAS 8. In the latter case, the explanatory notes provide information on the changes made with respect to the previous year;

- *Relevance and aggregation*: The balance Sheet and the Income statement include items (marked with Arabic numerals), sub-items (marked with letters) and further information (the "of which" of the items and sub-items). Items, sub-items and related information constitute the accounts of the financial statements. The formats comply with those defined by the Bank of Italy in the aforementioned Circular no. 262 of 22 December 2005 as updated. New items may be added to these schedules if their contents cannot be traced back to any of the items already provided for in the schedules and only if they are significant amounts. The sub-items provided for in the diagrams may be grouped together when one of the following two conditions is met:
  a. the amount of the sub-items is immaterial;
  b. the grouping favours the clarity of the financial statements; in this case, the Notes to the Financial Statements contain the sub-items covered by the grouping separately.

  The Balance Sheet and the Income statement do not present accounts that do not show amounts for either the year to which the financial statements refer or the previous year.
- *Prevalence of substance over form*: transactions and other events are recognised and presented in accordance with their substance and economic reality and not also taking into account their legal form;
- *Offsetting*: assets, liabilities, revenue and costs are not offset unless this is permitted or required by an international accounting standard or its interpretation or by the provisions of the above Bank of Italy Circular;
- *Comparative information*: comparative information relating to the previous year is provided for each account of the Balance Sheet and the Income statement, unless an accounting standard or interpretation does not allow or provides otherwise. The figures for the previous financial year may be suitably adjusted, where necessary, to ensure the comparability of information for the year in progress. Any non-comparability, adaptation or impossibility of the latter are indicated and commented on in the Explanatory Notes.

The Notes are divided into parts. Each part of the note is divided into sections, each of which illustrates a single aspect of management.

Uncertainties related to the use of estimates

The preparation of financial information also requires the use of estimates and assumptions that can have a significant effect on the values recorded in the Balance Sheet and the Income statement, as well as on the information relating to potential assets and liabilities recorded in the financial statements. The preparation of such estimates involves the use of information available and adoption of subjective evaluations, also based on historical experience, used to formulate reasonable assumptions for the recognition of operating events. Due to their nature, the estimates and assumptions used may vary from year to year and, accordingly, it cannot be excluded that in subsequent years the values recorded in the financial statements may vary significantly as a result of changes in the subjective assessments used.
The main cases for which the use of subjective assessments by management is most required are:

- the quantification of impairment losses on loans, equity investments and, in general, other financial assets;
- the use of valuation models for recognition of the *fair value* of financial instruments not listed on active markets;
- the assessment of the adequacy of the value of intangible assets;
- quantification of the *fair value* of property;
- the quantification of provisions for personnel and provisions for risks and charges;
- estimates and assumptions on the recoverability of deferred tax assets;
- estimate of the recoverable value of property held for investment purposes;

For some of the cases listed above, the main factors, subject of estimates, can be identified and accordingly contribute to determining the book value of assets and liabilities in the financial statements. Without claiming to be exhaustive, it should be noted that:

- to calculate the *fair value* of financial instruments not listed on active markets, where it is necessary to use parameters that cannot be inferred from the market, the main estimates concern, on the one hand, development of future financial flows (or even revenue flows, in the case of shares), possibly subject to future events and, on the other, the level of certain input parameters not listed on active markets;

- for allocation of receivables and debt securities classified under Financial assets at amortised cost and Financial assets at *fair value* to the three credit risk stages envisaged by IFRS 9 through other comprehensive income and the calculation of the related expected losses, the main estimates concern:
    a. calculation of parameters for a significant increase in credit risk, based essentially on models for measuring the probability of default (PD) at the origination of financial assets and at the financial statement date;
    b. the inclusion of forward looking factors, including macroeconomic factors, for the determination of the PD;
    c. the determination of the probability of sale of impaired financial assets, by realising the positions on the market;
- to determine estimates of future cash flows from impaired loans, certain elements are taken into consideration: the expected recovery time, the estimated realisable value of any guarantees as well as the costs that are expected to be incurred for the recovery of the credit exposure;
- to determine the use value of intangible fixed assets with a finite life ("client relationship"), the useful life is estimated, on the one hand, and the future cash flows from the asset, on the other. In the case of intangible fixed assets with a finite useful life, the cost of capital is also included in the estimates;
- determination of the *fair value* of real estate is performed through the preparation of special valuations. In order to prepare the valuations relating to the properties, the rental prices, sale prices, discount rates and capitalisation rates were estimated;
- for quantification of provisions for pensions and similar obligations, the present value of obligations is estimated, taking into account the flows, suitably discounted, deriving from historical statistical analyses, and the demographic curve;
- for quantification of provisions for risks and charges, an estimate is made - where possible - of the amount of disbursements needed to meet the obligations, taking into account the actual probability of having to invest resources;
- for determination of the items relating to deferred taxation, the probability of future taxes effectively incurred (taxable temporary differences) is estimated and the degree of reasonable certainty - if any - of future taxable amounts at the time when the tax deductibility will become apparent (deductible temporary differences).

Section 3 EVENTS FOLLOWING THE DATE OF REFERENCE OF THE FINANCIAL STATEMENTS

No significant events occurred between the reference date of these financial statements and 22 March 2024, the date of approval of the same by the Board of Directors.

Section 4 OTHER ASPECTS

Deadlines for the approval and publication of the financial statements

Art. 135-sexies of Legislative Decree 59/98 (TUF) requires that, within one hundred and twenty days of the end of the financial year, the financial statements be approved and the annual financial report, including the financial statements, the report on operations and the certification referred to in article 154-bis, paragraph 5, be published. The draft financial statements were approved by the Board of Directors on 22 March 2024.

Audit

The separate financial statements for the year have to be audited, pursuant to Legislative Decree 58/98, by the company KPMG S.p.A., in application of the mandate conferred to that company for the period 2019 - 2027 through shareholders' meeting resolution of 30 March 2019. The audit report is published in full together with the annual financial report, pursuant to art. 14 of (It.) Legislative Decree 39/2010.

New accounting standards or amendments to existing ones approved by the European Commission

It should be noted that, following the completion of the endorsement procedure, various amendments to existing IAS/IFRS and IFRIC interpretations were implemented as of 1 January 2023, and new interpretations were also issued.

International Accounting Standards endorsed in previous years and entering into force in 2023

Title of document	Date of entry into force	Date of approval	EU Regulation and publication date
IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments	2021/2036	23.11.2021	01.01.2023
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates	2022/357	03.03.2022	01.01.2023
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice	2022/357	03.03.2022	01.01.2023
Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17	2022/1491	09.09.2022	01.01.2023

International accounting standards endorsed in 2023 and entering into force in 2023

Title of document	Date of entry into force	Date of approval	EU Regulation and publication date
Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued on 23 May 2023)	2023/2468	09.11.2023	01.01.2023

Title of document	Date of entry into force	Date of approval	EU Regulation and publication date
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022)	2023/2579	21.11.2023	01.01.2024
Amendments to IAS 1 Presentation of Financial Statements: - Classification of Liabilities as Current or Noncurrent (issued on 23 January 2020); - Classification of Liabilities as Current or Noncurrent - Deferral of Effective Date (issued on 15 July 2020); and - Non-current Liabilities with Covenants (issued on 31 October 2022)	2023/2822	19.11.2023	01.01.2024

The entry into force of some new standards that have already been endorsed has been postponed to later years. For these standards, the option for early application was not exercised.

The standards and interpretations that came into force in 2023 did not have a material impact on the Bank's balance sheet and income statement.

Information regarding the impacts potentially deriving from the application of the legislation on global minimum taxation

(It.) Legislative Decree 209/2023, which transposes Directive 2022/2523/EU of 15 December 2022 issued in accordance with the approach shared in the OECD on 14 December 2021 "Global Anti-Base Erosion Model Rules – Pillar Two", introduces into our legal system a supplementary tax for companies located in Italy that are part of a multinational or national group with annual revenues of 750 million euros or more.
Pursuant to art. 18 of the aforementioned Decree, the so-called "national minimum tax", whose structure and content are borrowed from the OECD QDMTT, is potentially applicable to Groups composed exclusively of companies located in Italy.
Based on the information available to date, there are no significant impacts deriving from the application of this legislation.

Option for national tax consolidation

Volksbank, together with its subsidiaries Quartiere Brizzi S.r.l. and Valpolicella Alta Società Agricola S.r.l., has opted for application of group taxation (tax consolidation) pursuant to articles 117 et seq.of (It.) Presidential Decree 917/86.
Relations between these companies were regulated by private agreement signed by the parties in June 2014 for the three-year period 2014-2016. This option is automatically renewed unless the Group tax interruption option is explicitly exercised. Quartiere Brizzi S.r.l. has been included in the tax consolidation regime since 2018, the year in which the Bank acquired control.
The system allows the single subsidiaries participating in the tax consolidation, having determined the tax burden pertaining to them, to transfer the corresponding taxable revenue (or tax loss) to the parent company, which determines - by making the adjustment for intercompany interest expense provided for in relation to the deductibility of interest expense - a taxable revenue or consolidated tax loss, as the algebraic sum of its own revenue/losses and those of the subsidiaries participating, with identification of the tax payable to or receivable from the tax authorities.
The offsetting of flows relating to transfers resulting from tax profits and losses between the parent company and its subsidiaries is e governed by specific agreements. Those flows are calculated by applying the current IRES rate to the taxable revenue of the companies participating in the consolidation. For companies with tax losses, the compensation, calculated as above, is recognised by the parent company to the subsidiary for losses realised after joining the national tax consolidation system, where those losses are included in the consolidated taxable revenue. Losses realised before joining the national tax consolidation scheme will have to be offset in its taxable revenue only by the consolidated party taking part in accordance with tax rules in force.

A.2 MAIN ITEMS OF THE FINANCIAL STATEMENTS

The accounting principles applied are shown below, broken down by Balance Sheet item.

A.2.1. Financial assets at fair value through profit or loss (FVTPL)

Classification criteria

This category includes financial assets other than those classified as Financial assets measured at *fair value* through other comprehensive income and as Financial assets measured at amortised cost. The item, in particular, includes:

- financial assets held for trading, mainly consisting of debt and equity securities and the positive value of derivative contracts held for trading;
- financial assets that must be measured at *fair value*, represented by financial assets that do not meet the requirements for measurement at amortised cost or at *fair value* through other comprehensive income. These are financial assets whose contractual terms do not just foresee capital repayments and payments of interest on the capital to be repaid (so-called "SPPI test") or that are not held in a business model whose target is the possession of assets aimed at collecting contractual cash flows (Business model "Hold to Collect") or in a business model whose target is achieved both through the collection of contractual cash flows and through the sale of financial assets (Business model "Hold to Collect and Sell");
- financial assets designated at *fair value*, i.e. the financial assets thus defined at the time of initial recognition, if the conditions are met. In this case, an entity may irrevocably designate a financial asset for recognition as measured at *fair value* through profit or loss if, and only if, by doing so, it eliminates or significantly reduces a valuation inconsistency ("accounting mismatch") that would otherwise emerge from measuring assets or liabilities or from recognising costs and revenues on a different basis.

They find, accordingly, evidence in this entry:

- debt securities and loans that are included in an *Other/Trading* business model (i.e. not attributable to the *"Hold to Collect"* or *"Hold to Collect and Sell"* business models) or that do not pass the SPPI test, including the portions of syndicated loans subscribed which, from the outset, are intended for sale and which are not attributable to a *Hold to Collect and Sell* business model;
- equity instruments - not qualifying as control, connection or joint control - held for trading purposes or for which it was not decided, on initial recognition, to designate them at *fair value* through other comprehensive income;
- quotas of UCIs.

The item also includes derivative contracts, recorded under financial assets held for trading, which are represented as assets if the *fair value* is positive and as liabilities if the *fair value* is negative. Positive and negative current values arising from outstanding transactions with the same counterparty may only be offset if there is a current legal right to offset the amounts recognised in the accounts and it is intended to settle the net positions to be offset on a net basis.

Derivatives also include those embedded in complex financial contracts - in which the primary contract is a financial liability - which have been recognised separately because:

- their economic characteristics and risks are not closely related to the characteristics of the underlying contract;
- Embedded instruments, even if separate, meet the definition of a derivative;
- the hybrid instruments to which they belong are not measured at *fair value* with the related changes recognised in the Profit and Loss Account.

With regard to classification rules, IFRS 9 does not allow any reclassification for equity securities. For the other categories of financial assets, reclassifications are also not permitted unless the entity changes its business model for management of financial assets. In those cases, expected to be highly infrequent, financial assets may be reclassified from the category measured at *fair value* through Profit and Loss into one of the other two

categories provided for by IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at *fair value* through other comprehensive income). The transfer value is represented by the *fair value* at the time of reclassification and the effects of the reclassification operate prospectively from the date of reclassification. In this case, the effective interest rate of the reclassified financial asset is calculated based on its *fair value* at the reclassification date and this date is considered as the initial recognition date for allocation to the various stages of credit risk (stage assignment) for the purposes of impairment.
For further information on the criteria for the classification of financial instruments, reference should be made to the following chapter "Criteria for the classification of financial assets".

Recognition criteria

Financial assets are initially recognised on the settlement date for debt and equity securities, on the disbursement date for loans and on the subscription date for derivatives.
Upon initial recognition, financial assets measured at *fair value* through Profit and Loss are recognised at *fair value*, without considering transaction costs or revenue directly attributable to the instrument itself.

Measurement criteria

Subsequent to initial recognition, financial assets measured at *fair value* with an impact on the Profit and Loss Account are measured at *fair value*. The effects of applying this valuation criterion are charged to the Profit and Loss Account.
Market prices are used to determine the *fair value* of financial instruments listed on an active market. In the absence of an active market, commonly adopted estimation methods and valuation models are used, which take into account all the risk factors related to the instruments and which are based on market data such as: valuation of quoted instruments with similar characteristics, discounted cash flow calculations, option pricing models, values recorded in recent comparable transactions, etc. For equity securities and derivative instruments involving equity securities not listed on an active market, the cost criterion is used as a *fair value* estimate only in a residual way and limited to a few circumstances, i.e. in the case of non-applicability of all the valuation methods mentioned above, or in the presence of a wide range of possible *fair value* assessments, in which the cost represents the most significant estimate.

Derecognition criteria

Financial assets are derecognised only if the disposal has resulted in the substantial transfer of all the risks and rewards associated with the assets. On the other hand, if a significant portion of the risks and rewards relating to the financial assets sold has been retained, they continue to be recorded in the financial statements, even though legally the ownership of the assets has actually been transferred.
In the event that it is not possible to ascertain the substantial transfer of risks and rewards, financial assets are derecognised from the financial statements if no type of control has been retained over them. Otherwise, retention, even in part, of this control entails maintaining the assets in the financial statements to the extent of the residual involvement, measured by the exposure to changes in the value of the assets sold and to changes in the financial flows of the same.
Finally, the financial assets sold are derecognised from the financial statements if the contractual rights to receive the related cash flows are retained, with the simultaneous assumption of an obligation to pay those flows, and only they, without significant delay to other third parties.

A.2.2. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

Classification criteria

This category includes financial assets that meet both of the following conditions:
- the financial asset is held according to a business model whose target is achieved both through the collection of contractual cash flows and through the sale ("Hold to Collect and Sell" Business model), and
- the contractual terms of the financial asset provide, at certain dates, for cash flows represented solely by payments of principal and interest on the amount of principal to be repaid (passing the so-called "SPPI test").

The item also includes equity instruments, not held for trading purposes, for which the option to be designated at *fair value* through other comprehensive income was exercised at the time of initial recognition.
In particular, this item includes the following:
- debt securities that are part of a "Hold to Collect and Sell" business model and passed the SPPI test;
- equity interests, not qualifying as controlling, related or jointly controlled, that are not held for trading purposes, for which the option to be designated at *fair value* through other comprehensive income has been exercised;
- loans that are linked to a "Hold to Collect and Sell" business model and that have passed the SPPI test, including the portions of syndicated loans subscribed to that, from the outset, are intended for sale and that are linked to a "Hold to Collect and Sell" business model.

Reclassifications to other categories of financial assets are allowed only if the entity changes its business model to manage the financial assets. In those cases, expected to be highly infrequent, financial assets may be reclassified from the category measured at *fair value* through other comprehensive income into one of the other two categories provided for by IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at *fair value*through Profit and Loss).
The transfer value is represented by the*fair value* at the time of reclassification and the effects of the reclassification operate prospectively from the date of reclassification. If the asset is reclassified from the category concerned to amortised cost, the *fair value* of the financial asset at the reclassification date is adjusted by the accumulated gain (loss) presented in the valuation reserve. In the case of reclassification to the *fair value* category through Profit and Loss, the accumulated profit (loss) previously recognised in the valuation reserve is reclassified from equity to profit (loss) for the year.
No reclassification is permitted for equity securities.
For further information on the criteria for the classification of financial instruments, reference should be made to the following chapter "Criteria for the classification of financial assets".

Recognition criteria

Financial assets are initially recognised on the settlement date for debt securities and equity securities and on the disbursement date for loans. On initial recognition, assets are recorded at *fair value*, including transaction costs or revenue directly attributable to the instrument itself.

Measurement criteria

Subsequent to initial recognition, assets classified at *fair value* through other comprehensive income, other than equity securities, are measured at *fair value*, with the impact of the application of amortised cost, the effects of impairment and any exchange rate effect recognised in the Profit and Loss Account, while other gains or losses arising from a change in *fair value* are recognised in a specific equity reserve until the financial asset is derecognised. Upon disposal, in whole or in part, the gain or loss accumulated in the valuation reserve is reversed, in whole or in part, to the Profit and Loss Account.
The equity instruments chosen for classification in this category are measured at fair value and the amounts recognised as a contra-entry to equity (Comprehensive Income Statement) must not be subsequently transferred

to the Profit and Loss Account, even in the event of disposal. The only component relating to the equity securities in question that is recognised in the Profit and Loss Account is the related dividends.
Fair value is calculated on the basis of the criteria already described for "Financial assets measured at *fair value* through Profit and Loss".
For equity securities included in this category, not listed on an active market, the cost criterion is used as a *fair value* estimate only to a residual extent and limited to a few circumstances, i.e. in the event of the non-applicability of all the valuation methods mentioned above, or in the presence of a wide range of possible *fair value* measurements, in which the cost represents the most significant estimate.
"Financial assets measured at *fair value* through other comprehensive income" - both in the form of debt securities and loans are subject to impairment testing, as is the case for Assets at amortised cost, with the consequent recognition in the Profit and Loss Account of an impairment loss to cover expected losses. More specifically, on instruments classified as stage 1 (i.e. on financial assets at the time of origination, if not impaired, and on instruments for which there has been no significant increase in credit risk compared to the initial recognition date), an expected loss of one year is recorded at the initial recognition date and at each subsequent reporting date. On the other hand, for instruments classified as stage 2 (performing instruments for which there has been a significant increase in credit risk since the date of initial recognition) and stage 3 (impaired exposures), an expected loss is recognised for the entire residual life of the financial instrument.
Conversely, equity securities are not subject to impairment.
Reference should be made to the following chapter "Impairment of financial assets" for further details.

Cancellation criteria

Financial assets are derecognised only if the disposal has resulted in the substantial transfer of all the risks and rewards associated with the assets. On the other hand, if a significant portion of the risks and rewards relating to the financial assets sold has been retained, they continue to be recorded in the financial statements, even though legally the ownership of the assets has actually been transferred.
In the event that it is not possible to ascertain the substantial transfer of risks and rewards, financial assets are derecognised from the financial statements if no type of control has been retained over them. Otherwise, retention, even in part, of this control entails maintaining the assets in the financial statements to the extent of the residual involvement, measured by the exposure to changes in the value of the assets sold and to changes in the financial flows of the same.
Finally, the financial assets sold are derecognised from the financial statements if the contractual rights to receive the related cash flows are retained, with the simultaneous assumption of an obligation to pay those flows, and only they, without significant delay to other third parties.

A.2.3. "FINANCIAL ASSETS MEASURED AT AMORTISED COST

Classification criteria

This category includes financial assets (in particular loans and debt securities) that meet both of the following conditions:

- the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows ("*Hold to Collect*" Business Model), and
- the contractual terms of the financial asset provide, at certain dates, for cash flows represented solely by payments of principal and interest on the amount of principal to be repaid (so-called "*SPPI test*").

More specifically, they are recognised under this heading:

- loans to banks in the different technical forms that meet the requirements set out in the previous paragraph;
- loans to customers in the various technical forms meeting the requirements set out in the previous paragraph;
- debt securities meeting the requirements set out in the previous paragraph.

This category also includes operating receivables associated with the provision of financial activities and services as defined by the Consolidated Banking Act (TUB) and the Consolidated Law on Finance (TUF) (for example for the distribution of financial products and servicing activities).

In accordance with the general rules provided for by IFRS 9 on the reclassification of financial assets, reclassifications to other financial assets categories are not permitted unless the entity changes its business model for the management of financial assets. In these cases, which are expected to be very infrequent, the financial assets may be reclassified from the category measured at amortised cost to one of the other two categories under IFRS 9 (Financial assets at *fair value* through other comprehensive income or Financial assets at *fair value* through profit or loss).

The transfer value is represented by the *fair value* at the time of reclassification and the effects of the reclassification operate prospectively from the date of reclassification. Profits or losses resulting from the difference between the amortised cost of the financial asset and its *fair value* are recognised in the Profit and Loss Account in the case of reclassification to financial assets measured at *fair value* through profit or loss and to equity, in the appropriate valuation reserve, and in the case of reclassification to financial assets measured at fair value on comprehensive income.

For further information on the criteria for the classification of financial instruments, reference should be made to the following paragraph "Criteria for the classification of financial assets".

Recognition criteria

Financial assets are initially recognised on the settlement date for debt securities and on the disbursement date for loans. On initial recognition, assets are recorded at *fair value*, including transaction costs or revenue directly attributable to the instrument itself.

In particular, as far as credits are concerned, the date of disbursement normally coincides with the date the contract is signed. If such a coincidence does not occur, a commitment to disburse funds is recorded at the time of signing the contract, which closes on the date of disbursement of the loan. The receivable is recognised on the basis of its *fair value*, equal to the amount disbursed, or subscription price, including costs/revenue directly attributable to the individual receivable and determinable from the start of the transaction, even if settled at a later date.

Costs that, despite having the above characteristics, are subject to reimbursement by the debtor counterpart or are classifiable as normal internal administrative costs are excluded.

Measurement criteria

Subsequent to initial recognition, the financial assets in question are valued at amortised cost, using the effective interest rate method. In these terms, the asset is recognised in the financial statements at an amount equal to its initial recognition value less any capital repayments, plus or minus the cumulative amortisation (calculated using the above- mentioned effective interest rate method) of the difference between this initial amount and the amount at maturity (typically attributable to costs/revenue charged directly to the single asset) and adjusted by any provision to cover losses. The effective interest rate is determined by calculating the rate that equals the present value of the future flows of the asset, for principal and interest, to the amount disbursed including costs/revenue associated with the financial asset itself. This accounting method, using a financial logic, makes it possible to distribute the economic effect of costs/revenue directly attributable to a financial asset over its expected residual life.
The amortised cost method is not used for assets - valued at cost - whose short duration makes the effect of applying the discounting logic negligible, for those without a defined maturity and for revoked receivables.
The valuation criteria, as better indicated in the chapter “Impairment of financial assets”, are closely linked to the inclusion of the instruments in question in one of the three stages (stages of credit risk) provided for by IFRS 9, the last of which (stage 3) includes impaired financial assets and the remaining (stages 1 and 2) performing financial assets.
With reference to accounting recognition of the above-mentioned valuation effects, the value adjustments referring to this type of asset are recorded in the Profit and Loss Account:

- at the time of initial recognition, for an amount equal to the expected loss at twelve months;
- at the time of the subsequent valuation of the asset, where the credit risk has not significantly increased with respect to the initial recognition, in relation to changes in the amount of value adjustments for losses expected in the following twelve months;
- at the time of the subsequent valuation of the asset, where the credit risk has significantly increased with respect to the initial recognition, in relation to the recognition of value adjustments for expected losses relating to the entire residual life of the asset as provided for in the contract;
- at the time of the subsequent valuation of the asset, where - after there was a significant increase in credit risk compared to the initial recognition - the “significance” of this increase ceased to exist, in relation to the adjustment of the cumulative value adjustments to take account of the transition from an expected loss over the entire residual life of the instrument (“lifetime”) to one to twelve months.

If the financial assets in question are performing, they are valued in order to determine the value adjustments to be recognised in the financial statements at the level of the individual loan ratio (or “tranche” of the security), based on the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD).
If, in addition to a significant increase in credit risk, there is also objective evidence of impairment, the amount of the loss is measured as the difference between the book value of the asset - classified as “impaired”, like all other transactions with the same counterpart - and the present value of estimated future cash flows discounted at the original effective interest rate. The amount of the loss, to be recorded in the Profit and Loss Account, is defined on the basis of an analytical valuation process or determined by homogeneous categories and, accordingly, analytically attributed to each position and takes into account, as detailed in the chapter “Impairment of financial assets”, “*forward looking*” information and possible alternative recovery scenarios.
Impaired assets include financial instruments that have been granted the status of non-performing, probable default or past due/overdue by more than ninety days according to the rules of the Bank of Italy, consistent with the IAS/IFRS and European Supervision regulations.
The expected cash flows take into account the expected recovery time and the estimated realisable value of any guarantees.
The original effective rate of interest for each asset remains unchanged over time, even if the relationship has been restructured, resulting in a change in the contractual rate, and even if the relationship becomes, in practice, without contractual interest.

If the reasons for the loss in value are removed as a result of an event subsequent to recognition of the reduction in value, the value is reinstated and charged to the Profit and Loss Account. The write-back may not exceed the amortised cost that the financial instrument would have had in the absence of previous adjustments.
Reversals of write-backs related to the passage of time are recognised in net interest revenue.
In some cases, during the life of the financial assets in question and in particular of the receivables, the original contractual conditions are subject to subsequent change at the request of the contractual parties. When, over the life of an instrument, the contractual clauses are amended, it is necessary to check whether the original asset should continue to be recognised in the financial statements or, on the contrary, whether the original instrument should be derecognised and a new financial instrument recognised.
In general, changes to a financial asset lead to the derecognition of the financial asset and the recognition of a new asset when they are "material". The assessment of the "substantiality" of the change must be made considering both qualitative and quantitative elements. In some cases, in fact, it may be clear, without recourse to complex analyses, that the changes introduced substantially modify the characteristics and/or contractual flows of a given activity while, in other cases, further analyses (including quantitative analyses) will have to be carried out in order to appreciate the effects of the same and verify the need to proceed or not with the cancellation of the activity and the registration of a new financial instrument.
The analyses (qualitative-quantitative) define the "substantiality" of contractual changes made to a financial asset, will accordingly have to consider:

- the purposes for which the changes were made: for example, renegotiations for commercial reasons and concessions due to financial difficulties of the counterparty;
    a) the first, aimed at "retaining" the client, involves a debtor who is not in financial difficulty. This case includes all renegotiations to adjust the cost of debt to market conditions. These transactions involve a change in the original terms of the contract, usually requested by the debtor, which relates to aspects related to the cost of the debt, with a consequent economic benefit for the debtor. In general, it is considered that, whenever the Company renegotiates in order to avoid losing its customer, this renegotiation should be considered as substantial since, if not done, the customer could finance himself/herself from another intermediary and the Bank would suffer a decrease in expected future revenues;
    b) the latter, carried out for "credit risk reasons" (forbearance measures), are linked to the target of maximising the recovery of cash flows. As a rule, the underlying risks and rewards are not substantially transferred following the changes and, consequently, the accounting representation is based on the "modification accounting" which provides for the recording in the Profit and Loss Account of the difference between the book value and the present value of the modified cash flows discounted at the original interest rate, without derecognition;
- the presence of specific target elements ("triggers") that affect the characteristics and/or contractual flows of the financial instrument (for example, a change in the currency or a change in the type of risk to which one is exposed, when correlated with equity and commodity parameters), which are deemed to entail derecognition in view of their impact (expected to be significant) on the original contractual flows.

Derecognition criteria

Financial assets are derecognised only if the disposal has resulted in the substantial transfer of all the risks and rewards associated with the assets. On the other hand, if a significant portion of the risks and rewards relating to the financial assets sold has been retained, they continue to be recorded in the financial statements, even though legally the ownership of the assets has actually been transferred.
In the event that it is not possible to ascertain the substantial transfer of risks and rewards, financial assets are derecognised from the financial statements if no type of control has been retained over them. Otherwise, retention, even in part, of this control entails maintaining the assets in the financial statements to the extent of the residual involvement, measured by the exposure to changes in the value of the assets sold and to changes in the financial flows of the same.

Finally, the financial assets sold are derecognised from the financial statements if the contractual rights to receive the related cash flows are retained, with the simultaneous assumption of an obligation to pay those flows, and only they, without significant delay to other third parties.

A.2.4. HEDGING TRANSACTIONS

To date, the Company has in place hedging transactions for changes in the *fair value* of securities held among assets. The Company made the choice, allowed when IFRS 9 was introduced, to continue to fully apply the provisions of IAS 39 on "hedge accounting" (in the carved out version approved by the European Commission) for each type of hedge (for both specific hedges and macro hedges).

Classification criteria: type of hedge

The purpose of risk hedging transactions is to neutralise potential losses attributable to a given risk and recognised on a given element or group of elements, should that particular risk actually arise.
The types of hedging used are as follows:

- *fair value* hedge: the target is to hedge exposure to changes in *fair value* (attributable to different types of risk) of assets and liabilities recorded in the Balance Sheet or portions thereof, groups of assets/liabilities, irrevocable commitments and portfolios of financial assets and liabilities, including core deposits, as permitted by IAS 39 approved by the European Commission. General *fair value* hedges ("macro hedges") are designed to reduce fluctuations in *fair value*, attributable to interest rate risk, by a monetary amount deriving from a portfolio of assets or liabilities;
- cash flow hedges: these are designed to hedge exposure to changes in future cash flows attributable to particular risks associated with items in the financial statements. This type of hedge is used essentially to stabilise the flow of interest on variable-rate deposits to the extent that the latter finance fixed-rate loans. In some circumstances, similar transactions are carried out in relation to certain types of variable rate loans;
- hedging of an investment in foreign currency: this refers to the hedging of the risks of an investment in a foreign company expressed in foreign currency.

Given the choice made to make use of the possibility of continuing to fully apply the rules of IAS 39 for hedging relationships, it is not possible to designate equity instruments classified under Financial assets measured at *fair value* through other comprehensive income (FVOCI) as hedged items for price or exchange rate risk, since these instruments do not impact the Profit and Loss Account, even in the event of a sale (except for dividends which are recognised in the Profit and Loss Account).

Recognition criteria

Hedging derivatives, like all derivatives, are initially recognised and subsequently measured at *fair value*.

Measurement criteria

Hedging derivatives are measured at *fair value*. Specifically:

- 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 compensation is recognised through recognition in the Profit and Loss Account of the changes in value, referring both to the hedged item (as regards the changes produced by the underlying risk factor) and to the hedging instrument. Any difference, representing the partial ineffectiveness of the hedge, accordingly constitutes the net economic effect. In the case of generic *fair value* hedging transactions ("*macro hedges*"), changes in *fair value* with reference to the hedged risk of the hedged assets and liabilities are recorded in the Balance Sheet under item 60 of the assets "Value adjustment of financial assets subject to generic hedging" or 50 of the liabilities "Value adjustment of financial liabilities subject to generic hedging", respectively;

- in the case of cash flow hedges, changes in the *fair value* of the derivative are recognised in equity, for the effective portion of the hedge, and are recognised in the Profit and Loss Account 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;
- hedges of an investment in foreign currency are accounted for in the same way as cash flow hedges.

The derivative instrument is designated as a hedge if there is formal documentation of the relationship between the hedged instrument and the hedging instrument and if it is effective at the time the hedge commences and, prospectively, throughout its life.

The effectiveness of the hedge depends on the extent to which the changes in the *fair value* of the hedged instrument or the related expected cash flows are offset by those of the hedging instrument. Effectiveness is accordingly appreciated by comparing the above changes, taking into account the intention pursued by the company when the hedge was set up. It is effective when changes in the *fair value* (or cash flow) of the hedging instrument neutralise almost entirely, i.e. within the limits set by the range 80-125%, changes in the hedged instrument for the hedged risk element.

The evaluation of effectiveness is carried out at each Financial Statement or interim statement closing using:

- prospective tests, which justify the application of hedge accounting, as they demonstrate its expected effectiveness;
- retrospective tests, which show the degree of effectiveness of the hedge achieved in the period to which they refer, or rather, measure how far the actual results have deviated from the perfect hedge.

If the tests do not confirm the effectiveness of the hedge, from that moment on the hedge accounting, according to the above, is interrupted, the hedging derivative contract is reclassified among the trading instruments and the hedged financial instrument regains the valuation criterion corresponding to its classification in the financial statements.

In the event of the interruption of a generic *fair value* hedging relationship, the cumulative revaluations/write-downs recorded under item 60. "Value adjustment of financial assets subject to generic hedging" or 50. "Value adjustments of financial liabilities subject to generic hedging" are recorded in the Profit and Loss Account under interest revenue or expense over the remaining life of the original hedging relationship, subject to verification that the conditions are met.

A.2.5. EQUITY INVESTMENTS

Classification, recognition and measurement criteria

This item includes interests held in joint ventures and associates.

Joint ventures are entities for which, on a contractual basis, control is shared between the Bank and one or more other parties, or when decisions concerning significant activities require the unanimous consent of all parties sharing control.

Companies subject to significant influence ("associated companies") are those in which the Bank holds at least 20% of the voting rights (including "potential" voting rights) or in which - although with a lower percentage of voting rights - it has the power to participate in determining the financial and operating policies of the subsidiary by virtue of particular legal ties such as participation in shareholders" agreements.

Certain interests of more than 20%, in which the Bank only holds equity rights to a portion of the investment revenue, has no access to management policies and may exercise governance rights limited to the protection of equity interests, are not considered to be subject to significant influence.

If there is objective evidence that an equity investment may be impaired, the entity shall estimate its recoverable amount, taking into account, when available, the present value of the future cash flows that it could generate, including from its ultimate disposal.

If the recoverable amount is lower than the carrying amount, the difference is recognised in the Profit and Loss Account.

If the reasons for the loss in value are removed as a result of an event subsequent to recognition of the reduction in value, the value is reinstated and charged to the Profit and Loss Account.

Derecognition criteria

Equity investments are derecognised when the contractual rights to cash flows from the assets expire or when the investment is sold, essentially transferring all the risks and rewards associated with it.

A.2.6. TANGIBLE FIXED ASSETS

Classification criteria

Tangible fixed assets include land, buildings used for business purposes, investment property, valuable artistic assets, technical equipment, furniture and fittings, as well as equipment of any kind that is expected to be used for more than one period.
Tangible assets held for use in the production or supply of goods and services are classified as "assets for functional use" in accordance with IAS 16. Real estate held for investment purposes (in order to earn rent or for capital appreciation) is classified as "assets held for investment purposes" in accordance with IAS 40.
The item also includes tangible fixed assets classified in accordance with IAS 2 - Inventories, which refer both to assets deriving from the enforcement of guarantees or from the purchase at auction that the company intends to sell in the near future (normally on the basis of IFRS 5), without carrying out significant restructuring work, and which do not have the conditions to be classified in the previous categories, and to the real estate portfolio, including building land, real estate under construction, completed properties for sale and real estate development initiatives, held with a view to disposal.
Finally, assets used under financial lease contracts are recorded under tangible fixed assets, even though their legal ownership remains with the lease company.

Recognition criteria

Tangible fixed assets are initially recognised at cost, which includes, in addition to the purchase price, any additional charges directly attributable to the purchase and commissioning of the asset.
Extraordinary maintenance costs that increase future economic benefits are recognised as an increase in the value of assets, while other ordinary maintenance costs are recognised in the Profit and Loss Account.
Pursuant to IFRS 16, leases are recognised based on the "right of use" model. According to that, at the staring date, the lessee has a financial obligations yo make payments due to the lessor to offset its right of use the asset during the lease duration. When the asset is made available to the lessee to be used (initial date), the lessee recognises both the liability and the asset consisting in the right of use.

Measurement criteria

Tangible fixed assets are valued at cost, less any depreciation and impairment losses, with the exception of functional properties and fine art assets, which are valued using the revaluation method.
Real estate held for investment purposes is valued at cost.
In the case of tangible assets subject to valuation using the revaluation method:

- if the carrying amount of an asset is increased as a result of a revaluation, the increase will be recognised in other total revenue and accumulated in equity under the heading of revaluation surplus; instead; if the increase restores a decrease due to a revaluation of the same asset previously recognised in Profit or Loss, it will be recognised as revenue;
- if the carrying amount of an asset is decreased as a result of the revaluation, the decrease will be recognised in other total revenue as a reduction of the revaluation surplus to the extent that there are any credit balances in the revaluation surplus in respect of that asset; otherwise, that reduction will be recognised in Profit or Loss.

At the financial statement date, the Company holds no tangible assets subject to valuation using the revaluation method.
Tangible fixed assets are systematically depreciated using the constant percentage method as the amortisation criteria, over their useful lives. The depreciable amount is represented by the cost of the assets (or by the net re-determined value if the valuation method adopted is the re-determination of value) net of the residual value at the end of the depreciation process, if significant.
Properties are depreciated for a portion deemed appropriate in order to represent the deterioration of the assets over time following their use, taking into account extraordinary maintenance costs, which are added to the value of the assets.
The following are not amortised:

- land, whether acquired individually or incorporated into the value of buildings, as it has an indefinite useful life;
- valuable artistic heritage, other historical, artistic and decorative assets because their useful life cannot be estimated and their value is normally destined to increase over time;
- investment properties for which the fair value method has been chosen, with a balancing entry in the Profit and Loss Account.

If there is any indication that a tangible asset measured at cost may have suffered a loss in value, the carrying amount of the asset is compared with its recoverable amount. Any adjustments are recognised in the Profit and Loss Account.
If reasons for the loss cease to exist, the value is written back, which may not exceed the value that the asset would have had, net of the calculated depreciation, in the absence of previous losses in value.

Derecognition criteria

A tangible asset is derecognised from the Balance Sheet at the time of disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

A.2.7. INTANGIBLE FIXED ASSETS

Classification criteria

Intangible fixed assets are recognised as such if they are identifiable and originate from legal or contractual rights.

Recognition and measurement criteria

Intangible fixed assets are recognised at cost, adjusted for any incidental expenses, only if it is probable that the future economic benefits attributable to the asset will be realised and if the cost of the asset can be measured reliably. Otherwise, the cost of the intangible asset is recognised in the Profit and Loss Account in the year in which it is incurred.
For assets with a finite useful life, the cost is amortised on a linear basis or in decreasing amounts, determined on the basis of the inflow of economic benefits expected from the asset. Assets with an indefinite useful life are not amortised on a linear basis, but are tested periodically to determine whether their carrying amount is adequate.
If there is any indication that an asset may be impaired, its recoverable amount is estimated. The loss amount, recorded in the Profit and Loss Account, is equal to the difference between the book value of the asset and its recoverable value.
In particular, intangible fixed assets include:

- technology-based intangible fixed assets, such as application software, which are amortised on the basis of their expected technological obsolescence and in any case no longer than a maximum period of seven years. In particular, costs incurred internally for the development of software projects are intangible fixed assets and are recognised as assets only if all the following conditions are met: i) the cost attributable to the development activity is reliably determinable, ii) there is the intention, availability of financial resources and technical capacity to make the asset available for use or sale, iii) it is demonstrable that the activity is capable of producing future economic benefits. Capitalised software development costs include only those expenses incurred that can be attributed directly to the development process. Capitalised software development costs are systematically amortised over the estimated life of the related product/service to reflect the way in which the future economic benefits arising from the asset are expected to be consumed by the entity from the start of production over the estimated life of the product;
- intangible fixed assets linked to clients, represented by the valuation, on the occasion of aggregation transactions, of asset management relationships. These assets, with a finite life, are originally valued by discounting back, using a rate representing the time value of money and the risks specific to the asset, the cash flows representing profit margins over a period expressing the residual duration, contractual or estimated, of the relationships existing at the time of the combination. They are amortised, for asset management relationships, on a linear basis over the most significant inflow period of the expected economic benefits in the case of relationships not having a predetermined maturity and, for relationships linked to insurance contracts, in decreasing amounts corresponding to the duration period of the contracts in the case of relationships with a defined maturity (residual life of the policies);
- intangible fixed assets related to marketing, represented by the enhancement of the brand name, also registered on the occasion of aggregation operations. This asset is considered to have an indefinite life as it is believed that it can contribute for an indefinite period to the formation of revenue.

Cancellation criteria

An intangible asset is derecognised from the Balance Sheet at the time of disposal or when future economic benefits are no longer expected.

A.2.8. OTHER ASSETS

Other assets essentially include items awaiting settlement and items that do not relate to other Balance Sheet items, including receivables arising from the supply of non-financial goods and services, tax items other than those recognised under own account (for example, related to withholding tax), gold, silver and precious metals and accrued revenue other than those that should be capitalised on the related financial assets, including those arising from contracts with clients pursuant to IFRS 15, paragraphs 116 et seq.

A.2.9. NON-CURRENT ASSETS OR GROUPS OF ASSETS/LIABILITIES HELD FOR SALE

Non-current assets and disposal groups held for sale" and "Liabilities associated with assets held for sale" are classified under assets and liabilities as non-current assets or disposal groups for which a disposal process has been initiated and their sale is considered highly probable. These assets/liabilities are valued at the lower of their book value and their *fair value* net of disposal costs, with the exception of certain types of assets (e.g. financial assets falling within the scope of application of IFRS 9) for which IFRS 5 specifically provides that the valuation criteria of the relevant accounting standard must be applied.
Revenue and expenses (net of the tax effect), relating to groups of assets being disposed of or recognised as such during the year, are shown in the Profit and Loss Account as a separate item.

A.2.10. CURRENT AND DEFERRED TAXES

Revenue taxes, calculated in compliance with national tax legislation, are recorded as costs on an accruals basis, in line with the method of recording the costs and revenues that generated them in the financial statements. They accordingly represent the balance of current and deferred taxes relating to revenue for the year. Current tax Assets and Liabilities include the net balance of the Company's tax positions with the Italian tax authorities. In particular, these items include the net balance between current tax liabilities for the year, calculated on the basis of a prudent forecast of the tax burden due for the year, determined on the basis of current tax regulations, and current tax assets represented by advances and other tax credits for withholding tax incurred or other tax credits from previous years for which the Company has requested offsetting with taxes from subsequent years.
Current tax Assets also include tax credits for which the Company has requested a refund from the competent tax authorities, as well as amounts paid provisionally in the course of a dispute with the tax Authorities. The risk inherent in these proceedings, as well as the risks inherent in proceedings that did not require provisional payments, is assessed according to the logic of IAS 37 in relation to the probability of the use of economic resources for their fulfilment.
Taking into account the adoption of the national tax consolidation by the Company, the tax positions relating to the companies included in consolidation are managed in a separate way from an administrative point of view.
Deferred taxation is calculated on the basis of the balance sheet liability method, taking into account the tax effect of the temporary differences between the book value of assets and liabilities and their tax value, which will determine taxable or deductible amounts in future periods. For these purposes,"taxable temporary differences" are those that in future periods will determine taxable amounts and "deductible temporary differences" are those that in future years will determine deductible amounts.
Deferred taxes are calculated by applying the tax rates established by the laws in force to taxable temporary differences for which there is a reasonable probability that taxes will actually be borne and to deductible temporary differences for which there is a reasonable certainty that there will be future taxable amounts at the time when the related tax deductibility will become apparent (so-called probability test). Deferred tax assets and liabilities relating to the same tax and falling due in the same period are offset.

If the deferred tax assets and liabilities refer to items that have affected the Profit and Loss Account, the contra entry is represented by revenue taxes.
In cases where deferred tax assets and liabilities relate to transactions that directly affect equity without affecting the Profit and Loss Account (such as first-time adoption adjustments of IAS/IFRS, valuations of financial instruments recognised at *fair value* through other comprehensive income or derivative contracts hedging cash flows), they are recorded as a balancing entry in equity, involving specific reserves when required (e.g. valuation reserves).
Deferred taxes on balance sheet items suspended for tax purposes that are "taxable in any case of use" are entered in the financial statements as a reduction in equity. Deferred tax liabilities related to revaluation for conversion to the Euro, directly assigned to a specific Reserve pursuant to art. 21 of (It.) Legislative Decree 213/98 suspended for tax purposes, are recognised in financial statements by reducing the Reserve itself. Deferred taxes relating to balance sheet items suspended for tax purposes "taxable only in the event of distribution" are not recorded in the financial statements, since the amount of available reserves already subject to taxation makes it possible to believe that no transactions involving their taxation will be carried out.
Deferred taxes relating to companies included in the tax consolidation are recorded in the financial statements by the same, in application of the accrual basis of accounting and in consideration of the value of the tax consolidation limited to payment of current tax positions.

A.2.11. PROVISIONS FOR RISKS AND CHARGES

Provisions for pensions and similar obligations

Provisions for pensions are established in accordance with company agreements and qualify as defined-benefit plans. The liability relating to these plans and the related pension cost of current employment services are determined on the basis of actuarial assumptions applying the "Projected Unit Credit Method", which provides for the projection of future disbursements on the basis of historical statistical analyses and the demographic curve and the financial discounting of these flows on the basis of a market interest rate. Contributions paid in each financial year are considered as separate units, recognised and valued individually to calculate the final obligation. The discount rate used is based on the market yields recorded at the valuation dates of primary company bonds, taking into account the average residual duration of the liability. The present value of the obligation at the Balance Sheet date is also adjusted by the *fair value* of any plan assets.
Actuarial gains and losses (i.e. changes in the present value of the obligation arising from changes in actuarial assumptions and adjustments based on past experience) are recognised in the statement of comprehensive income.

Provisions for risks and charges against commitments and guarantees given

The sub-item "Provisions for risks and charges" includes the provisions for credit risk recognised for commitments to disburse funds and guarantees issued, which fall within the scope of application of the rules on impairment in accordance with IFRS 9. In principle, the same methods of allocation between the three stages (credit risk stages) and calculation of the expected loss shown with reference to financial assets measured at amortised cost or at *fair value* through other comprehensive income are adopted for these cases.
The aggregate also includes provisions for risks and charges set up to cover other types of commitments and guarantees given which, by virtue of their specific nature, do not fall within the scope of application of the impairment test pursuant to IFRS 9.

Other funds

Other provisions for risks and charges include provisions relating to legal obligations or those related to employment relationships or to disputes, including tax disputes, arising from a past event for which it is probable that economic resources will be disbursed to meet the obligations, provided that a reliable estimate can be made of the relative amount.

Consequently, a provision is recognised if and only if:

- there is a current obligation (legal or implicit) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount resulting from fulfilment of the obligation.

The amount recognised as a provision represents the best estimate of the expenditure required to meet the obligation existing at the financial statement date and reflects the risks and uncertainties that inevitably characterise a number of facts and circumstances. Where the time element is significant, provisions are discounted using current market rates. Provisions and increases due to the time factor are recorded in the Profit and Loss Account.

The provision is reversed when use of resources that can produce economic benefits to fulfil the obligation becomes unlikely or when the obligation is extinguished.

The item also includes long-term employee benefits, the charges for which are determined using the same actuarial criteria as those described for the provision for pensions. Actuarial gains and losses are all recognised immediately in the Profit and Loss Account.

A.2.12. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

Classification criteria

Amounts due to banks, amounts due to clients and securities issued include the various forms of interbank and client funding, repurchase agreements and funding through certificates of deposit, bonds and other outstanding funding instruments, net of any amounts repurchased.

It also includes debts recorded by the company as a lessee under finance leases.

Recognition criteria

These financial liabilities are first recognised on the date the contract is signed, which normally coincides with the date of receipt of the sums collected or the issue of the debt securities.

Initial recognition is based on the *fair value* of the liabilities, normally equal to the amount received or the issue price, plus any additional costs/revenue directly attributable to the individual funding or issue transaction. Internal administrative costs are excluded.

Measurement criteria

After initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method. Exceptions are short-term liabilities, for which the time factor is negligible, which remain recorded at the value received.

Lease payables are revalued when there is a lease modification (e.g. a change to the scope of the contract), that is not recognised/considered as a separate contract.

Derecognition criteria

Financial liabilities are derecognised when they expire or are extinguished. Derecognition is also made when previously issued bonds are repurchased. The difference between the carrying amount of the liability and the amount paid to purchase it is recognised in the Profit and Loss Account.
Placement on the market of own securities after their repurchase is considered as a new issue with registration at the new placement price.

A.2.13. FINANCIAL LIABILITIES HELD FOR TRADING

Recognition criteria

These financial instruments are recorded at the date of subscription or issue at a value equal to the *fair value* of the instrument, without considering any transaction costs or revenue directly attributable to the instruments themselves.
This liability category includes, in particular, trading derivatives with a negative *fair value* as well as embedded derivatives with a negative *fair value* that are present in complex contracts - where the primary contract is a financial liability - but not strictly related to them. It also includes liabilities arising from technical overdrafts generated by trading in securities and certificates.

Measurement criteria

All trading liabilities are measured at *fair value* with the measurement result recognised in the Profit and Loss Account.

Derecognition criteria

Financial liabilities held for trading are derecognised when the contractual rights to the related cash flows expire or when the financial liability is transferred with the substantial transfer of all the risks and rewards of ownership.

A.2.14. FINANCIAL LIABILITIES DESIGNATED AT *FAIR VALUE*

Classification criteria

This item recognises financial liabilities designated at *fair value* with a balancing entry in the Profit and Loss Account, on the basis of the option granted to companies (so-called "*fair value* option") by IFRS 9 and in compliance with the cases envisaged by the relevant legislation.

Recognition criteria

These liabilities are recognised at the issue date at their *fair value*, including the value of any embedded derivative, net of placement fees paid.

Measurement criteria

These liabilities are measured at *fair value* and the result is recognised in accordance with the following rules set out in IFRS 9:

- changes in *fair value* that are attributable to changes in creditworthiness must be recognised in the Statement of comprehensive income (equity);

- the remaining changes in *fair value* must be recognised in the Profit and Loss Account.

The amounts recognised in the Statement of comprehensive income are not subsequently reclassified to the Profit and Loss Account. This method of accounting does not have to be applied when recognition of the effects of one's creditworthiness under equity leads to or accentuates an accounting mismatch in the Profit and Loss Account. In this case, the gains or losses linked to the liability, including those determined as a result of the change in its creditworthiness, must be recorded in the Profit and Loss Account.

Derecognition criteria

Financial liabilities measured at *fair value* are derecognised when the contractual rights to the related cash flows expire or when the financial liability is transferred with the substantial transfer of all the risks and rewards of ownership.

A.2.15. TRANSACTIONS IN CURRENCY

Initial recognition criteria

At initial recognition, foreign currency transactions are recognised in the money of account, applying the exchange rate at the date of the transaction.

Subsequent recognition criteria

At each Balance Sheet or interim reporting date, foreign currency Balance Sheet items are valued as follows:
- monetary items are converted at the exchange rate on the closing date;
- non-monetary items valued at historical cost are converted at the exchange rate in force at the date of the transaction;
- non-monetary items measured at *fair value* are translated using the exchange rates in force at the closing date.

Exchange differences arising from the settlement of monetary items or from the translation of monetary items at rates other than the initial conversion rate, or the conversion rate of the previous financial statements, are recognised in the Profit and Loss Account for the period in which they arise.

When a gain or loss on a non-monetary item is recognised in equity, the exchange difference relating to that item is also recognised in equity. Conversely, when a gain or loss is recognised in the Profit and Loss Account, the related exchange difference is also recognised in the Profit and Loss Account.

A.2.16. OTHER LIABILITIES

Other liabilities essentially include items awaiting settlement and those that do not relate to other balance sheet items.

A.2.17. Other information

Treasury shares

Any treasury shares held are deducted from shareholders' equity. Similarly, their original cost and the gains or losses from their subsequent sale are recognised as movements in shareholders' equity.

Accruals and deferrals

Accruals and deferrals that include revenue and expenses for the period accrued on assets and liabilities are recorded in the financial statements as an adjustment to the assets and liabilities to which they refer.

Leasehold improvements

Costs for the renovation of real estate not owned by the company are capitalised in view of the fact that, for the duration of the rental contract, the user company has control of the assets and can gain future economic benefits from them. These costs, classified as Other assets in accordance with Bank of Italy instructions, are amortised over a period not exceeding the duration of the lease agreement.

Employee severance indemnities

The provision for employee severance indemnities is classified as a "post-employment benefit":
- "defined-contribution plan" for employee severance indemnities accruing from 1st January 2007 (date of entry into force of the supplementary pension reform pursuant to (It.) Legislative Decree no. 252 of 5 December 2005, both in the case of an employee opting for supplementary pension schemes and in the case of allocation to the treasury fund at INPS. For these portions, the amount recorded under personnel costs is calculated on the basis of the contributions due without application of actuarial calculation methods;
- "defined-benefit plan" recorded on the basis of its actuarial value calculated using the "Projected Unit Credit Method", for the portion of employee severance indemnities accrued up to 31st December 2006.

These portions are recorded on the basis of their actuarial value determined using the projected unit credit method, without application of the pro-rata of the service provided, since the current service cost of the employee severance indemnity has almost entirely matured and its revaluation, for the years to come, is not considered to give rise to significant benefits for employees.
For discounting purposes, the rate used is determined with reference to the market yield on bonds of primary companies, taking into account the average residual duration of the liability, weighted on the basis of the percentage of the amount paid and advanced, for each maturity, with respect to the total to be paid and advanced until the final extinction of the entire obligation.
Plan service costs are recognised as personnel costs, while actuarial gains and losses are recognised in the Statement of comprehensive income.

Share-based payments

Employee remuneration plans based on shares are recorded in the Profit and Loss Account, with a corresponding increase in equity, on the basis of the *fair value* of the financial instruments assigned at the assignment date, dividing the cost over the period envisaged by the plan.
In the presence of options, their *fair value* is calculated using a model that considers, in addition to information such as the exercise price and the life of the option, the current price of the shares and their expected volatility, the expected dividends and the risk-free interest rate, also the specific characteristics of the existing plan. In the valuation model, the option and the probability of achieving the conditions on the basis of which the options were assigned are assessed separately.
The combination of the two values provides the *fair value* of the instrument assigned.
Any reduction in the number of financial instruments granted is accounted for as the cancellation of part of them.

Employee benefits

Employee benefits are all types of remuneration paid by the company in exchange for the work performed by employees. Employee benefits are divided between:

- short-term benefits (other than termination benefits and equity compensation) that are expected to be paid in full within twelve months of the end of the period in which the employees render the service and are recognised in full in the Profit and Loss Account at the time of vesting (for example, "extraordinary" wages, salaries and benefits fall into this category);
- post-employment benefits due after the end of the employment relationship which oblige the company to make future payments to employees. These include severance indemnities and pension funds, which in turn are divided into defined-contribution plans and defined-benefit plans or company pension funds;
- termination benefits, i.e. compensation that the company pays to employees as a counterpart to the termination of the employment relationship, following the company's decision to terminate the employment relationship before the normal retirement date;
- long-term benefits, other than the previous ones, which are not expected to be fully extinguished within the twelve months following the end of the financial year in which the employees worked.

Recognition of revenue and costs

Revenue can be recognised:

- at a specified time, when the entity fulfils its obligation to do so by transferring the promised good or service to the client, or
- over time, as the entity fulfils its obligation to do so by transferring the promised good or service to the client.

The asset is transferred when, or during the period in which, the client acquires control of it. Specifically:

- the interest payments are recognised pro rata temporis on the basis of the contractual interest rate or the effective interest rate if the amortised cost is applied. Interest revenue (or interest expense) also includes differentials or margins, positive (or negative), accrued up to the Balance Sheet date, relating to financial derivative contracts (i) hedging assets and liabilities that generate interest; (ii) classified in the Balance Sheet in the trading portfolio but linked to financial assets and/or liabilities measured at *fair value* (*fair value* option); (iii) linked to assets and liabilities classified in the trading portfolio that require the settlement of differentials or margins at more than one maturity;
- interest on arrears, which may be provided for by contract, is only recognised in the Profit and Loss Account when it is actually collected;
- dividends are recognised in the Profit and Loss Account in the year in which their distribution is approved;
- commission for revenues from services is recognised, on the basis of the existence of contractual agreements, in the period in which the services were provided. The commission considered in the amortised cost to calculate the effective interest rate is recognised under interest;
- revenue from the sale of financial instruments, determined by the difference between the consideration paid or received for the transaction and the *fair value* of the instrument, are recognised in the Profit and Loss Account upon recognition of the transaction;
- profits and losses arising from trading in financial instruments are recognised in the Profit and Loss Account at the time of completion of the sale, on the basis of the difference between the consideration paid or received and the book value of the instruments themselves;
- revenues from the sale of non-financial assets are recognised when the sale is completed, or when the obligation to do so vis-a-vis the client is fulfilled.

Costs relating to the obtaining and fulfilment of contracts with clients are recorded in the Profit and Loss Account in the periods in which the related revenues are recorded.

A.2.18. The criteria for classifying financial assets

The classification of financial assets in the three categories provided for by IFRS 9 depends on two classification criteria, or drivers: i) the business model with which the financial instruments are managed (or Business Model) and ii) the contractual characteristics of the financial flows of the financial assets (or SPPI Test).
The combined provisions of the two drivers mentioned above give rise to the classification of financial assets, as described below:

- Financial assets valued at amortised cost: assets that pass the SPPI test and fall within the Hold to collect (HTC) business model;
- Financial assets measured at *fair value* with impact on comprehensive income (FVOCI): assets that pass the SPPI test and fall within the Hold to collect and sell (HTCS) business model;
- Financial assets measured at *fair value* through profit or loss (FVTPL): this is a residual category, which includes financial instruments that cannot be classified in the previous categories based on the results of the business model test or the test on the characteristics of contractual flows (SPPI test not passed).

SPPI tests

In order for a financial asset to be classified at amortised cost or at FVOCI - in addition to the analysis relating to the business model - the contractual terms of the asset itself must provide, on certain dates, for cash flows represented solely by payments of principal and interest on the amount of capital to be repaid ("solely payment of principal and interest" - SPPI). This analysis must be carried out, in particular, for loans and debt securities.
The SPPI test must be carried out on each individual financial instrument at the time of budgeting.
After initial recognition, and as long as it is recognised in the financial statements, the asset is no longer subject to new valuations for the purposes of the SPPI test. If a financial instrument is derecognised and a new financial asset is recognised, the SPPI test on the new asset must be carried out.
To apply the SPPI test, the following definitions will apply:

- Capital: it is the *fair value* of the financial asset at the time of initial recognition. This value may change over the life of the financial instrument, for example as a result of repayments of part of the principal;
- Interest: is the consideration for the time value of money and for the credit risk associated with the outstanding principal in a particular period of time. It may also include remuneration for other basic risks and costs associated with lending and a profit margin.

When assessing whether the contractual flows of a financial asset can be defined as SPPI, IFRS 9 refers to the general concept of a "basic lending arrangement", which is independent of the legal form of the asset. When contractual clauses introduce exposure to risks or volatility of contractual cash flows that are not consistent with the definition of basic lending arrangements, such as exposure to changes in share or commodity prices, contractual flows do not meet the definition of SPPI. Application of the classification driver based on contractual cash flows sometimes requires subjective judgement and, accordingly, definition of internal application policies.
In cases where the time value of money is modified - for example, when the interest rate of the financial asset is periodically recalculated, but the frequency of restatement or the frequency of coupon payments does not reflect the nature of the interest rate (e.g. the interest rate is revised monthly on the basis of a one-year rate) or when the interest rate is periodically revised on the basis of an average of particular short or medium/long-term rates - it is assessed, using both quantitative and qualitative elements, whether the contractual flows still meet the definition of SPPI (c. the interest rate is adjusted to reflect the nature of the interest rate).d. benchmark cash flows test). If the test shows that the contractual cash flows (not discounted) are "significantly different" from the cash flows (also not discounted) of a benchmark instrument (i.e. without the modified time value element), the contractual cash flows cannot be considered as meeting the definition of SPPI.
Special analyses (so-called "look through test") are required by the principle and are consequently also implemented for contractually linked instruments ("CLIs") that create concentrations of credit risk for debt settlement and for nonrecourse assets, for example in cases where the receivable can only be claimed in relation to certain assets of the debtor or to cash flows from certain assets.

The presence of contractual clauses that may change the frequency or amount of contractual cash flows must also be considered to assess whether these flows meet the requirements to be considered as SPPI (e.g. prepayment options, possibility of deferring contractual cash flows, instruments with embedded derivatives, subordinated instruments, etc.).
However, as required by IFRS 9, a feature of the contractual cash flows does not affect the classification of the financial asset if it can only have a de minimis effect on the contractual cash flows of the financial asset (in each period and cumulatively). Similarly, if a feature of the cash flows is unrealistic ("not genuine"), or if it affects the contractual cash flows of the instrument only on the occurrence of an extremely rare, very unusual and very unlikely event, it does not affect the classification of the financial asset.
In order to carry out the SPPI test, the Company makes use of the services provided by well-known info-providers for debt security transactions.
A tool based on an internally developed methodology (decision trees) has been developed for the SPPI test in the context of the credit granting processes. In particular, given the significant differences in characteristics, differentiated management is envisaged for products that can be traced back to a contractual standard (typically retail loan portfolio) and for "tailor made" loans (typically corporate loan portfolio).
For standard products, the SPPI test is carried out during structuring of the contractual standard and the result of the test is extended to all individual reports related to the same product. For "tailor made" products, the SPPI test is carried out for each new credit line/relationship submitted to the decision-making body through the use of the proprietary tool.

Business model

As far as the business model is concerned, IFRS 9 identifies three cases in relation to the way in which cash flows and sales of financial assets are managed:
- Hold to Collect (HTC): this is a business model whose target is achieved by collecting the contractual cash flows of the financial assets included in the portfolios associated with it. Inclusion of a portfolio of financial assets in this business model does not necessarily mean that it is impossible to sell the instruments, even if it is necessary to consider the frequency, value and timing of sales in previous years, the reasons for sales and expectations regarding future sales;
- Hold to Collect and Sell (HTCS): is a mixed business model, whose target is achieved both through the collection of contractual cash flows from the financial assets in the portfolio and through a sales activity that is an integral part of the strategy. Both activities (collection of contractual flows and sale) are functional to achieving the business model target. Accordingly, sales are more frequent and significant than an HTC business model and are an integral part of the strategies pursued;
- Others/Trading: this is a residual category that includes both financial assets held for trading and financial assets managed with a business model that cannot be traced back to the previous categories (Hold to Collect and Hold to Collect and Sell). In general, this classification applies to a portfolio of financial assets whose management and performance are measured at *fair value*.

The business model reflects the way in which financial assets are managed to generate cash flows for the benefit of the entity and is defined by top management through the appropriate involvement of business units.
The business model is observed considering the way in which financial assets are managed and, as a consequence, the extent to which the portfolio's cash flows derive from the collection of contractual flows, from the sale of financial assets or from both of these assets. Assessment is not made on the basis of scenarios which, according to reasonable forecasts of the entity, are not likely to occur, such as the so-called worst-case or stress-case scenarios. For example, if the entity expects to sell a particular portfolio of financial assets only in a stress case scenario, that scenario does not affect the assessment of the entity's business model for those assets if that scenario, based on the entity's reasonable expectations, is not expected to occur.
The business model does not depend on the intentions management has with reference to a single financial instrument, but refers to the way in which groups of financial assets are managed in order to achieve a specific business target.

In summary, the business model:
- reflects the way in which financial assets are managed to generate cash flows;
- is defined by top management, through the appropriate involvement of business structures;
- must be observable in view of the way in which financial activities are managed.

In operational terms, the assessment of the business model is carried out in accordance with the company organisation, the specialisation of the business departments , the risk model and the assignment of delegated powers (limits).
In relation to management purposes for which the financial assets are held, it should be noted that a specific document - approved by the competent levels of governance - defines and sets out the elements constituting the business model in relation to the financial assets included in the portfolios managed in the performance of operations on the business structures.
For the Hold to Collect portfolios, the Company has defined the eligibility thresholds for sales that do not affect the classification (frequent but not significant, individually and in aggregate, or infrequent even if of significant amount) and, at the same time, the parameters have been established to identify sales consistent with this business model as they are attributable to an increase in credit risk.
More specifically, sales are allowed under an HTC business model:
- in the event of an increase in credit risk, which occurs:
    a) for securities, when there is a downgrade of predetermined notches to the origination rating. The approach adopted envisages that the number of notches is differentiated according to the origination rating, in line with the methodology in use for the identification of “significant deterioration”, i.e. for the staging transition;
    b) in the case of claims, in the case of assignments of impaired claims or of claims classified as stage 2 claims;
- when they are frequent but not significant in terms of value or occasional even if significant in terms of value. In order to determine these aspects, frequency and significance thresholds have been defined:
    a) the frequency is defined as the percentage ratio between the number of positions sold (ISINs or ratios) during the observation period and the total number of positions in the portfolio during the observation period;
    b) significance is defined as the percentage ratio of the nominal value of sales to the total nominal value of the instruments in the portfolio over the period considered.

Where both frequency and significance thresholds are exceeded at the same time, an additional assessment is required to confirm the consistency of the HTC business model (e.g. to assess whether sales are made close to maturity).

Methods of determining the amortised cost

The amortised cost of a financial asset or liability is the value at which, on initial recognition, the financial asset or liability was measured net of principal repayments, increased or decreased by the total amortisation calculated using the effective interest method, by the differences between the initial value and the maturity value and net of any loss in value.
The effective interest rate is the rate that equals the present value of a financial asset or financial liability to the contractual flow of future payments in cash or received until maturity or the next date of price recalculation. To calculate the present value, the effective interest rate is applied to the flow of future cash receipts or payments over the entire useful life of the financial asset or financial liability or for a shorter period under certain conditions (e.g. revision of market rates).
Subsequent to initial recognition, the amortised cost makes it possible to allocate revenues and costs deducted from or increased by the instrument over its expected life through the amortisation process. Calculation of the amortised cost differs according to whether the financial assets/liabilities being valued are at a fixed or variable rate and - in the latter case - according to whether the variability of the rate is known in advance or not. For fixed rate instruments or fixed rate ones by time band, future cash flows are quantified on the basis of the known interest rate (single or variable) over the life of the loan. For variable rate financial assets/liabilities, the variability of which is

not known in advance (for example because it is linked to an index), cash flows are determined on the basis of the last known rate. At each rate revision date, the amortisation plan and the effective rate of return are recalculated over the entire useful life of the instrument, i.e. up to the expiry date. The adjustment is recognised as a cost or revenue in the Profit and Loss Account.
Amortised cost measurement is carried out for financial assets measured at amortised cost and for those measured at *fair value* through other comprehensive income, as well as for financial liabilities measured at amortised cost.
Financial assets and liabilities traded at market conditions are initially recognised at their *fair value*, which normally corresponds to the amount disbursed or paid inclusive, since they are instruments valued at amortised cost, transaction costs and directly attributable commissions.
Transaction costs are marginal internal or external costs and revenue attributable to the issue, acquisition or disposal of a financial instrument and not chargeable back to the client. These fees, which must be directly attributable to the individual financial asset or liability, affect the original effective yield and make the effective interest rate associated with the transaction different from the contractual interest rate.
Costs/revenue relating indistinctly to several transactions and components related to events that may occur during the life of the financial instrument, but which are not certain at the time of the initial definition, such as, for example: commission for retrocession, for non-use, for early repayment, are excluded. Moreover, the amortised cost does not include costs that the company would have to bear independently of the transaction (e.g. administrative, stationery, communication costs), those that, although specifically attributable to the transaction, fall within the normal practice of managing the loan (e.g. activities aimed at disbursement of the credit), as well as commission for services collected following the performance of Structured Finance activities that would have been collected independently of the subsequent financing of the transaction (such as, for example, facility and arrangement commission).
With particular reference to loans, the following are considered costs attributable to the financial instrument: commission paid to distribution channels, fees paid for consultancy/assistance for the organisation of and/or holding in syndicated loans and, finally, up-front commissions related to loans granted at rates higher than market rates; while revenues considered in the calculation of the amortised cost are up-front commissions related to loans granted at rates lower than market rates, those for holding in syndicated transactions and brokerage commission linked to commission paid by brokerage firms.
With regard to securities not valued at *fair value* through Profit and Loss, transaction costs are considered to be commission for contracts with brokers operating on Italian stock markets, those disbursed to brokers operating on foreign stock markets and bonds defined on the basis of commission tables. Stamps are not considered to be attracted by the amortised cost, as they are not significant.
For the securities issued, commission on the placement of bonds paid to third parties, shares paid to stock exchanges and fees paid to auditors for the work carried out for each individual issue are considered in the calculation of the amortised cost, while commission paid to rating agencies, legal and advisory/revision fees for the annual updating of prospectuses, costs for the use of indices and commission originating during the life of the bond issued are not considered to be attracted by the amortised cost.
Amortised cost is also applied to the valuation of the loss in value of the financial instruments listed above and to the recognition of those issued or purchased at a value other than their *fair value*. The latter are recorded at *fair value*, rather than for the amount received or paid, calculated by discounting future cash flows at a rate equal to the effective rate of return of similar instruments (in terms of creditworthiness, contractual maturities, currency, etc.), with simultaneous recognition in the Profit and Loss Account of a financial charge or revenue. Subsequent to initial valuation, they are valued at amortised cost, with actual interest greater or lesser than nominal interest. Finally, structured liabilities that are not measured at *fair value* are also measured at amortised cost and recognised in the Profit and Loss Account because the derivative contract embedded in the financial instrument has been separated and recognised separately.
As indicated by IFRS 9, in some cases, a financial asset is considered impaired at the time of initial recognition because the credit risk is very high and, in the case of purchase, is purchased with large discounts (compared to the initial disbursement value). If the financial assets in question, based on the application of the classification drivers (i.e. SPPI test and Business model), are classified as assets valued at amortised cost or *fair value* through

other comprehensive income, they are classified as "Purchased or Originated Credit Impaired Assets" (in short "POCI") and are subject to special treatment with regard to the impairment process. In addition, on financial assets classified as POCI, an effective interest rate adjusted for the loan is calculated at the date of initial recognition (so-called "credit-adjusted effective interest rate"), the identification of which must include, in the estimates of the cash flows, initial expected losses. For the application of the amortised cost, and consequent calculation of the interest, the effective interest rate corrected for the loan is applied.
The amortised cost method does not apply to hedged financial assets/liabilities for which changes in *fair value* relating to the risk hedged are recognised in the Profit and Loss Account. The financial instrument is, however, revalued at amortised cost in the event of termination of the hedge, at which point the previously recorded changes in *fair value* are amortised, calculating a new effective interest rate of return that considers the value of the loan adjusted by the *fair value* of the part subject to the hedge, until the expiry of the hedge originally envisaged. Moreover, as already mentioned in the paragraphs relating to financial assets and liabilities valued at amortised cost, valuation at amortised cost does not apply to financial assets/liabilities whose short duration makes the economic effect of discounting negligible, nor to receivables without a defined maturity or revoked.

A.2.19. METHODS OF DETERMINING IMPAIRMENT LOSSES

Impairment of financial assets

At each financial statement date, in accordance with IFRS 9, financial assets other than those measured at *fair value* through profit or loss are assessed to determine whether there is any evidence that the book value of the assets may not be fully recoverable. A similar analysis is also carried out for commitments to disburse funds and guarantees issued that fall within the scope of impairment pursuant to IFRS 9.
In the event that such evidence exists in accordance with the provisions of the Civil Code (so-called "evidence of impairment"), the financial assets in question - consistently, where they exist, with all the remaining assets pertaining to the same counterparty - are considered impaired and are included in stage 3. These exposures, represented by financial assets classified - in accordance with the provisions of Bank of Italy Circular 262/2005 - in the categories of non-performing loans, unlikely to pay and exposures past due by more than ninety days, must be subject to value adjustments equal to the expected losses relating to their entire residual life.

Impairment of performing financial assets

For financial assets for which there is no evidence of impairment (non-impaired financial instruments), it is necessary, instead, 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. The result of that audit implies classifying the instrument, based on the result, in two different categories (more correctly called "stages"):

- where the indicators exist, the financial asset is included in stage 2. In this case, the valuation, in accordance with international accounting standards and even in the absence of a manifest loss in value, provides for the recognition of value adjustments equal to the expected losses over the entire residual life of the financial instrument. These adjustments are reviewed at each subsequent reporting date both to periodically check their consistency with the constantly updated loss estimates and to take into account - in the event that the indicators of a "significantly increased" credit risk are no longer available - the changed forecast period for calculating the expected loss;
- where these indicators do not exist, the financial asset is included in stage 1. In this case, the valuation, in accordance with the international accounting standards and even in the absence of a manifest loss of value, provides for the recognition of expected losses, for the specific financial instrument, over the following twelve months. Those adjustments are reviewed at each subsequent financial statement date both to periodically check their consistency with the constantly updated loss estimates, and to take into account - in the event of indicators of a "significantly increased" credit risk - the changed forecast period for calculating the expected loss.

With regard to the valuation of financial assets and, in particular, the identification of the "significant increase" in credit risk (a necessary and sufficient condition for the classification of the asset being valued in stage 2), the elements that - pursuant to the principle and its operating articulation by the Company - constitute the main determinants to be taken into consideration are as follows:

- the change in the probability of lifetime default compared to the time of initial recognition of the financial instrument in the financial statements. It is, accordingly, an evaluation carried out by adopting a "relative" criterion, which is configured as the main "driver";
- the possible presence of an overdue one that - without prejudice to the thresholds of significance identified by the regulations - is such as to be at least 30 days old. In this case, in other words, the credit risk of the exposure is presumed to be "significantly increased" and, accordingly, the "passage" in stage 2 follows (if the exposure was previously included in stage 1);
- the possible presence of forbearance measures, which - again on a presumption basis - entail the classification of exposures among those whose credit risk is "significantly increased" with respect to initial recognition;
- the presence, if any, of "observation" master notes, which classify exposures as "Watch lists" or those whose credit risk is "significantly increased" with respect to initial recognition.

The significant increase in credit risk ("SICR"), measured by the change in the probability of default lifetime, is calculated by comparing the relative change in the probability of default lifetime recorded between the date of first recognition of the report and the observation date (Delta PD Lifetime) with predetermined thresholds of significance. The assignment of a PD Lifetime to single relationships is carried out by bringing back the ratings for each segment both on the date of first registration and on observation. Ratings are determined on the basis of internal models, where available, or management models.

This "relative" change in PD is an indicator of the increase or decrease in credit risk during the reference period. In order to determine whether, in accordance with IFRS 9, any increase in credit risk can be considered "significant" (and accordingly involve the transition between stages), it is necessary to define specific thresholds. Lifetime PD increases below these thresholds are not considered significant and, consequently, do not involve the transfer of individual lines of credit/debit tranches from stage 1 to stage 2; such a transfer is, however, necessary in the presence of relative PD increases above the thresholds in question. The thresholds used were estimated on the basis of a process of simulations and optimization of predictive performance, developed using historical granular portfolio data. Specific thresholds are defined for Private, Small business and Corporate models.

The determination of the thresholds has been calibrated in order to find a correct balance between the performance indicators relating to the capacity of the thresholds themselves:
- intercept stage 2 positions before they move to default;
- identify the positions for which the return to stage 1 is synonymous with an effective improvement in creditworthiness.

Some peculiar considerations apply to the so-called "title staging. Unlike loans, in fact, for this type of exposure, buying and selling operations subsequent to the first purchase (carried out with reference to the same ISIN) can usually fall within the ordinary activity of managing positions (with the consequent need to identify a methodology to be adopted to identify sales and repayments in order to determine the residual quantities of single transactions to which to associate a credit quality/rating to the origination to be compared with that of the reporting date). In this context, it was considered that use of the "first-in-first-out" or "FIFO" method (for the reversal to the Profit and Loss Account of the ECL recorded, in the event of sales and refunds) contributes to more transparent management of the portfolio, also from the point of view of front office operators, allowing, at the same time, a continuous updating of the creditworthiness assessment on the basis of new purchases.

Once allocation of exposures to the various credit risk stages has been defined, expected losses (ECL) are calculated, at the level of single transactions or tranches of securities, based on the parameters of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), on which appropriate corrective action is taken to ensure compliance with the specific requirements of IFRS 9.

The following definitions apply to PD, LGD and EAD:
- PD ("Probability of Default"): probability of going from performing to impaired credit status within a one-year time horizon. In models consistent with supervisory requirements, the PD factor is typically quantified through the rating. PD values are derived from the internal rating model where available, supplemented by external ratings or average segment/portfolio data;
- LGD ("Loss Given Default"): percentage of loss in the event of default, quantified through historical experience of recoveries discounted to present value on practices that have been transferred to impaired loans;
- EAD ("Exposure At Default") or credit equivalent: amount of the exposure at the time of default.

In relation to multi-period EAD, in line with the provisions of IFRS 9, reference is made to plans at amortised cost for both loans and debt securities, regardless of the related valuation methods (amortised cost or *fair value* through other comprehensive income). For commitments to disburse funds (margins), the EAD is, on the other hand, assumed to be the weighted nominal value for a specific Credit Conversion Factor (CCF).

The valuation of financial assets also reflects the best estimate of the effects of future conditions, especially economic conditions, on the basis of which PD forward looking is conditioned. In the context of IFRS 9, also on the basis of the indications of the international Regulators, information on future macroeconomic scenarios in which the Company may find itself operating and which influence the situation of debtors with reference to both the "riskiness" of migration of exposures to lower quality classes (accordingly concerning the "staging") and the recoverable amounts (accordingly concerning the determination of the expected loss on exposures) are of particular importance. The macroeconomic scenario is obtained from external info providers. Alternative improvement and worsening scenarios are determined by stressing variables in input to forecasting models.

Impairment of non-performing financial assets

Impaired loans classified as non-performing are subject to the following valuation methods:
- analytical-statistical assessment, which is adopted for exposures below certain thresholds, based on the application of specific LGD grids, to which an add-on may be added in order to take account of forward looking information, in particular that relating to the impact of future macroeconomic scenarios;
- analytical-specific valuation, which is adopted for clients with exposures above certain thresholds and is based on the depreciation percentages attributed by the manager, following specific analysis and valuation processes, to which an Add-On component can be added in order to take account of "forward looking" information, in particular that relating to the impacts of future macroeconomic scenarios (with the exception

of non-performing loans with mortgage guarantees, for which the impacts of future scenarios are included through the methods of determining the "haircuts" at the value of the properties under warranty);
- inclusion of sales scenarios for assignable non-performing loans: regardless of the division of these exposures between those subject to analytical-statistical evaluation and those subject to analytical-specific evaluation (as identified above), the valuation of assignable non-performing loans also includes the additional components relating to future sales scenarios.

The assessment of unlikely to pay (UTP) defaults is also based on two different approaches:
- analytical-statistical evaluation, for cash exposures below certain thresholds, based on the application of specific statistical grids of LGD to which is added a component of Add-On in order to understand the impacts of future macroeconomic scenarios;
- analytical-specific assessment, for cash exposures above certain thresholds, based on the devaluation percentages attributed by the operator, plus an add-on component in order to take into account, also in this case, the impacts of future macroeconomic scenarios.

Impaired loans classified as past due and/or in excess of limits are, on the other hand, subject to analytical valuation on a statistical basis, regardless of the amount of cash exposure. Again, however, the adjustment defined on the basis of the LGD statistical grids is supplemented to take account of the Add-On component attributable to the effect of future macroeconomic scenarios.

Referred to the alternative recovery scenarios, related to objectives to reduce the non-performing stock held, included in business plans, and any commitments taken with Supervisory Bodies, also specifically referred to the so-called NPL Strategy, the Company considers the sale of certain portfolios is the strategy that can, under certain conditions, maximise the recovery of cash flows, also considering recovery times.

In particular, the Bank of Italy in the document "Guidelines for Italian Less Significant Banks in the Management of Impaired Loans", which refers to the document "Guidance to banks on non-performing loans" published by the SSM, asked Banks to define a strategy to achieve a progressive reduction of the same.

Further regulatory evolutions have been added to those initial indications, including the measures introduced by the European Union in the first part of the year to reduce risks connected with Non Performing Loans, aimed at calculating minimum prudential allocation levels for bad debts. Due to the overall context, the strategy to reduce aggregates through internal "work-out" had to be strengthened and flanked by other more effective measures, specifically through the sale of a bad debt unlikely to pay portfolio.

As a result, the "ordinary" scenario, which envisages a recovery strategy based on collecting the receivable typically through legal actions, mandates to recovery companies, and the realisation of mortgage guarantees, was accompanied - as a recovery strategy - by the scenario of the sale of the receivable itself. In light of this, for a defined perimeter of non-performing loans with the characteristics of assignability, in order to determine the overall expected loss of the exposures, the recoverable values based on the ordinary internal recovery process and the amounts recoverable from the sale, estimated on the basis of market valuations, have been weighted according to the share of the portfolio destined for sale, as envisaged by the NPL strategy, with respect to the total of the assignable portfolio.

In particular, the recoverable value of assignable non-performing loans was quantified as the average of (i) the "*fair value*" and (ii) the value in the event of recovery through an internal work-out - the "value in the event of collection".

It should be noted that the "collection hypothesis value" was determined according to the ordinary logic followed for the impairment of non-performing loans, i.e. on the basis of an analytical assessment for exposures above a defined threshold and on the basis of an analytical-statistical assessment for the others.

As already mentioned, it should also be noted that the financial assets purchased or originated already impaired (POCI) have particular characteristics with regard to impairment. In this regard, value adjustments equal to the ECL lifetime must be recorded for the instruments in question from the date of initial recognition and for their entire life. At each subsequent financial statement date, the amount of the lifetime ECL must accordingly be adjusted, recording in the Profit and Loss Account the amount of any change in expected losses over the life of the loan as a gain or loss due to impairment. In the light of the above, the POCI financial assets are initially entered in stage 3, without prejudice to the possibility of being subsequently moved to performing loans, on which, however, an expected loss equal to the ECL lifetime will continue to be recorded.

In addition, with regard to impaired loans, non-collectible accounting entries are derecognised/withdrawn and the remainder not yet adjusted is charged to losses, also taking into account the following cases:

- irrecoverability of the debt, resulting from certain and precise elements (such as, by way of example, unavailability and nullity of the debtor, failure to recover from securities and real estate executions, negative seizures, insolvency proceedings closed with no complete relief for the Bank, if there are no further guarantees usefully enforceable, etc.);
- assignment of credit;
- waiver of the claim, as a consequence of unilateral remission of the debt or residue against settlement contracts;
- without waiver of the receivable in the event of very marginal possibilities of recovery, even without any of the elements referred to in the previous points, in the presence of adequate valuation elements, it may be necessary to proceed with the full or partial write-off for non-recoverability of the receivable even without closure of the legal file, thus maintaining the full right to collection of the balances subject to cancellation. The write-off may only affect the portion of the credit covered by provisions.

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Impairment of investments

At each financial statement date, investments are tested for impairment in order to determine whether there is objective evidence that the carrying amount of the assets in question may not be fully recoverable.
The impairment detection process involves verifying the presence of indicators of possible reductions in value and determining any write-downs. Impairment indicators can be divided into two main categories: qualitative indicators and quantitative indicators.
Among the qualitative ones, we would like to point out:

- the achievement of negative economic results or, in any case, a significant deviation from budget targets or those set out in long-term plans communicated to the market;
- the announcement/initiation of bankruptcy proceedings or restructuring plans;
- the downward revision of the rating of more than two classes;
- failure to meet the obligations of timely, full payment of the debt securities issued;
- the use of industrial policy instruments aimed at dealing with serious crises or at enabling companies to face restructuring/reorganisation processes.

Quantitative indicators include:

- the reduction of the *fair value* below the carrying amount by a significant difference percentage or on a lasting basis;
- market capitalisation lower than the book net equity of the company, in the case of securities listed on active markets, or by a book value of the investment in the separate financial statements higher than the book value in the consolidated financial statements of the net assets and goodwill of the subsidiary or by the distribution by the latter of a dividend higher than its total revenue.

The presence of impairment indicators entails the recognition of a write-down, to the extent that the recoverable value is lower than the book value, to be determined by means of a specific valuation.
The recoverable amount is the higher of *fair value* less costs of sale and value in use.
Value in use is the present value of the expected cash flows from the asset; it reflects an estimate of the expected cash flows from the asset, an estimate of possible changes in the amount and/or timing of cash flows, the time value of money, the price that remunerates the riskiness of the asset and other factors that may influence the appreciation by market participants of the expected cash flows from the asset.
When calculating value in use, the future cash flow discounting method is used.

Impairment of other non-financial assets

Tangible fixed assets and intangible fixed assets with a finite useful life are subject to impairment testing if there is an indication that the book value of the asset can no longer be recovered. The recoverable value is determined by reference to the fair value of the tangible or intangible asset net of disposal costs or to the value in use if determinable and if it is higher than the *fair value*.
With regard to real estate, in order to verify the presence of impairment indicators, an analysis of the different scenarios of the real estate markets is carried out annually. If these analyses reveal indicators of impairment, an expert opinion is prepared on the properties for which this presence has been verified.
For other tangible and intangible fixed assets (other than those recorded as a result of aggregation transactions) it is assumed that the book value normally corresponds to the value in use, since it is determined by an amortisation process estimated on the basis of the actual contribution of the asset to the production process and the determination of a *fair value* is extremely uncertain. The two values differ, giving rise to impairment, in the event of damage, exit from the production process or other similar non-recurring circumstances.
Intangible fixed assets recognised as a result of acquisitions and in accordance with IFRS 3 at each financial statement date are subject to an impairment test, in order to verify whether there is objective evidence that the asset may be impaired.
Intangible fixed assets with a finite useful life are subject to a new valuation process to verify the recoverability of the values recorded in the financial statements if there are indicators of impairment. The recoverable value is determined on the basis of the value in use, or the present value, estimated using a rate representing the time value of money and the specific risks of the asset, the profit margins generated by the relationships existing at the valuation date over a time horizon expressing the expected residual duration of the same.
Intangible fixed assets with an indefinite life, represented by goodwill, which do not have independent cash flows, are subject to an annual assessment of the adequacy of the value recorded among the assets with reference to the Cash Generating Unit (CGU) to which the values were attributed during the business combination transactions. The amount of any impairment is determined on the basis of the difference between the carrying amount of the CGU and its recoverable amount, represented by the higher of its *fair value*, net of any costs of sale, and its value in use.
The value in use of a CGU is determined by estimating the present value of the future cash flows expected to be generated by the CGU. These cash flows are determined using the latest available public company plan or, failing that, through the formulation of an internal anticipatory plan by management or through other available external evidence. Normally, the analytical forecast period covers a maximum period of five years. The flow of the last analytical forecast year is projected in perpetuity, through an appropriate growth rate "g" for the purposes of the so-called "Terminal value". The "g" rate is determined assuming as growth factor the lower of the average growth rate recorded in the analytical forecast period and the average development rate of the Gross Domestic Product in the countries where the flows are generated.
In determining value in use, cash flows must be discounted at a rate that reflects current valuations of the time value of money and the risks specific to the asset. In particular, the discount rates used incorporate the risk free component and equity related risk premiums observed over a sufficiently long period of time to reflect different market conditions and economic cycles.

A.2.20. Business combinations

IFRS 3 is the accounting standard of reference for business combinations.
The transfer of control of a business (or of a group of integrated activities and assets, conducted and managed as a unit) constitutes a business combination.
For this purpose, control is deemed to have been transferred when the investor is exposed to, or has rights over, variable returns arising from his relationship with the investee and at the same time has the ability to affect returns by exercising his power over that entity.

IFRS 3 requires a purchaser to be identified for all aggregation transactions. The latter will be identified as the entity that obtains control over another entity or group of activities. If it is not possible to identify a controlling party according to the definition of control described above, as for example in the case of transactions for the exchange of equity interests, the identification of the purchaser must be made using other factors such as: the entity whose *fair value* is significantly higher, the entity that may pay a cash consideration, the entity that issues the new shares. The acquisition, and accordingly the first consolidation of the acquired entity, will be accounted for on the date on which the purchaser effectively obtains control over the acquired undertaking or assets. When the transaction takes place through a single exchange transaction, the exchange date normally coincides with the acquisition date. However, it is always necessary to check whether there are any agreements between the parties which may involve a transfer of control before the date of the exchange.
The consideration transferred as part of a business combination must be determined as the sum of the *fair value*, at the date of exchange, of the assets sold, the liabilities incurred or assumed and the equity instruments issued by the purchaser in exchange for control.
In transactions involving payment in cash (or when payment is envisaged by means of financial instruments similar to cash), the price is the agreed consideration, which may be discounted if an instalment payment is envisaged for a period longer than the short term; if payment is made by means of an instrument other than cash, i.e. by means of the issue of equity instruments, the price is equal to the *fair value* of the means of payment net of costs directly attributable to the capital issue transaction.
The consideration for the business combination at the acquisition date includes adjustments subject to future events, if provided for in the agreements and only when they are probable, can be reliably determined and are realised within twelve months of the date of acquisition of control, while compensation for reduction in the value of the assets used is not considered because it is already considered either in the fair value of the equity instruments or as a reduction in the premium or an increase in the discount on the initial issue in the case of the issue of debt instruments.
These include, for example, professional fees paid to auditors, experts, legal advisers, costs for valuations and auditing of accounts, preparation of information documents required by law, as well as consultancy fees incurred to identify potential targets to be acquired if it is contractually established that payment will be made only in the event of a positive outcome of the combination, and the costs of registering and issuing debt securities or shares.
The purchaser will account for acquisition-related costs as expenses in the periods in which those costs are incurred and the services are received, except for the costs of issuing equity or debt securities which will be recognised in accordance with IAS 32 and IFRS 9.
Business combinations are accounted for using the "acquisition method", whereby the identifiable assets acquired (including any intangible fixed assets previously not recognised by the acquired company) and the identifiable liabilities assumed (including potential liabilities) are recognised at their *fair values* at the acquisition date.
In addition, for each business combination, any minority interests in the acquired company may be recorded at *fair value* (with a consequent increase in the consideration transferred) or in proportion to the share of the minority interest in the identifiable net assets of the acquired companies.
If control is achieved through subsequent purchases, the purchaser must recalculate its previous interest in the acquired company at its *fair value* at the acquisition date and recognise any difference from the previous carrying amount in the Profit and Loss Account.
The excess of the consideration transferred (represented by the *fair value* of the assets transferred, the liabilities incurred or the equity instruments issued by the purchaser), possibly integrated by the value of the minority interests (determined as above) and by the fair value of the interests already held by the purchaser, and the fair value of the assets and liabilities acquired must be recorded as goodwill; if, on the other hand, the latter are higher than the sum of the consideration, the minority interests and the fair value of the shares already held, the difference must be recorded in the Profit and Loss Account.
The accounting for the combination transaction may be provisionally completed by the end of the financial year in which the combination is realised and must be completed within twelve months of the acquisition date.

Entries of further shareholdings in companies already controlled are considered, in accordance with IFRS 10, as a capital transaction, i.e. transactions with shareholders acting in their capacity as shareholders. Accordingly, the differences between the acquisition costs and the book value of the acquired minority interests are entered in the equity; likewise, the sales of minority interests without loss of control do not generate profits/losses in the Profit and Loss Account but changes in the equity.
Transactions aimed at controlling one or more companies that do not constitute a business activity or at controlling on a transitory basis do not constitute business combinations, or, finally, if the business combination is carried out for reorganisation purposes, accordingly between two or more companies or business activities already controlled, and that does not involve a change in the control structures regardless of the percentage of third party rights before and after the transaction (so-called business combinations of companies subject to common control). These operations are considered to lack economic substance. Accordingly, in the absence of specific indications provided for by IAS/ IFRS and in compliance with the assumptions of IAS 8, which requires that - in the absence of a specific principle - the company must make use of its own judgement in applying an accounting principle that provides relevant, reliable and prudent information and that reflects the economic substance of the transaction, they are accounted for safeguarding the continuity of the values of the acquired in the financial statements of the purchaser.
Mergers are part of transactions between companies, representing the most complete form of business combination, as they involve both legal and economic unification of the parties involved.
Mergers, whether they be specific, i.e. by the creation of a new legal entity or by "incorporation" with the confluence of a company into another existing company, are treated according to the criteria set out above, in particular:

- if the transaction involves the transfer of control of an entity, it is treated as a combination transaction in accordance with IFRS 3;
- if the transaction does not involve the transfer of control, it is accounted for by giving priority to the continuity of the values of the company being acquired.

A.3 INFORMATION ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

A.3.1 Reclassified financial assets: change in business model, carrying amount and interest revenue

No reclassifications of financial assets were made in the financial year 2023.

A.3.2 Reclassified financial assets: change in business model, fair value and effects on comprehensive income

No reclassifications of financial assets were made in the financial year 2023.

A.3.3 Reclassified financial assets: change in business model and effective interest rate

No reclassifications of financial assets were made in the financial year 2023.

A.4 FAIR VALUE DISCLOSURE

QUALITATIVE INFORMATION

In terms of financial instrument classification and measurement rules, IFRS 9 indicates that an instrument is measured at *fair value* based on the business model adopted or if it, based on the contractual characteristics of its financial flows, does not pass the SPPI test (Solely Payment of Principal and Interest).
Paragraph 24 of IFRS 13 defines *fair value* as the amount that could be received to sell an asset, or paid to transfer a liability, in an ordinary transaction between market counterparts, in the principal market.
In the case of financial instruments listed on active markets, the *fair value* is determined on the basis of the official listings of the main market, or the most advantageous, to which the Bank has access (“Mark-to-Market”). A market is active if the transactions relating to the asset or liability occur with a frequency and volume sufficient to provide information useful for the determination of the price on an ongoing basis.
In the absence of a listing on an active market or in the absence of regular functioning of the market, i.e. when the market does not have a sufficient and continuous number of transactions, bid-ask spreads and volatility are not sufficiently contained, valuation models fed by market input are used, in particular:

- valuation of listed instruments with similar characteristics;
- discounted cash flow calculations;
- option pricing models, values recorded in recent comparable transactions, prudentially adjusted to take account of the illiquidity of certain market data and other risks associated with specific transactions (reputational, replacement, etc.).

In the absence of market input, valuation models will be based on data estimated internally.
The *fair value* is reported according to a hierarchy based on the quality of the input parameters used to determine it.
The *fair value* hierarchy, in line with IFRS 13 and repeated by Bank of Italy Circular no. 262, gives decreasing priority to valuations based on different market parameters: the highest priority (Level 1) is assigned to valuations based on prices quoted on an active market for identical assets or liabilities; the lowest priority (Level 3) is assigned to those deriving significantly from parameters that cannot be observed.
The *fair value* hierarchy associated with assets and liabilities is defined as the minimum level of all significant inputs used. The following levels can be distinguished:

- Level 1: listings (unique and without adjustment) recorded on an active market for the single financial instrument being valued.
- Level 2: inputs other than the quoted prices referred to in the previous point, which are observable directly (prices) or indirectly (derived from prices) on the market. In this case, the *fair value* is measured through a comparable approach or through use of a pricing model that does not leave too large a margin of subjectivity and normally used by other financial operators.
- Level 3: significant inputs not observable on the market and/or complex pricing models. In this case, the *fair value* is determined on the assumption of future cash flows that could lead to different estimates for the same financial instrument between different valuers.

The Bank maximises the use of Level 1 market prices, or when not available, models with observable inputs (Level 2). In the case of Level 3 instruments, subjective parameters and judgements based on experience are used and consequently adjustments to the valuations may be made taking into account the bid-ask spread, liquidity or counterpart risk, as well as the type of valuation model adopted.

A.4.1 Fair Value Levels 2 and 3: measurement techniques and inputs used

For assets and liabilities measured at *fair value* on a recurring basis, for which prices directly observable on active markets are not available, *fair value* is determined on the basis of valuation models or on the basis of prices observed for financial instruments with similar characteristics. These instruments are those belonging to fair value classes 2 and 3.

To measure the *fair value* of level 2 instruments, a model for discounting expected future cash flows is used; this mainly uses the *risk-free* curve (in its various forms, i.e. based on swap rates versus Euribor 6 months or 3 months and other inputs such as swaps versus eonia with the same risk-free curve) directly observable on the market.
In particular, in the case of instruments denominated in euros, three risk-free curves are concretely: a curve for simple *discounting* (based in part on 3 months or on 3 months Euribor *futures*, in part on 6 months for medium-long maturities), and another 2 curves (one on 3 months and one on 6 months) for the calculation of *forwards* in securities with 3 months Euribor indexed rate or 6 months Euribor rate.
The discounting calculation also applies the *credit spread*, quantified on the basis of prices directly observable on the market (even if not on the stock exchange) and provided by external *contributors*. If no prices are available, it is quantified on the basis of *comparables*, i.e. by analogy with homogeneous securities in terms of duration and credit quality of the issuer, as well as the sector to which they belong.
The following table provides a summary of the main types of instruments in place, with evidence of the relative evaluation models and the main inputs:

Category of financial instruments	**Product**	**Evaluation model**	**Input of evaluation models**
Debt securities	Government securities, corporate bonds	Discounting of flows expected using market parameters, corrected for the issuer risk. For structured securities the optional component is also measured.	Interest rate curves, credit spread communicated by contributors, credit spread from comparables
Unquoted equity securities	Holding fees	Method of transactions observed directly on the same instrument or, in the absence thereof, on similar instruments. Alternatively method of market multiples of comparable companies. In the alternative, financial, revenue and equity valuation methods.	Price data provided by contributors, latest available financial statements
Investments in UCIs	Hedge funds, private equity funds, real estate funds	NAV following analysis of the underlying assets and the methods for evaluating them by the asset management companies.	n/a
OTC derivatives	Interest rate derivatives - SWAP	Discounting of expected flows	Interest rate curves
	Financial derivatives on interest rates - Cap-floor	Model of Black	Volatility matrices, risk free rates

Securities classified level 3 are typically structured securities; in the specific case of the portfolio owned by the institution, these are CMS indexed securities ("*constant maturity swap*") or structured *inflation linked* securities or securities for which the quantification of the credit spread is not practicable with the qualitative level mentioned above.
In the case of CMS securities, it should be noted that, in theory, the *forward* rates themselves would be directly observable on the market (implicit in the valuations): however, it is considered that the quality of these *forward* rates cannot be compared with the quality of the 3-month or 6-month Euribor *forward* rate widely used by the market to price similar securities indexed to 3 or 6 months respectively.
In the pricing phase of CMS securities, accordingly, these forwards are used, despite the critical issues highlighted above, without the application of *convexity adjustment* and resorting for the rest (discounting curve and credit spread) to the same operating methods mentioned for Level 2 securities.
For structured, *inflation linked* securities indexed to the Euribor and inflation, *forward* curves are used for the Euribor as well as *forward* inflation curves based on the swap rate curves of the inflation itself.
For level 3 securities, the *credit spread* is defined on a case-by-case basis by referring to any external contributions or by converting the results of the creditworthiness analysis based on the latest available financial statements into credit spreads.
With reference to the calculation of the *Credit Value Adjustment* ("CVA"), it should be noted that the calculation determines the future credit exposure, taking into account the probability that in the future the current value of

the contract, if positive, may increase or, if negative, may turn into a credit position. This probability is linked to the volatility of the underlying market factors and to the residual duration of the contract. Future credit exposure is determined with reference to all contracts, regardless of the portfolio to which they are allocated - with both positive and negative *fair values* - by multiplying the nominal value of each contract by a percentage determined on the basis of the type of contract and the residual duration of the transactions.
As at 31st December 2023, exposure at default ("EAD") in non-hedging derivatives was essentially nil. The derivative contracts in place are in fact very small: the only exposure in place relates to a cap contract on interest rates for a notional amount of only €20 million.
Measurement at *fair value* of loans is by calculating the current value of future expected cash flows using an appropriate credit spread, identified from the following sources:

- contribution funding on the market;
- rating/specific funding market sector curves;
- contribution securities of the same issuer;
- credit default swaps on the same reference entity.

In any case considering the different seniority of the instrument to be priced related to the issuer's debt structure.
In the loan pricing spread application stage, if the 'fair' credit curve estimated should not repeat the same characteristics as the instrument, corrective factors would be considered.
Moreover, if reference is made to curves created through bonds to calculate the loan credit spread, a Loan – Bond base will need to be applied, to capture any different market structure and the different technical form.
order to consider the premium requested by the market for illiquid and/or structured instruments, some adjustments are applied to the credit spread also based on specific debtor solvency information.
The *fair value* of real estate investments held for investment purposes is mainly determined by external valuations, the reference point for which is the current prices for similar assets (value per square metre, prices of similar transactions).
The *fair value* obtained is classified at level 3 in the *fair value* hierarchy.

A.4.2 Measurement processes and sensitivity

Valuation techniques are applied by the Risk Management Service.
The Risk Management Service, hierarchically independent of the *front-office* function, checks prices at least on a monthly basis.
The validation activity consists in verifying the theoretical correctness of the chosen evaluation model as well as the autonomous repricing of single instruments.
The Risk Management Service also validates the newly introduced valuation models, also in relation to acquisition of new financial instruments.
Among the tools used by the Risk Management Service is the ICVS function for the construction of risk-free curves.
The Risk Management Service also validates, on a daily basis, similar curves adopted by the Investment Service.
In addition, the BVAL (Bloomberg Valuation) tool is used to directly validate the prices themselves. These Bloomberg prices have the following characteristics:

- in the case of liquid securities, BVAL prices can be considered as a weighted average of the existing prices provided by the different *contributors* (in addition, of course, to the stock exchange itself, in the case of a security listed on a regulated market);
- in the cases in which the Stock is not liquid, Bloomberg provides to exploit the contained information in Stock of analogous characteristics, but liquid (and accordingly endowed with reliable prices), in order to correctly price the illiquid Stock. In fact, where existing, it uses the few "liquid" prices of the stock to compare the historical trend of the spread of the stock itself with the analogous of securities belonging to the same *peer group* (defined on a sector basis, duration and cds): by leveraging on simple linear regressions, it then reconstructs the spread and the price at the new date;
- when instead the security to be priced is completely, or almost, devoid of significant prices, then BVAL falls back on the direct use of credit proxies of the security to derive either a par *coupon curve* (using issues of

identical creditworthiness) or a *spread curve* (using the data obtained in the previous step or, where possible, issues of the same issuer of the target security), with which then to price the bond.

In the presence of highly complex structured securities (e.g. "CMS delta"), in relation to which level 2 prices are not available (such as the prices offered by Bloomberg contributors), the Risk Management Service makes an estimate based on Monte Carlo simulations in order to provide adequate validation of these market values.

With regard to the sensitivity analysis to be carried out on the "not directly observable" inputs relating to the valuations of level 3 securities, given the above with regard to the CMS indexed securities and the small number of exposures to structured securities, sensitivity analyses were carried out on level 3 debt instruments issued by unlisted entities.

In the latter case, the impact of changes in the input not directly observable, represented by the issuer's credit spread, is quantified (which for securities of more "liquid" issuers, on the contrary, can be determined with reasonable effectiveness by using similar securities or *comparables* directly observable on the market).

A.4.3 Fair Value hierarchy

The main factors contributing to transfers between *fair value* levels include changes in market conditions, refinements in valuation models or unobservable inputs. The passage of an instrument from Level 1 to Level 2 and vice versa mainly results from the loss of significance of the price expressed by the active market of reference for the instrument.

The degree of significance of the input data, in particular of the weight that the non-observable ones assume with respect to the observable ones, determines instead the passage from Level 2 to Level 3 or vice versa. No instruments were reclassified during the year.

A.4.4 Other information

As at 31st December 2023, in relation to the requirements of IFRS 13, paragraphs 51, 93 (i) and 96, the following should be noted:

- recurring and non-recurring *fair value* valuations on the basis of maximum and best use relate to certain properties acquired and for which the Bank has not yet begun operations because, as a rule, the relative planning and operational valuations are still in progress;
- the possibility of measuring *fair value* at the level of total portfolio exposure was not used, in order to take into account the offsetting of credit risk and market risk of a given group of financial assets or liabilities.

QUANTITATIVE INFORMATION

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 level

(thousands of €)	31.12.2023			31.12.2022		
Financial assets/liabilities measured at *fair value*	**L1**	**L2**	**L3**	**L1**	**L2**	**L3**
1. Financial assets currency at *fair value* through profit or loss						
a) financial assets held for trading	11	1,763	-	8	1,600	-
b) financial assets designated at *fair value*	-	-	-	-	-	-
c) other financial assets that must be measured at *fair value*	-	41,386	15,493	7,659	79,652	14,977
2. financial assets measured at *fair value* through other comprehensive income	264,744	447,822	5,004	415,439	307,834	6,266
3. Hedging derivatives	-	-	-	-	-	-
4. Tangible fixed assets	-	-	-	-	-	-
5. Intangible fixed assets	-	-	-	-	-	-
Total	**264,755**	**490,971**	**20,497**	**423,106**	**389,086**	**21,243**
1. Financial liabilities held for trading	-	107	-	-	384	-
2. Financial liabilities designated at *fair value*	-	-	-	-	-	-
3. Hedging derivatives	-	4,965	-	-	-	-
Total	**-**	**5,072**	**-**	**-**	**384**	**-**

Key		
L1	=	Level 1
L2	=	Level 2
L3	=	Level 3

Financial assets measured at fair value on a recurring basis

Financial assets valued on the basis of prices derived from active markets (Level 1) or determined on the basis of observable market parameters (Level 2) represent 99.3% of the carrying amount of financial assets measured at *fair value* on a recurring basis.
Instruments measured significantly on the basis of parameters that cannot be observed on the market (Level 3) represent a marginal share, equal to 0.7%, of total assets measured at *fair value* on a recurring basis, and are represented by a limited number of minority equity investments measured on the basis of internal models classified as financial assets measured at *fair value* through other comprehensive income and by loans classified at *fair value* through Profit and Loss that have not passed the SPPI test, for which *fair value* is measured using internal models.
Financial assets held for trading consist mainly of debt securities held for trading; these are over-the-counter (OTC) contracts whose valuation is carried out using valuation models that significantly use parameters that can be observed on the market or drawn from independent sources (Level 2).

Financial liabilities measured at fair value on a recurring basis

Financial liabilities held for trading are represented by derivative instruments mainly for trading purposes, the *fair value* of which is obtained through valuation techniques that use observable market parameters (Level 2).

Transfers between fair value levels (Level 1 and Level 2)

No transfers of assets or liabilities measured at *fair value* from level 2 to level 1 or transfers of financial assets or liabilities measured at *fair value* from level 1 to level 2 were recorded in 2023.

A.4.5.2. Annual changes in assets measured at fair value on a recurring basis (level 3)

		Financial assets at *fair value* with impact on total on Profit and loss							
		Total	of which: a) financial assets held for trading	of which: b) financial assets designated as at *fair value*	of which: c) other financial assets that must be measured at *fair value*	**financial assets designated at *fair value* through other comprehensive income**	**Hedging derivatives**	**Tangible fixed assets**	**Intangible assets**
(thousands of €)									
1.	**Opening balance**	**14,978**	**-**	**-**	**14,978**	**6,266**	**-**	**-**	**-**
2.	**Increases**	**6,000**	**-**	**-**	**6,000**	**539**	**-**	**-**	**-**
2.1	Purchasing	-	-	-	-	539	-	-	-
2.2	Profits attributed to:	2,407	-	-	2,407	-	-	-	-
2.2.1	Profit and Loss Account	2,407	-	-	2,407	-	-	-	-
	- of which capital gains	2,407	-	-	2,407	-	-	-	-
2.2.2	Shareholders' Equity	-	X	X	X	-	-	-	-
2.3	Transfers from other levels	-	-	-	-	-	-	-	-
2.4	Other increases	3,592	-	-	3,592	0	-	-	-
3.	**Decreases**	**5,484**	**-**	**-**	**5,484**	**1,801**	**-**	**-**	**-**
3.1	Sales	670	-	-	670	646	-	-	-
3.2	Refunds	4,390	-	-	4,390	-	-	-	-
3.3	Losses attributed to:	417	-	-	417	1,155	-	-	-
3.3.1	Profit and Loss Account	417	-	-	417	-	-	-	-
	- of which capital losses	417	-	-	417	-	-	-	-
3.3.2	Shareholders' Equity	-	X	X	X	1,155	-	-	-
3.4	Transfers to other levels	-	-	-	-	-	-	-	-
3.5	Other decreases	6	-	-	6	-	-	-	-
4.	**Closing inventories**	**15,493**	**-**	**-**	**15,493**	**5,004**	**-**	**-**	**-**

A.4.5.3 Annual changes in liabilities measured at fair value on a recurring basis (level 3)

At the financial statement date, there were no financial liabilities measured at level 3 *fair value* on a recurring basis.

A.4.5.4 *Assets and liabilities not valued at fair value or valued at fair value on a non-recurring basis: breakdown by fair value level*

(thousands of €)		31.12.2023				31.12.2022			
		BV	L1	L2	L3	BV	L1	L2	L3
1.	Financial assets measured at amortised cost	10,376,749	2,446,193	202,198	7,779,439	10,515,058	2,556,582	192,986	7,526,806
2.	Tangible assets held for investment purposes	9,340	-	-	15,009	10,974	-	-	16,319
3.	Non-current assets and groups of assets held for sale	3,235	-	-	-	4,849	-	-	-
	Total	**10,389,324**	**2,446,193**	**202,198**	**7,794,448**	**10,530,881**	**2,556,582**	**192,986**	**7,543,126**
1.	Financial liabilities valued at amortised cost	10,626,741	-	643,480	9,877,857	11,788,026	-	298,667	11,343,056
2.	Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
	Total	**10,626,741**	**-**	**643,480**	**9,877,857**	**11,788,026**	**-**	**298,667**	**11,343,056**

Key		
BV	=	Book value
L1	=	Level 1
L2	=	Level 2
L3	=	Level 3

Assets and liabilities not measured at fair value

For "Non-current assets held for sale and disposal groups held for sale" and "Liabilities associated with assets held for sale", the *fair value* should only be indicated in cases where the amount of the valuation corresponds to the *fair value* or the *fair value* net of costs of sale (as it is lower than the cost).

Assets and liabilities measured at fair value on a non-recurring basis

For "Non-current assets held for sale and disposal groups held for sale" and "Liabilities associated with assets held for sale", the *fair value* should only be indicated in cases where the amount of the valuation corresponds to the *fair value* or the *fair value* net of costs of sale (as it is lower than the cost).
It should be noted that at 31st December 2023 there were assets measured at *fair value* on a non-recurring basis amounting to 3.2 million, relating to properties acquired as part of "foreclosure" transactions.
As at 31st December 2023 there were no liabilities measured at *fair value* on a non-recurring basis.

A.5 INFORMATION ON THE SO-CALLED "DAY ONE PROFIT/LOSS"

On the basis of IFRS 7, paragraph 28, we need to provide evidence of the amount of the "*Day One Profit or Loss*" recorded in the Profit and Loss Account as at 31st December 2023, as well as a reconciliation with the initial balance. "*Day One Profit or Loss*" means the difference between the l *fair value* of a financial instrument acquired or issued at the time of initial recognition (transaction price) and the amount determined at that date using a valuation technique.
In this regard, it should be noted that there are no cases that should be disclosed in this section.
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PART B INFORMATION OF THE STATEMENT OF FINANCIAL POSITION

ASSETS

Section 1 CASH AND CASH EQUIVALENTS - ITEM 10

1.1 *Cash and cash equivalents: breakdown*

(thousands of €)		31.12.2023	31.12.2022
a)	Cash	87,699	83,477
b)	Current accounts and on demand deposits at Central banks	40,009	975,054
b)	Current accounts and on demand deposits at banks	4,963	4,792
	Total	**132,671**	**1,063,323**

The item consists of cash and cash equivalents.

Section 2 FINANCIAL ASSETS EVALUATED AT FAIR VALUE WITH IMPACT ON THE PROFIT AND LOSS ACCOUNT – ITEM 20

2.1 *Financial assets held for trading: breakdown by type*

(thousands of €)	31.12.2023			31.12.2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	**-**	**1,424**	**-**	**-**	**1,395**	**-**
1.1 Structured Securities	-	-	-	-	-	-
1.2 Other debt securities	-	1,424	-	-	1,395	-
2. Equity securities	11	-	-	8	-	-
3. UCI units	-	-	-	-	-	-
4. Financing	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**11**	**1,424**	**-**	**8**	**1,395**	**-**
B. Derivative instruments						
1. Financial derivatives	-	339	-	-	206	-
1.1 held for trading	-	339	-	-	206	-
1.2 Connected to the *fair value option*	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 held for trading	-	-	-	-	-	-
2.2 Connected to the *fair value option*	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**-**	**339**	**-**	**-**	**206**	**-**
Total (A+B)	**11**	**1,763**	**-**	**8**	**1,600**	**-**

2.2 Financial assets held for trading: breakdown by borrower/issuer/counterparty

(thousands of €)	31.12.2023	31.12.2022
A. CASH ASSETS		
1. Debt securities	**1,424**	**1,395**
a) Central Banks	-	-
b) Public Authorities	-	-
c) Banks	-	-
d) Other finance companies	-	-
of which: insurance companies		
e) Non-finance companies	1,424	1,395
2. Equity securities	**11**	**8**
a) Banks	11	8
b) Other finance companies:	-	-
of which: insurance companies	-	-
c) Non-finance companies	-	-
d) Other issuers	-	-
3. UCI units	**-**	**-**
4. Financing	**-**	**-**
a) Central Banks	-	-
b) Public Authorities	-	-
c) Banks	-	-
d) Other finance companies	-	-
of which: insurance companies	-	-
e) Non-finance companies	-	-
f) Households	-	-
Total A	**1,435**	**1,403**
B. DERIVATIVE INSTRUMENTS		
a) Central counterparts	-	-
b) Other	339	206
Total B	**339**	**206**
Total (A+B)	**1,774**	**1,608**

2.3 Financial assets measured at fair value: breakdown by type of product

At the reporting date there were no financial assets designated at *fair value*.

2.4 Financial assets measured at fair value: breakdown by debtor/issuer

At the reporting date there were no financial assets designated at *fair value*.

2.5 Other financial assets compulsorily measured at fair value: breakdown by type of product

(thousands of €)	31.12.2023			31.12.2022		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	36	-	-	38
2. Equity securities	**-**	**-**	**-**	**-**	**-**	**-**
3. UCI units	**-**	**41,387**	**8**	**7,659**	**46,430**	**8**
4. Financing	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	15,448	-	33,222	14,931
Total	**-**	**41,387**	**15,492**	**7,659**	**79,652**	**14,977**

2.6 Other financial assets compulsorily measured at fair value: breakdown by borrower/issuer

(thousands of €)	31.12.2023	31.12.2022
1. Equity securities	**-**	**-**
of which: banks	-	-
of which: other financial companies	-	-
of which: non-finance companies	-	-
2. Debt securities	**36**	**38**
a) Central banks	-	-
b) Public authorities:	-	-
c) Banks	-	-
d) Other finance companies	36	38
- of which: insurance companies	-	-
e) Non-finance companies	-	-
3. UCI units	**41,395**	**54,097**
4. Financing	**15,448**	**48,153**
a) Central Banks	-	-
b) Public authorities	3,480	-
c) Banks	-	-
d) Other finance companies	-	33,222
- of which: insurance companies	-	33,222
e) Non-finance companies	11,892	14,218
f) Households	76	713
Total	**56,879**	**102,288**

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 type of product

(thousands of €)	31.12.2023			31.12.2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**264,398**	**397,821**	**-**	**415,096**	**257,834**	**-**
1.1 Structured securities	-	64,332	-	-	53,097	-
1.2 Other debt securities	264,398	333,489	-	415,096	204,736	-
2. Equity securities	**346**	**50,000**	**5,004**	**344**	**50,000**	**6,266**
3. Financing	**-**	**-**	**-**	**-**	**-**	**-**
Total	**264,744**	**447,821**	**5,004**	**415,439**	**307,834**	**6,266**

3.2 Financial assets at fair value through other comprehensive income: breakdown by borrower/ issuer

(thousands of €)	31.12.2023	31.12.2022
1. Debt securities	**662,219**	**672,929**
a) Central Banks	-	-
b) Public authorities	266,679	416,084
c) Banks	320,825	167,134
d) Other finance companies	69,852	84,242
- of which: insurance companies	-	-
d) Non-finance companies	4,863	5,469
2. Equity securities	**55,350**	**56,610**
a) Banks	50,056	50,056
b) Other issuers:	5,294	6,554
- other finance companies	2,056	3,209
of which insurance companies	-	1,155
- non-finance companies	3,238	3,238
- other	-	107
3. Financing	**-**	**-**
a) Central Banks	-	-
b) Public authorities	-	-
c) Banks	-	-
d) Other finance companies	-	-
- of which insurance companies	-	-
e) Non-finance companies	-	-
f) Households	-	-
Total	**717,569**	**729,539**

3.3 Financial assets measured at fair value through other comprehensive income: gross value and total value adjustments

	Gross value				Overall value adjustments			
	First stage	of which: instruments with low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	**Overall partial write-offs ***
(thousands of €)								
Debt securities	662,842	-	-	-	-	(621)	-	-
Financing	-	-	-	-	-	-	-	-
Total as at 31.12.2023	**662,842**	**-**	**-**	**-**	**-**	**(621)**	**-**	**-**
Total as at 31.12.2022	**673,463**	**-**	**-**	**-**	**-**	**(534)**	**-**	**-**
of which: impaired financial assets acquired or originated	X	X	-	-	X	-	-	-

Section 4 FINANCIAL ASSETS AT AMORTISED COST - ITEM 40

4.1 Financial assets measured at amortised cost: breakdown of loans to banks by type

Transaction type/Values (thousands of €)	Total as at 31.12.2023						Total as at 31.12.2022					
	Book value			Fair value			Book value			Fair value		
	First and second stage	Third stage	of which: impaired acquired or originated	L1	L2	L3	First and second stage	Third stage	of which: impaired acquired or originated	L1	L2	L3
A. Loans to Central Banks	**84,344**	**-**	**-**	**-**	**-**	**84,344**	**87,462**	**-**	**-**	**-**	**-**	**87,462**
1. Fixed-term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Minimum reserve	84,344	-	-	X	X	X	87,462	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Loans and advances to banks	**160,829**	**-**	**-**	**-**	**89,436**	**63,014**	**94,129**	**-**	**-**	**-**	**43,612**	**37,582**
1. Financing	19,864	-	-	-	-	19,864	50	-	-	-	-	50
1.1. Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Fixed-term deposits	50	-	-	X	X	X	50	-	-	X	X	X
1.3. Other loans:	19,814	-	-	X	X	X	-	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
- Loans for leases	-	-	-	X	X	X	-	-	-	X	X	X
- Other	19,814	-	-	X	X	X	-	-	-	X	X	X
2. Debt securities	140,965	-	-	-	112,231	43,150	94,079	-	-	-	43,612	37,533
2.1. Structured securities	22,332	-	-	-	89,436	43,150	11,197	-	-	-	11,141	-
2.2. Other debt securities	118,633	-	-	-	22,795	-	82,882	-	-	-	32,472	37,533
Total	**245,173**	**-**	**-**	**-**	**89,436**	**147,358**	**181,590**	**-**	**-**	**-**	**43,612**	**125,044**

Key

L1 = Level 1
L2 = Level 2
L3 = Level 3

4.2 *Financial assets measured at amortised cost: breakdown of loans to customers by type*

Transaction type/Values	Total as at 31.12.2023						Total as at 31.12.2022					
	Book value			*Fair value*			Book value			Fair value		
	First and second stage	Third stage	of which: impaired acquired or originated	L1	L2	L3	First and second stage	Third stage	of which: impaired acquired or originated	L1	L2	L3
(thousands of €)												
1. Financing	**7,278,585**	**137,459**	**-**	**-**	**-**	**7,560,621**	**7,188,627**	**167,887**	**-**	**-**	**-**	**7,311,597**
1.1. Current accounts	807,242	37,838	-	X	X	X	778,860	45,387	-	X	X	X
1.2. Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
1.3. Mortgages	5,920,242	96,447	-	X	X	X	5,833,001	117,503	-	X	X	X
1.4. Credit cards, personal	58,561	671	-	X	X	X	76,112	1,076	-	X	X	X
loans and salary-backed loans	-	-	-	X	X	X	-	-	-	X	X	X
1.5. Loans for leases	-	-	-	X	X	X	-	-	-	X	X	X
1.6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7. Other loans	492,540	2,503	-	X	X	X	500,654	3,921	-	X	X	X
2. Debt securities	**2,715,532**	**-**	**-**	**2,446,193**	**112,762**	**71,460**	**2,976,953**	**-**	**-**	**2,556,582**	**149,373**	**90,165**
2.1. Structured securities	15,312	-	-	-	4,829	10,368	19,355	-	-	-	4,630	14,135
2.2. Other debt securities	2,700,220	-	-	2,446,193	107,933	61,092	2,957,599	-	-	2,556,582	144,743	76,030
Total	**9,994,117**	**137,459**	**-**	**2,446,193**	**112,762**	**7,632,081**	**10,165,580**	**167,887**	**-**	**2,556,582**	**149,373**	**7,401,762**

4.3 Financial assets measured at amortised cost: breakdown of loans to customers by debtor/issuer

Transaction type/Values	Total as at 31.12.2023			Total as at 31.12.2022		
	First and second stage	Third stage	of which: impaired acquired or originated	First and second stage	Third stage	of which: impaired acquired or originated
(thousands of €)						
1. Debt securities	**2,715,533**	**-**	**-**	**2,976,953**	**-**	**-**
a) Public authorities	2,532,240	-	-	2,734,057	-	-
b) Other financial companies	82,082	-	-	146,612	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	101,211	-	-	96,284	-	-
2. Loans to:	**7,278,584**	**137,459**	**-**	**7,188,627**	**167,887**	**-**
a) Public authorities	64,829	1	-	17,658	-	-
b) Other financial companies	100,964	62	-	126,313	429	-
of which: insurance companies	1,446	-	-	-	-	-
c) Non-financial companies	3,564,884	92,973	-	3,477,898	119,177	-
d) Households	3,547,907	44,423	-	3,566,758	48,279	-
Total	**9,994,117**	**137,459**	**-**	**10,165,580**	**167,887**	**-**

4.4 Financial assets measured at amortised cost: gross value and total adjustments

	Gross value					Overall value adjustments				
	First stage	of which: instru-ments with low credit risk	Second stage	Third stage	Impaired acquired or originated	First stage	Second stage	Third stage	Impaired acquired or originated	**Overall partial write-offs ***
(thousands of €)										
Debt securities	2,856,465	-	2,396	-	-	1,988	376	-	-	-
Financing	6,713,259	198,896	752,886	334,909	-	41,724	41,629	197,449	-	31,225
Total as at 31.12.2023	**9,569,724**	**198,896**	**755,282**	**334,909**	**-**	**43,712**	**42,005**	**197,449**	**-**	**31,225**
Total as at 31.12.2022	**9,472,839**	**108,756**	**959,207**	**384,430**	**-**	**50,709**	**34,166**	**216,543**	**-**	**32,298**
of which: impaired financial assets acquired or originated	X	X	-	-	-	X	-	-	-	-

* value to be indicated for information purposes

Section 5 HEDGING DERIVATIVES - ITEM 50

5.1 Hedging derivatives: breakdown by type of hedge and levels

There were no hedging derivatives at the reporting date.

5.2 Hedging derivatives: breakdown by hedged portfolios and by type of hedge

There were no hedging derivatives at the reporting date.

Section 6 VALUE ADJUSTMENT OF MACRO-HEDGED FINANCIAL ASSETS - ITEM 60

6.1 Adjustments in value of the hedged assets: breakdown by hedged portfolios

At the reporting date there were no financial assets subject to macro hedging.

Section 7 EQUITY INVESTMENTS - ITEM 70

7.1 Equity investments: information on shareholdings

Name	Location	Investment %	Voting rights %
A. Wholly controlled subsidiaries			
1. Valpolicella Alta Società Agricola S.r.l.	Bolzano	100.00%	100.00%
2. Quartiere Brizzi S.r.l.	Bolzano	100.00%	100.00%
B. Jointly controlled subsidiaries			
C. Companies subject to significant influence			
1. Tre S.r.l.	Trento	30.00%	30.00%
2. Voba CB S.r.l.	Conegliano (TV)	60.00%	60.00%
3. Verona Green Living	Bolzano	49.00%	49.00%

7.2 Significant equity investments: book value, fair value and dividends received

The company had no significant interests at the reporting date.

7.3 Significant equity investments: accounting information

The company had no significant interests at the reporting date.

7.4 Non-significant equity investments: accounting information

Name	Book value of invest-ments	Total assets	Total liabilities	Total reve-nues	Profit (Loss) from current operations after tax	Profit (Loss) of groups of assets held for sale after tax	Profit (Loss) for the year (1)	Other income components after tax (2)	Comprehen-sive income (3) = (1)+(2)
(thousands of €)									
A. Wholly controlled subsidiaries									
1. Valpolicella Alta Società Agricola S.r.l.	4,186	3,386	864	66	(22)	-	(22)	-	(22)
2. Quartiere Brizzi S.r.l.	-	11,289	11,027	1,752	(120)	-	(120)	-	(120)
B. Jointly controlled subsidiaries									
C. Companies subject to significant influence									
1. Tre S.r.l. (*)	165	367	285	1	(2)	-	(2)	-	(2)
2. Voba CB S.r.l. (*)	6	62	52	68	-	-	-	-	-
3. Verona Green Living (*)	5	16,791	16,209	23,061	572	-	572	-	572

(*) The data on the investee companies refers to the last available financial statements.

7.5 Equity investments: annual changes

(thousands of €)	31.12.2023	31.12.2022
A. Opening balance	**4,339**	**5,278**
B. Increases	**45**	**-**
B.1 Purchasing	-	-
B.2 Write-backs	-	-
B.3 Revaluations	-	-
B.4 Other changes	45	
C. Decreases	**22**	**939**
C.1 Sales	-	813
C.2 Value adjustments	-	-
C.3 Write-downs	-	-
C.4 Other changes	22	126
D. Closing inventories	**4,362**	**4,339**
E. Total revaluations	**-**	**-**
F. Total adjustments	**-**	**-**

Items B.4 and C.4 "Other changes" are due to changes in the value of equity investments as a result of profits or losses recorded by investee companies and recognised in the net assets.

Results of *impairment tests* on equity investments

As described in "Part A - Accounting policies", equity investments are tested for *impairment* in order to assess the recoverability of the book value indicated in the financial statements.

On identifying signs of potential *impairment*, particular significance was attributed to the analysis of financial performance after the date of acquisition of control and, where available, the outlook for future income.

To reveal any situations of *impairment*, the book value of the investment was compared with its recoverable amount. Based on what is established by IAS 36, the recoverable amount is the higher between *fair value* less costs of sale and value in use.

On the basis of the above, the impairment test on the values as at 31st December 2023 did not result in a need to make value adjustments.

7.6 Commitments relating to equity investments in joint ventures

At the reporting date there were no commitments to equity investments in joint ventures.

7.7 Commitments referring to equity investments in companies subject to significant influence

At the reporting date there were no commitments to invest in companies subject to significant influence.

7.8 Significant restrictions

On the reporting date, there were no significant restrictions on equity investments.

7.9 Other information

For most equity investments, the closing times of the year-end financial statements are not compatible with the closing times of Volksbank's financial statements. Application of the equity method refers to the latest available accounting report, consisting in most cases of the half-yearly financial report or, if not available, the financial statements for the previous year.
If the accounting reports of the investee company used in the application of the equity method refer to a date other than the date of reference of the Volksbank financial statements, any adjustments made take into account the known effects of significant transactions or events that occurred between the date of the accounting statement and the date of reference of the financial statements..

Section 8 TANGIBLE FIXED ASSETS - ITEM 80

8.1 *Physical assets for functional use: breakdown of assets measured at cost*

(thousands of €)		31.12.2023	31.12.2022
1	**Owned assets**	**120,350**	**115,968**
	a) Land	39,884	39,687
	b) Buildings	67,011	64,161
	c) Furniture	2,683	2,194
	d) Electronic systems	5,372	5,305
	e) Other	5,400	4,621
2	**Rights of use acquired with leases**	**19,007**	**20,098**
	a) Land	-	-
	b) Buildings	19,007	20,096
	c) Furniture	-	-
	d) Electronic systems	-	-
	e) Other	-	2
	Total	**139,357**	**136,066**
	of which: obtained through enforcement of guarantees received	-	-

8.2 *Physical assets held for investment purposes: breakdown of assets measured at cost*

Assets/Amounts		Total as at 31.12.2023				Total as at 31.12.2022			
(thousands of €)		BV	L1	L2	L3	BV	L1	L2	L3
1.	Owned assets	8,527	-	-	8,527	10,141	-	-	10,141
	a) Land	1,239	-	-	1,239	1,239	-	-	1,239
	b) Buildings	7,288	-	-	7,288	8,902	-	-	8,902
2.	Rights of use acquired with leases	-	-	-	-	-	-	-	-
	a) Land	-	-	-	-	-	-	-	-
	b) Buildings	-	-	-	-	-	-	-	-
	Total	**8,527**	**-**	**-**	**8,527**	**10,141**	**-**	**-**	**10,141**
	of which: obtained through enforcement of guarantees received	-	-	-	-	-	-	-	-

8.3 *Physical assets for functional use: breakdown of revalued assets*

At the reporting date there were no revalued tangible assets for functional use.

8.4 *Physical assets held for investment purposes: breakdown of assets measured at fair value*

There were no tangible assets held for investment purposes at *fair value*.

8.5 *Inventories of tangible assets governed by IAS 2: breakdown*

At the reporting date there were no inventories of tangible assets subject to IAS 2.

8.6 Physical assets for functional use: annual changes

(thousands of €)		Land	Buildings	Furniture	Electronic equipment	Other	Total
A.	**Gross opening balances**	**42,518**	**160,092**	**43,771**	**43,290**	**43,786**	**333,457**
	A.1 Total net impairment losses	2,831	75,835	41,577	37,985	39,163	197,391
	A.2 Net opening balances	39,687	84,257	2,194	5,305	4,623	136,066
B.	**Increases:**	**197**	**10,660**	**962**	**1,980**	**2,241**	**16,040**
	B.1 Purchasing	197	2,472	962	1,980	2,241	7,852
	B.2 Capitalised improvement costs	-	6,049	-	-	-	6,049
	B.3 Write-backs	-	-	-	-	-	-
	B.4 *Fair value* gains recognised in:	-	-	-	-	-	-
	a) Shareholders' equity	-	-	-	-	-	-
	b) Profit and Loss	-	-	-	-	-	-
	B.5 Exchange rate gains	-	-	-	-	-	-
	B.6 Transfers from properties held for investment purposes	-	-	X	X	X	-
	B.7 Other changes	-	2,139	-	-	-	2,139
C.	**Decreases**	**-**	**8,898**	**472**	**1,914**	**1,465**	**12,749**
	C.1 Sales	-	464	-	-	70	534
	C.2 Amortisation	-	8,434	471	1,914	1,367	12,186
	C.3 Impairment losses recognised in:	-	-	-	-	-	-
	a) shareholders' equity	-	-	-	-	-	-
	b) Profit and Loss	-	-	-	-	-	-
	C.4 Fair value losses recognised in:	-	-	-	-	-	-
	a) shareholders' equity	-	-	-	-	-	-
	b) Profit and Loss	-	-	-	-	-	-
	C.5 Exchange rate losses	-	-	-	-	-	-
	C.6 Transfers to:	-	-	-	-	-	-
	a) tangible assets held for investment purposes	-	-	X	X	X	-
	b) assets held for sale	-	-	-	-	-	-
	C.7 Other changes	-	-	1	-	28	29
D.	**Net closing balance**	**39,884**	**86,019**	**2,684**	**5,371**	**5,399**	**139,357**
	D.1 Total net depreciation and impairment losses	2,831	68,583	41,632	39,122	39,109	191,277
	D.2 Gross closing balances	42,715	154,602	44,316	44,493	44,508	330,634
E.	**Valuation at cost**	**-**	**-**	**-**	**-**	**-**	**-**

8.7 Physical assets held for investment purposes: annual changes

(thousands of €)		Land	Buildings
A.	**Opening balance**	**1,239**	**8,902**
B.	**Increases:**	**-**	**86**
	B.1 Purchasing	-	-
	B.2 Capitalised improvement costs	-	86
	B.3 Fair value gains	-	-
	B.4 Write-backs	-	-
	B.5 Exchange rate gains	-	-
	B.6 Transfers from properties for functional use	-	-
	B.7 Other changes	-	-
C.	**Decreases**	**-**	**1,700**
	C.1 Sales	-	-
	C.2 Amortisation	-	303
	C.3 Negative changes in fair value	-	-
	C.4 Impairment losses	-	1,397
	C.5 Negative foreign exchange differences	-	-
	C.6 Transfers to other asset portfolios	-	-
	a) properties for functional use	-	-
	b) Non-current assets held for sale	-	-
	C.7 Other changes	-	-
D.	**Closing inventories**	**1,239**	**7,288**
E.	**Measurement at *fair value***	**-**	**-**

8.8 Commitments to acquire physical assets (IAS 16/74.c)

There were no commitments at the reporting date for the purchase of tangible assets.

Section 9 INTANGIBLE FIXED ASSETS - ITEM 90

9.1 Intangible fixed assets: breakdown by asset type

(thousands of €)	31.12.2023		31.12.2022	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	X	-	X	-
A.2 Other intangible assets	13,600	-	14,577	-
of which: software				
A.2.1 Assets measured at cost:	13,600	-	14,577	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	13,600	-	14,577	-
A.2.2 Assets measured at *fair value*:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**13,600**	**-**	**14,577**	**-**

Information on intangible fixed assets

Application of the accounting standard IFRS 3 when recognising acquisition transactions can imply recognition of intangible assets and goodwill in the financial statements. The merger by incorporation, which took place on 1st April 2015, of Banca Popolare di Marostica Group, which involved the accounting recognition of intangible assets, is relevant for Volksbank.

The following table sums up the values of intangible fixed assets entered in the financial statements, with relative dynamics, during the year.

CGU	31.12.2022	Amortisation	Other changes	31.12.2023
(thousands of €)				
Client relationship former Popolare Marostica Group	14,558	(971)	-	13,586
Other	19	(18)	13	14
Total	**14,577**	**(989)**	**13**	**13,600**

For intangible assets with a defined useful life, constituted by Customer Relationship and software, the Profit and Loss account was attributed the amortisation quota for the year (included under item “190. Adjustments/net write-backs on intangible assets”) for a total of €1.0 million gross of the tax effect. Please note that the client relationship entered as part of the incorporation of Banca Popolare di Marostica Group is amortised over a 23-year period (residue 15).

IAS 36 establishes that intangible assets with an indefinite useful life and goodwill be subjected to an impairment test at least once a year. Moreover, for intangible assets with a defined useful life the impairment test must be performed each time there is a loss indicator presence. The impairment test ascertains whether the recoverable value is the same or greater than the book value. IAS 36 specifies that the recoverable value is represented by the higher between use value and the *fair value*, net of sales costs.

With regard to the finite-life intangible asset "client relationship", the Bank did not detect any indicators of impairment.

For more details, see the next paragraph.

Test of the possible presence of lasting losses in value (Impairment Test) of defined life intangible assets

Client relationship

The "*client relationship*" intangible assets recognised in the Volksbank financial statements due to incorporation of the Banca Popolare di Marostica Group occurring effectively on 1 April 2015, is considered "at defined life".
Customers considered to measure the *client relationship* only concerned those relationships established before the acquisition date. The *intangible asset* is therefore linked to the status quo before the acquisition date and its *fair value* is of a limited duration, following the duration observed for relationships between the company acquired and its customers. No value is given to the capacity to generate new relationships that cannot be separated and transferred to third parties, except by transferring the company as a whole. The *client relationship* was calculated by measuring the following components:

- indirect funding (funding managed net of own securities, funding managed, insurance funding);
- *core deposits* (ordinary free savings deposits, ordinary current accounts).

The *client relationship* was measured by discounting its net future economic flows.
The value of that asset was calculated with reference to 1 April 2015, effective merger date. The value calculation process for that asset was completed prior to the financial statement approval resolution.
The *impairment* tests related to that asset are mainly based on analysing the main value indicators of the asset itself (including, trend of core deposits and indirect funding assets, evolution of relationship closure probability ("*lifting curve*"), variations to profitability, operating expense level, cost of capital).
The checks carried out during 2023 did not reveal any elements that would require the impairment of the intangible *client relationship* asset.

9.2 Intangible assets: annual changes

(thousands of €)	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		DEF	INDEF	DEF	INDEF	
A. Gross opening balances	**-**	**-**	**-**	**24,374**	**-**	**24,374**
A.1 Total net impairment losses	-	-	-	9,797	-	9,797
A.2 Net opening balances	**-**	**-**	**-**	**14,577**	**-**	**14,577**
B. Increases	**-**	**-**	**-**	**13**	**-**	**13**
B.1 Purchasing	-	-	-	13	-	13
B.2 Increases in internally generated intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 *Fair value* gains	-	-	-	-	-	-
- to shareholders' equity	X	-	-	-	-	-
- to Profit and loss	X	-	-	-	-	-
B.5 Exchange rate gains	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**990**	**-**	**990**
C.1 Sales	-	-	-	-	-	-
C.2 Value adjustments	-	-	-	990	-	990
- Amortisation expense	X	-	-	990	-	990
- Write-downs	-	-	-	-	-	-
+ net equity	X	-	-	-	-	-
+ Profit or loss	-	-	-	-	-	-
C.3 Negative changes in *fair value*		-	-	-	-	-
- to shareholders' equity	X	-	-	-	-	-
- to Profit and loss	X	-	-	-	-	-
C.4 Transfer to non-current assets under disposal	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net closing balance	**-**	**-**	**-**	**13,600**	**-**	**13,600**
D.1 Total net value adjustments	-	-	-	10,787	-	10,787
E. Gross closing balance	**-**	**-**	**-**	**24,387**	**-**	**24,387**
F. Valuation at cost	-	-	-	-	-	-

Key
DEF. = with finite life
INDEF. = with indefinite life

9.3 Intangible fixed assets: Other information

At the financial statement date there are no commitments referred to intangible assets.

Section 10 TAX ASSETS AND TAX LIABILITIES - ITEM 100 OF ASSETS AND ITEM 60 OF LIABILITIES

10.1 Deferred tax assets: breakdown

IRES *(thousands of €)*	31.12.2023		31.12.2022	
	amount of temporary differences	tax effect	amount of temporary differences	tax effect
- Value adjustments to customer receivables (including signature credits)	101,848	28,007	148,700	40,892
- Provisions for risks and charges	42,024	11,557	14,147	3,890
- Administrative statutory/fiscal misalignment on tangible and intangible assets	650	179	781	215
- Banca di Treviso Goodwill (freed by BPM)	4,979	1,369	5,928	1,630
- BPM+BTV merger goodwill (freed by BPAA)	17,763	4,885	23,684	6,513
- "Mimosa" goodwill	4,334	1,192	6,500	1,788
- Client Relationship PPA merger BPM+BTV (freed by BPAA)	971	267	971	267
- IRES tax losses that can be carried forward (24%)	-	-	-	-
- IRES tax losses that can be carried forward (3.5%)	-	-	-	-
- ACE surpluses to be carried forward (3.5%)	-	-	-	-
- Real estate write-downs (buildings and land)	18,902	5,198	17,720	4,873
- Write-downs of bank receivables (item 40a BS)	589	162	466	128
- Write-downs of receivables at FVTPL	25,871	7,115	23,954	6,587
- Exchange rate valuations	586	161	23,954	6,587
- Change to accounting criteria (adoption of IFRS 9)	28,831	7,929	34,598	9,514
- Other	350	96	562	156
- Negative OCI reserve measurement of security bonds FVOCI/HTCS	9,967	2,741	14,885	4,093
- Components entered in OCI table	-	-	1,086	299
Total	**257,665**	**70,858**	**293,982**	**80,845**

IRAP *(thousands of €)*	31.12.2023		31.12.2022	
	Amount	tax effect	amount of temporary differences	tax effect
- Value adjustments to customer receivables (including signature credits)	50,703	2,590	75,571	3,851
- Provisions for risks and charges	42,024	2,147	14,147	721
- Banca di Treviso Goodwill (freed by BPM)	4,979	254	5,928	302
- BPM+BTV merger goodwill (freed by BPAA)	17,763	907	23,684	1,207
- "Mimosa" goodwill	4,334	221	6,500	331
- Client Relationship PPA merger BPM+BTV (freed by BPAA)	874	45	874	45
- Real estate write-downs (buildings and land)	1,968	101	1,968	100
- Change to accounting criteria (adoption of IFRS 9)	29,173	1,490	34,900	1,779
- Other	3,599	184	3,814	194
- Negative OCI reserve measurement of security bonds FVOCI/HTCS	9,967	509	14,885	759
- Negative OCI reserve measurement of investments FVOCI/HTCS	2,829	145	1,734	88
Total	**168,213**	**8,593**	**184,005**	**9,377**

Deferred tax assets ("DTA"), recognised referred to temporary deductible differences, amounted to 79 million of which 76 million for taxes entered through profit and loss and 3 million for taxes entered through shareholders' equity. The former mainly refer to the share not yet offset by benefits connected to deductibility in future years of adjustments on receivables from customers in prior years (before 2016), to depreciation of buildings, to amortisation of credits measured at *fair value*, to provisions to risks and charges and to the income components deriving from the *first time adoption* of the IFRS 9 accounting standard.
We remind you that Law no. 145 of 30.12.2018 (2019 Budget Law) established that income components resulting solely from adoption of the recognition model for losses on receivables "IFRS 9", entered at *first time adoption* of that standard, are deductible based on taxable IRES and IRAP for 10% of their amount in the first IFRS 9 (2018) adoption tax period and for the remaining 90% in constant percentages in the nine following tax periods.
Deferred tax assets through equity refer almost solely to taxation on valuations of equity investments and bonds at FVOCI entered in the statement of comprehensive income (OCI).

10.2 Deferred tax liabilities: breakdown

IRES	**31.12.2023**		**31.12.2022**	
(thousands of €)	**amount of temporary differences**	**tax effect**	**amount of temporary differences**	**tax effect**
- Administrative statutory/fiscal misalignment on tangible and intangible assets	660	182	519	143
- Write-backs of receivables at FVTPL	6,336	1,742	2,630	723
- Write-backs of bank receivables (item 40a BS)	135	37	99	27
- Exchange rate valuations	72	20	-	-
- Default interest	320	88	-	-
- Change to accounting criteria (adoption of IFRS 9)	-	-	-	-
- Other	-	-	-	-
- Positive OCI reserve measurement of security bonds FVOCI/HTCS (*)	8,758	2,408	339	93
- Positive OCI reserve measurement of investments FVOCI/HTCS (*)	17	5	17	5
Total	**16,298**	**4,482**	**3,604**	**991**

IRAP	**31.12.2023**		**31.12.2022**	
(thousands of €)	**amount of temporary differences**	**tax effect**	**amount of temporary differences**	**tax effect**
- Administrative statutory/fiscal misalignment on tangible and intangible assets	-	-	-	-
- Change to accounting criteria (adoption of IFRS 9)	582	30	608	31
- Other	-	-	-	-
- Negative OCI reserve measurement of security bonds FVOCI/HTCS (*)	8,758	447	339	17
- Negative OCI reserve measurement of investments FVOCI/HTCS (*)	335	17	334	17
Total	**9,675**	**494**	**1,281**	**65**

10.3 Changes in deferred tax assets (recognised through profit or loss)

(thousands of €)		IRES	IRAP	31.12.2023	31.12.2022
1.	**Opening amount**			**84,983**	**95,087**
2.	**Increases**	**11,110**	**1,565**	**12,675**	**4,388**
2.1	Deferred tax assets recognised in the year	10,614	1,544	12,158	4,156
	a) relative to previous years	-	-	-	-
	b) due to change in accounting standards	-	-	-	-
	c) write-backs	-	-	-	-
	d) Other	10,614	1,544	12,158	4,156
2.2	New taxes or increases in tax rates	-	-	-	-
2.3	Other increases	496	21	517	232
3.	**Decreases**	**19,446**	**2,155**	**21,601**	**14,492**
3.1	Deferred tax assets cancelled in the year	19,444	2,142	21,586	14,287
	a) Reversals	-	-	-	-
	b) impairment losses due to irrecoverability	-	-	-	-
	c) change in accounting standards	-	-	-	-
	d) Other	19,444	2,142	21,586	14,287
3.2	Reductions in tax rates	-	-	-	-
3.3	Other decreases	2	13	15	205
	a) conversion into tax credits as per (It.) Law 214/2011	-	-	-	-
	b) other	2	13	15	205
4.	**Closing balance**			**76,057**	**84,983**

10.3 bis Changes in deferred tax assets as per Italian Law 214/2011 (offset in the income statement)

(thousands of €)		IRES	IRAP	31.12.2023	31.12.2022
1.	**Opening amount**			**43,973**	**50,653**
2.	**Increases**	**-**	**-**	**-**	**-**
3.	**Decreases**	**12,828**	**1,309**	**14,137**	**6,680**
3.1	Reversals	12,828	1,309	14,137	6,680
3.2	Conversion in tax credits	-	-	-	-
	a) deriving from losses for the year	-	-	-	-
	b) deriving from tax losses	-	-	-	-
3.3	Other decreases	-	-	-	-
4.	**Closing balance**			**29,836**	**43,973**

The movement of prepaid taxes pursuant to (It.) Law 214/2011as a balancing entry in the income statement refers to the *reversals* relating to the franked goodwill and the value adjustments on loans to customers made up to 2015.

10.4 Changes in deferred tax liabilities (recognised through profit or loss)

(thousands of €)		IRES	IRAP	31.12.2023	31.12.2022
1.	**Opening amount**			**924**	**950**
2.	**Increases**	**1,199**	**-**	**1,199**	**24**
2.1	Deferred tax liabilities recognised in the year	358	-	358	24
	a) relative to previous years	-	-	-	-
	b) due to change in accounting standards	-	-	-	-
	c) other	358	-	358	24
2.2	New taxes or increases in tax rates	-	-	-	-
2.3	Other increases	841	-	841	-
3.	**Decreases**	**23**	**1**	**24**	**50**
3.1	Deferred tax liabilities reversed during the year	23	1	24	50
	a) reversals	-	-	-	7
	b) due to change in accounting standards	-	-	-	-
	c) other	23	1	24	43
3.2	Reductions in tax rates	-	-	-	-
3.3	Other decreases	-	-	-	-
4.	**Closing balance**			**2,099**	**924**

10.5 Changes in deferred tax assets (recognised through shareholders' equity)

(thousands of €)		IRES	IRAP	31.12.2023	31.12.2022
1.	**Opening amount**			**5,239**	**912**
2.	**Increases**	**-**	**56**	**56**	**4,629**
2.1	Deferred tax assets recognised in the year	-	56	56	4,629
	a) relative to previous years	-	-	-	-
	b) due to change in accounting standards	-	-	-	-
	c) other	-	56	56	4,629
2.2	New taxes or increases in tax rates	-	-	-	-
2.3	Other increases	-	-	-	-
3.	**Decreases**	**1,651**	**250**	**1,901**	**302**
3.1	Deferred tax assets cancelled in the year	1,651	250	1,901	302
	a) reversals	1,651	250	1,901	302
	b) impairment losses due to irrecoverability	-	-	-	-
	c) due to change in accounting standards	-	-	-	-
	d) other	-	-	-	-
3.2	Reductions in tax rates	-	-	-	-
3.3	Other decreases	-	-	-	-
4.	**Closing balance**			**3,394**	**5,239**

Movements of taxes recognised through equity mainly refer to recognition of the deferred taxes through the negative OCI reserve from measurement of investments and bonds at FVOCI.

10.6 Changes in deferred taxes (recognised through shareholders' equity)

(thousands of €)		IRES	IRAP	31.12.2023	31.12.2022
1.	**Opening amount**			**132**	**3,052**
2.	**Increases**	**2,315**	**430**	**2,745**	**-**
2.1	Deferred tax liabilities recognised in the year	2,315	430	2,745	-
	a) relative to previous years	-	-	-	-
	b) due to change in accounting standards	-	-	-	-
	c) other	2,315	430	2,745	-
2.2	New taxes or increases in tax rates	-	-	-	-
2.3	Other increases	-	-	-	-
3.	**Decreases**	**-**	**-**	**-**	**2,920**
3.1	Deferred tax liabilities reversed during the year	-	-	-	2,920
	a) reversals			-	2,920
	b) due to change in accounting standards	-	-	-	-
	c) other	-	-	-	-
3.2	Reductions in tax rates	-	-	-	-
3.3	Other decreases	-	-	-	-
4.	**Closing balance**			**2,877**	**132**

Movements of taxes recognised through equity mainly refer to recognition of the deferred taxes through the positive OCI reserve from measurement of investments and bonds at FVOCI.

10.7 Other information

Breakdown of the item "current tax assets"

(thousands of €)		31.12.2023	31.12.2022
1.	Assets for direct taxes (IRES - IRAP)	30,569	27,181
2.	Assets for indirect and other taxes	15,074	17,757
3.	Withheld taxes suffered	702	460
4.	Total current tax assets	550	2,568
	Total	**46,895**	**47,966**

Breakdown of the item "current tax liabilities"

(thousands of €)		31.12.2023	31.12.2022
1.	Liabilities for direct taxes	40,511	28,395
2.	Liabilities for indirect taxes	1,365	468
3.	Taxes withheld at source to be deposited	-	-
4.	Other current tax liabilities	-	-
	Total	**41,876**	**28,863**

Probability test on deferred taxes

The international accounting standard IAS 12 establishes that deferred tax assets and liabilities be recognised applying the following criteria:

- taxable temporary differences: a deferred tax liability must be recognised for all the taxable temporary differences;
- deductible temporary differences: a deferred tax asset must be recognised for all the deductible temporary differences, if a taxable income is probable for which the deductible temporary difference can be used. Deferred tax assets not recognised in the past – as there were no reasons for their recognition – must be entered in the year in which those requirements emerge.

The amount of deferred tax assets entered in the financial statements must therefore be tested every year, to check whether there is a reasonable certainty to earn taxable incomes in the future and therefore the possibility to recover the deferred tax assets.

Considering the amount of deferred tax assets entered, an analysis was carried out to check whether the future profitability forecasts are such as to guarantee re-absorption and justify recognition and maintenance in the financial statements (so-called "probability test").

In particular, for deferred tax assets from deductible temporary differences related to write downs and losses on credits ("qualified deferred tax assets" and "qualified temporary differences") it recognises the consideration that, starting from the tax period closed as at 31st December 2011, the conversion in tax credits of deferred tax assets (IRES) recognised in the financial statements against tax losses from deferred deduction of qualified temporary differences is established (art. 2, paragraph 56-bis, of (It.) Decree Law of 29 December 2010 no. 225, introduced by art. 9 of (It.) Decree Law of 6 December 2011 no. 201).

Starting from the 2013 tax period, a similar conversion is established if a negative net production value emerges from the IRAP returns, related to the deferred tax assets (IRAP) referring to qualified temporary differences that were part of calculation of the negative net production value (art. 2, paragraph 56-bis.1 of (It.) Decree Law of 29 December 2010 no. 225, introduced by (It.) Law no. 147/2013).

This convertibility - which is in addition to that which is already provided for in the event that the individual financial statements show a loss for the year (art. 2, paragraphs 55 and 56, Legislative Decree no. 225/2010, as most recently amended by Law no. 147/2013) - is appropriate to ensure the recovery of qualified deferred tax assets in all situations, regardless of the future profitability of the company. In fact, if in a certain year there should be qualified temporary difference surpluses compared to the taxable income of the net production value, recovery of the relative deferred tax assets would not be a reduction of current taxes but, through recognition of the deferred tax assets on the tax loss and on the negative net production value, would be convertible in tax credits pursuant to art. 2, paragraphs 56-bis and 56-bis.1, Legislative Decree no. 225/2010.

Please note that, following approval of (It.) Decree Law. 83/2015 which introduced for banks the immediate deductibility of losses and write-downs on customer receivables, the stock deferred tax assets transformable cannot be increased.

The convertibility of deferred tax assets on tax losses and negative net production value caused by qualified temporary differences is considered as a sufficient assumption for recognition in the financial statements of qualified deferred tax assets, making the relative probability test unnecessary.

This approach is also confirmed in the joint Bank of Italy, Consob and ISVAP document no. 5 of 15 May 2012 (issued as part of the coordination table on the application of IAS / IFRS), relating to the "Accounting treatment of prepaid taxes deriving from Law 214/2011", and in the subsequent IAS ABI document no. 112 of May 31, 2012 ("Tax credit deriving from the transformation of deferred tax assets: clarifications by the Bank of Italy, Consob and ISVAP on the application of IAS / IFRS").

The test therefore concerned:

- identification of the deferred tax assets, other then those related to write downs and losses on credits, goodwill and other indefinite life intangible assets ("non-qualified deferred tax assets"), recognised in the financial statements;
- analysis of those non qualified deferred tax assets and the deferred tax assets entered in the consolidated financial statements, distinguishing them by type of origin, therefore, foreseeable re-absorption timing;

- foreseeable quantification of future Bank profitability, to check the absorption capacity of deferred tax assets in point a) above.

The detailed analysis in points b) and c) was not necessary for the deferred tax assets (and, consequently, liabilities) recognised in the financial statements for IRAP purposes, as almost all of them had certain use prospects pursuant to art. 2, paragraph 56a.1, Decree-Law no. 225/2010 and as the “non qualified” deferred IRAP tax assets were for a negligible amount.

The analysis carried out highlighted an expected taxable base that was amply able to absorb deferred taxes recognised in the financial statements as at 31st December 2023.

Section 11 NON CURRENT ASSETS AND ASSET GROUPS HELD FOR SALE AND ASSOCIATED LIABILITIES – ITEM 110 OF ASSETS AND ITEM 70 OF LIABILITIES

11.1 Non-current assets and asset groups held for sale: breakdown by asset type

(thousands of €)	31.12.2023	31.12.2022
A. Assets held for sale		
A.1 Financial assets	-	-
A.2 Investments	-	-
A.3 Tangible assets	3,235	4,849
of which: obtained through enforcement of guarantees received	-	-
A.4 Intangible assets	-	-
A.5 Other non current assets	-	-
Total (A)	**3,235**	**4,849**
of which measured at cost	-	-
of which measured at *fair value* level 1	-	-
of which measured at *fair value* level 2	-	-
of which measured at *fair value* level 3	3,235	4,849
B. Operating activities terminated		
B.1 Financial assets at *fair value* with impact on Profit and loss	-	-
- financial assets held for trading		
- financial assets designated at *fair value*		
Other financial assets obligatorily measured at *fair value*		
B.2 Financial assets measured at *fair value* through other comprehensive income		
B.3 Financial assets valued at amortised cost		
B.4 Investments		
B.5 Tangible assets		
of which: obtained through enforcement of guarantees received		
B.6 Intangible assets		
B.7 Other assets		
Total (B)	**-**	**-**
of which measured at cost		
of which measured at *fair value* level 1		
of which measured at *fair value* level 2		
of which measured at *fair value* level 3		
C. Liabilities associated with assets held for sale		
C.1 Payables		
C.2 Securities		
C.3 Other liabilities		
Total (C)	-	-
of which measured at cost		
of which measured at *fair value* level 1		
of which measured at *fair value* level 2		
of which measured at *fair value* level 3		
D. Liabilities associated with operating activities terminated		
D.1 Financial liabilities measured at amortised cost		
D.2 Financial liabilities held for trading		
D.3 Financial liabilities designated at *fair value*		
D.4 Funds		
D.5 Other liabilities		
Total (D)	**-**	**-**
of which measured at cost		
of which measured at *fair value* level 1		
of which measured at *fair value* level 2		
of which measured at *fair value* level 3		

11.2 Other information

At the financial statement date, there was no further information to be provided.

Section 12 OTHER ASSETS - ITEM 120

12.1 Other assets: breakdown

(thousands of €)		31.12.2023	31.12.2022
1.	Items travelling with branches	566	140
2.	Collateral	8,217	199
3.	Items being processed	138,996	115,638
4.	Sundry suspended (items awaiting final recognition)	24,195	34,500
5.	Revenues accrued and expired to be received	13,741	13,929
6.	Values held by the cashier	44	22
7.	Accruals and deferrals not attributable	1,055	424
8.	Expenses on leased assets	7,780	5,049
9.	Tax credits	178,834	66,613
	Total	**373,428**	**236,514**

LIABILITIES

Section 1 FINANCIAL LIABILITIES MEASURED AT AMORTISED COST - ITEM 10

1.1 *Financial liabilities measured at amortised cost: breakdown of payables due to banks by type*

Transaction type/Values	31.12.2023				31.12.2022			
	BV	*Fair value*			BV	*Fair value*		
		L1	L2	L3		L1	L2	L3
(thousands of €)								
1. Due to Central banks	**766,743**	**X**	**X**	**X**	**2,458,742**	**X**	**X**	**X**
2. Payables to banks	**122,409**	**X**	**X**	**X**	**170,012**	**X**	**X**	**X**
2.1 Current accounts and on demand deposits	28,835	X	X	X	34,647	X	X	X
2.2 Fixed-term deposits	-	X	X	X	18,756	X	X	X
2.3 Loans	93,526	X	X	X	116,539	X	X	X
2.3.1 Repurchase agreement liabilities	-	X	X	X	-	X	X	X
2.3.2.Other	93,526	X	X	X	116,539	X	X	X
2.4 Debt from buyback commitments on treasury equity instruments	-	X	X	X	-	X	X	X
2.5 Payables for leases	-	X	X	X	-	X	X	X
2.6 Other payables	48	X	X	X	70	X	X	X
Total	**889,152**	**-**	**844,084**		**2,628,754**	**-**	**2,551,479**	**-**

Repurchase agreement transaction liabilities against assets sold and not derecognised from the financial statements are detailed in Part E.

1.2 *Financial liabilities measured at amortised cost: breakdown of payables due to customers by type*

Transaction type/Values	31.12.2023				31.12.2022			
	BV	*Fair value*			BV	*Fair value*		
		L1	L2	L3		L1	L2	L3
(thousands of €)								
1. Current accounts and on demand deposits	7,895,327	X	X	X	8,039,267	X	X	X
2. Fixed-term deposits	818,869	X	X	X	305,796	X	X	X
3. Financing	220,487	X	X	X	305,349	X	X	X
3.1. Repurchase agreement liabilities	188,411	X	X	X	278,849	X	X	X
3.2. Other	32,076	X	X	X	26,500	X	X	X
4. Debt from buyback commitments on treasury equity instruments	-	X	X	X	-	X	X	X
5. Payables for leases	19,208	X	X	X	20,241	X	X	X
6. Other payables	63,932	X	X	X	88,728	X	X	X
Total	**9,017,823**	**-**	**8,957,488**	**-**	**8,759,382**	**-**	**8,690,353**	**-**

1.3 Financial liabilities measured at amortised cost: breakdown of debt securities issued by type

(thousands of €)	31.12.2023				31.12.2022			
	BV	*Fair value*			BV	*Fair value*		
		L1	L2	L3		L1	L2	L3
(thousands of €)								
A. Securities								
1. Bonds	719,766	-	643,480	76,286	399,891	-	298,667	101,224
1.1 Structured	-	-	-	-	-	-	-	-
1.2 Other	719,766	-	643,480	76,286	399,891	-	298,667	101,224
2. Other securities	-	-	-	-	-	-	-	-
2.1 Structured	-	-	-	-	-	-	-	-
2.2 Other	-	-	-	-	-	-	-	-
Total	**719,766**	**-**	**643,480**	**76,286**	**399,891**	**-**	**298,667**	**101,224**

At the financial statement date, there were no structured amounts payable to banks.

1.4 Breakdown of subordinated debts/securities

Below please find the main characteristics of instruments existing as at 31st December 2023:

	Issue 01.08.2017	**Issue 09.09.2022**
Level of Subordination	Subordinate liabilities qualified as Tier 2	Subordinate liabilities qualified as Tier 2
ISIN	XS1663201942	XS2530769921
Amount	5,000,000	70,000,000
Date of Issue	17.08.2017	09.09.2022
Expiry Date	17.08.2029	09.09.2032
Currency	EUR	EUR
Rate	5.625%	9.00% per annum, payable in arrears until 09.09.2027 (equal to 5yr MS + 673.4 bps), then reset of the rate at the mid-swap fixing + margin of 673.4 bps
Price	100	100
Listing	Luxembourg Stock Exchange	Luxembourg Stock Exchange

1.5 Breakdown of structured debts

At the financial statement date, there were no structured debts.

1.6 Payables for leases

Payables for leases as at 31 December 2023 amounted to 19.2 million, of which 1.7 are due between 1 and 2 years, 6.9 million between 3 and 5 years, 4.7 million between 6 and 8 years, and the remaining 5.9 million between 9 and 12 years.

Rents for a total of €4.9 million were paid in 2023.

Section 2 FINANCIAL LIABILITIES HELD FOR TRADING - ITEM 20

2.1 Financial liabilities held for trading: breakdown by type

(thousands of €)	31.12.2023					31.12.2022				
	VN	FV			FV *	VN	FV			FV *
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Payables to banks	-	-	-	-	-	-	-	-	-	-
2. Payables to clients	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivative instruments										
1. Financial derivatives	-	107	-	-	-	-	384	-	-	-
1.1 Held for trading	X	107	-	-	X	X	384	-	-	X
1.2 Connected to the *fair value* option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Connected to the *fair value* option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**107**	**-**	**-**	**X**	**X**	**384**	**-**	**-**	**X**
Total (A+B)	**X**	**107**	**-**	**-**	**X**	**X**	**384**	**-**	**-**	**X**

Key
FV *fair value*
FV* *fair value calculated excluding changes in value due to changes in the issuer's creditworthiness compared to the date of issuance*
VN nominal or notional value
L1 Level 1
L2 Level 2
L3 Level 3

2.2 Breakdown of "Financial liabilities held for trading": subordinate liabilities

At the financial statement date, there were no subordinate financial liabilities held for trading.

2.3 Breakdown of "Financial liabilities held for trading": structured debts

At the financial statement date, there were no financial liabilities held for trading related to structured debts.

Section 3 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE - ITEM 30

3.1 Financial liabilities designated at fair value: breakdown by type of product

At the reporting date there were no financial liabilities designated at *fair value*.

3.2 Breakdown of "Financial liabilities measured at fair value": subordinate liabilities

At the reporting date there were no subordinate financial liabilities measured at *fair value*.

Section 4 HEDGING DERIVATIVES - ITEM 40

4.1 Hedging derivatives: breakdown by type of hedge and hierarchical levels

(thousands of €)	Fair value 31.12.2023			VN	Fair value 31.12.2022			VN
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	**-**	**4,965**	**-**	**110,000**	**-**	**-**	**-**	**-**
1) Fair value	-	4,965	-	110,000	-	-	-	-
2) Financial flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	-	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Financial flows	-	-	-	-	-	-	-	-
Total	**-**	**4,965**	**-**	**110,000**	**-**	**-**	**-**	**-**

Key
NV = nominal value
L1 = Level 1
L2 = Level 2
L3 = Level 3

4.2 Hedging derivatives: breakdown by hedged portfolios and by type of hedge

	Fair value							**Financial flows**		
(thousands of €)	Specific									
Operations/Type of coverage	debt securities and interest rates	equity securities and share indices	curren-cies and gold	Credit	goods	other	Generic	Specific	Generic	Foreign invest-ments
1. Financial assets measured at fair value with impact on comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	4,965	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**4,965**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

The table indicates the *fair value* negative of hedging derivatives, divided in relation to the asset or liability hedged and the type of hedging carried out.
These are derivative contracts for specific hedging of the fair value of the debt securities of the assets.

Section 5 VALUE ADJUSTMENT OF FINANCIAL LIABILITIES SUBJECT TO MACRO HEDGING - ITEM 50

5.1 Adjustment in value of hedged financial liabilities: breakdown by hedged portfolios

At the reporting date there were no financial liabilities subject to macro hedging.

Section 6 TAX LIABILITIES - ITEM 60

For the information in this section, please refer to what is stated in Section 10 of assets.

Section 7 LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE - ITEM 70.

For the information in this section, please refer to what is stated in Section 11 of assets.

Section 8 OTHER LIABILITIES - ITEM 80

8.1 Other liabilities: breakdown

(thousands of €)		31.12.2023	31.12.2022
1.	Adjustments to illiquid items related to the bills portfolio	20,779	27,292
2.	Items travelling with branches	-	-
3.	Different sums available (banks, suppliers etc.)	103,437	91,745
4.	Sums available to customers	114,836	92,128
5.	Items being processed (wire transfers, etc.)	9,781	9,698
6.	Other items for different creditors	4,714	4,537
7.	Accruals and deferrals not attributable	301	405
8.	Withheld taxes and taxes to be reversed	34,909	14,592
	Total	**288,757**	**240,397**

Section 9 EMPLOYEE SEVERANCE INDEMNITIES - ITEM 90

9.1 Employee severance indemnities: annual changes

(thousands of €)		31.12.2023	31.12.2022
A.	**Opening balance**	**12,743**	**16,164**
B.	**Increases**	**615**	**(2,209)**
	B.1. Allocations for the year	492	436
	B.2. Other changes	123	(2,645)
C.	**Decreases**	**947**	**1,212**
	C.1. Settlements made	947	1,212
	C.2. Other changes	-	-
D.	**Closing inventories**	**12,411**	**12,743**

9.2 Other information

As was described in Part A – Accounting policies, following the supplementary pension reform, the severance indemnity of personnel recognised in this financial statement item only refers to the share accrued since 31st December 2006.

The provision does not include the shares that due to the aforementioned reform are deposited as supplementary pension or with the INPS Treasury fund. In that case, the personnel severance indemnity accrued as of 1st January 2007 include a "defined contribution plan" and are recognised amongst personnel costs in the sub-item "severance indemnity", based on contribution owed without applying actuarial calculation methods, as a counter-item to recognition of the capital item "Other liabilities" or of a cash availability expense.

The TFR actuarial assessment was implemented applying the "benefits accrued" method in compliance with the *Projected Unit Credit criterion* regulated by paragraphs 70-74 and 75-98 of IAS 19, and is based on the following main demographic, economic and financial hypotheses:

Main demographic and actuarial assumptions for measuring the Severance Indemnity (TFR) fund	
Employee survival rate	RG48 survival table published by the General State Accountancy Office.
Frequency and amount of TFR advances	Calculated based on the historical experience through seniority of service. A 1.50% value was used for the current year.
Inability	INPS table by age and sex
Frequency of turnover	Calculated based on the historical experience for the company and similar companies by age and sex and equal to 2.00%.
Retirement probability	100% on reaching the retirement requirement set by the General Obligatory Insurance (AGO).
Annual discounting rate	it was deduced, consistently with par. 83 of IAS 19, from the Iboxx Corporate AA index with a duration of 7-10 recorded at the valuation date. For that purpose, the return with a duration comparable to the duration of the group of workers being assessed was chosen, of 3.08%.
Annual inflation rate	2.00% for the entire reference period
Annual employee severance indemnity increase rate	3.00% for the entire reference period

Other information	31.12.2023
Service cost pro future annual	0.00
Plan duration	7.9

Please note that the criteria underlying the above demographic and actuarial assumptions are essentially aligned with those used last year.
Considering IAS 19 and the absence of specific provisions from regulatory Bodies, it is felt that the identification and choice of the rate in question represents one of the numerous valuations and estimates that the IFRS accounting standards require when preparing the financial statements. In particular, the specific standard, that the discounting rate must be calculated with reference to market returns, at the year closure date, of the bonds of primary companies of the country the entity operates in ("*high quality corporate bond yield*") and, alternatively, as there is often no market for those bonds, referred to the market returns of government bonds.
For the 2023 financial year, the annual discount rate used to calculate the current value of the bond was assumed, consistently with par. 83 of IAS 19, from the Iboxx Corporate AA index with a duration of 7-10 recorded at the valuation date. For that purpose, the choice went to the return with a duration comparable to the duration of the group of workers being assessed.
Reference to the "AA" rating class is a result of clarifications provided by the IFRS Interpretations Committee, during the second half of 2013, based on which the "primary quality" must be considered in an absolute meaning so cannot change from one year to the next in order to consider all the companies belonging to the "*high quality corporate bond yield*" issuer pool.
Specifically, the IFRS Interpretations Committee specifies that the significance of the "*high quality corporate bond yield*" pool must be measured including bonds issued by companies from other countries, as long as denominated in the same currency as the one used to pay employee benefits.

Sensitivity analyses

In compliance with IAS 19, the following additional information is being provided:
- sensitivity analyses for each actuarial hypothesis relevant at year end, showing the effects that there would have been following variations to the actuarial hypotheses reasonably possible at that date, in absolute terms;
- indication of the contribution for the following year;
- indication of the average financial duration of the bond for the defined benefit plans.

Sensitivity analyses of the main measurement parameters on data as at 31.12.2023 (values represent the change generated on the IAS value of the plan)	**Measurement parameters**	**DBO**
(thousands of €)		
Turnover rate	+1.00%	12,441.2
Turnover rate	-1.00%	12,379.1
Inflation rate	+0.25%	12,551.3
Inflation rate	-0.25%	12,273.2
Discount rate	+0.25%	12,193.4
Discount rate	-0.25%	12,635.3

Section 10 PROVISIONS FOR RISKS AND CHARGES - ITEM 100

10.1 Provisions for risks and charges: breakdown

(thousands of €)		**31.12.2023**	**31.12.2022**
1.	Provisions for credit risk related to commitments and financial guarantees granted	8,675	9,829
2.	Provisions on other commitments and other guarantees granted	-	-
3.	Corporate provisions for pensions	-	-
4.	Other provisions for risks and charges	42,022	14,145
	4.1 legal and tax disputes	42,022	14,145
	4.2 personnel expenses	-	-
	4.3 Other	-	-
	Total	**50,697**	**23,974**

10.2 Provisions for risks and charges: annual changes

(thousands of €)		**Provisions for pensions**	**Other provisions for risks and charges**	**Total**
A.	**Opening balance**	**-**	**14,145**	**14,145**
B.	**Increases**	**-**	**29,760**	**29,760**
	B.1. Allocations for the year	-	29,760	29,760
	B.2. Changes due to the passage of time	-	-	-
	B.3. Changes due to changes in the discount rate	-	-	-
	B.4. Other changes	-		-
C.	**Decreases**	**-**	**1,882**	**1,882**
	C.1. Use during the year	-	618	618
	C.2. Changes due to changes in the discount rate	-	-	-
	C.3. Other changes	-	1,264	1,264
D.	**Closing inventories**	**-**	**42,023**	**42,023**

10.3 Provisions for credit risk related to commitments and financial guarantees granted

	Provisions for credit risk related to commitments and financial guarantees granted				
	First stage	Second stage	Third stage	impaired acquired or originated	Total
(thousands of €)					
1. Loan commitments	435	63	3,021	-	3,519
2. Financial guarantees issued	582	1,347	3,227	-	5,156
Total	**1,017**	**1,410**	**6,248**	**-**	**8,675**

10.4 Provisions on other commitments and other guarantees granted

At the reporting date there are no provisions relating to other commitments and other guarantees granted.

10.5 Provisions for defined benefit plan pensions

At the financial statement date, there were no provisions for defined benefit pension funds.

10.6 Provisions for risks and charges - other provisions

The item "Provisions for risks and charges", sub-item "Other provisions for risks and charges", for 42.0 million, includes allocations for potential liabilities, including the related expenses.

Section 11 REDEEMABLE SHARES - ITEM 120

11.1 Redeemable shares: breakdown

There are no redeemable shares at the reporting date.

Section 12 COMPANY ASSETS - ITEMS 110, 130, 140, 150, 160, 170 AND 180

12.1 Share capital and treasury shares: breakdown

	31.12.2023	31.12.2022
- Number of treasury shares or quotas	50,498,438	50,498,438
of which treasury shares in portfolio	2,362,914	2,658,798

As at 31st December 2023, the share capital amounts to €201,993,752 and consists of 50,498,438 ordinary shares, with no indication of par value. So the share capital referred to each share can be calculated by dividing the total share capital by the number of outstanding shares.
As at 31st December 2023, Volksbank holds 2,362,914 treasury shares in portfolio.
All the ordinary outstanding shares have been subscribed and fully paid in. The shares have no constraints or privileges and each share has the same rights in dividend collection and capital repayment terms. There are no other share categories besides ordinary shares.

12.2 Share capital - Number of shares: annual changes

		Ordinary	Other
A.	**Shares held at the beginning of the year**	**50,498,438**	**-**
	- fully paid-up	50,498,438	-
	- not fully paid-up	-	-
A.1	Treasury shares (-)	(2,658,798)	-
A.2	**Outstanding shares: opening balance**	**47,839,640**	**-**
B.	**Increases**	**2,283,942**	**-**
B.1	New issues	-	-
	for a fee:	-	-
	- business combination transactions	-	-
	- conversion of bonds	-	-
	- exercise of warrants	-	-
	- other	-	-
	free of charge:	-	-
	- in favour of employees	-	-
	- in favour of directors	-	-
	- other	-	-
B.2	Sale of treasury shares	2,283,942	-
B.3	Other changes	-	-
C.	**Decreases**	**1,988,058**	**-**
C.1	Cancellation	-	-
C.2	Purchase of treasury shares	1,988,058	-
C.3	Company transfer transactions	-	-
C.4	Other changes	-	-
D.	**Outstanding shares: closing balance**	**48,135,524**	**-**
D.1	Treasury shares (+)	2,362,914	-
D.2	Shares held at the end of the year	50,498,438	-
	- fully paid-up	50,498,438	-
	- not fully paid-up	-	-

12.3 Share capital: other information

At the financial statement date, there was no further information to be provided.

12.4 Profit reserves: other information

(thousands of €)		31.12.2023	31.12.2022
1.	Legal reserve	138,200	130,800
2.	Extraordinary reserve	240,469	203,556
3.	Purchase of treasury shares reserve	-	-
4.	Concentration reserve (Law 30.07.1990/218)	8,584	8,584
5.	Other reserves	(14,636)	(16,210)
	Total	**372,617**	**326,730**

Pursuant to art. 2427, paragraph 1, no. 7 bis of the (It.) Civil Code, we are providing the summary of Shareholders' Equity items divided by origin and indicating possible use and distribution and their use in the previous years.

Type/description *(thousands of €)*	**Amount**	**Possible use**	**Available quota**	**Summary of use in the three previous years**	
				Loss coverage	**Other uses**
Capital	**201,994**	**-**	**-**		
Treasury shares	**(23,686)**	**-**	**-**		
Share premium reserves	**275,888**	**A,B,C**	**275,888**	**(84,372)**	**(22,886)**
Earnings reserves					
- Legal reserve	138,200	A(2),B	97,801		
- Extraordinary reserve	240,469	A,B,C	240,469		
- Non-distributable reserve pursuant to art. 6 of (It.) Legislative Decree 38/2005	3,160	B, (*)	-		
- other:					
a) Special reserve pursuant to (It.) Law 218/90	8,584	A,B,C (3)	8,584		
b) Reserve from FTA	(16,384)	A,B,C	-		
c) Reserves from sale of equity securities measured at *fair value* with an impact on overall profitability	(1,503)	A,B,C	-		
d) IFRS 2 reserve for employee incentive plan	91	A	-		
Valuation reserves					
- Equity securities designated at *fair value* through other comprehensive income	(2,370)	(*)	-		
- Financial assets (other than equity securities) measured at *fair value* through other comprehensive income	(475)	(*)	-		
Actuarial gains (losses) on defined-benefit pension plans	(1,128)	(*)	-		
Capital instruments	**-**		**-**		
Profits/Losses carried forward	**101,129**		**-**		
Total	**923,969**		**-**	**(84,372)**	**(22,886)**

A = for free increase in capital
B = to cover losses
C = for distribution to shareholders
(*) The reserve is non-distributable pursuant to Article 6 of (It.) Legislative Decree 38/2005
(1) The reserve may only be distributed for the sole part exceeding the amount needed for the legal reserve to reach one fifth of share capital (art. 2431 of the Civil Code).
(2) The reserve may only be used for the part that exceeds one fifth of share capital (art. 2430, paragraph 1 of the (It.) Civil Code;
(3) If not attributed to capital, the reserve may only be reduced in compliance with the provisions of the second and third paragraphs of art. 2445 of the Italian Civil Code If the loss coverage reserve is used, no profits may be distributed until the reserve has been integrated or reduced to the corresponding extent. The reduction may take place through extraordinary shareholders' meeting resolution, without compliance with the provisions in the second and third paragraphs of art. 2445 of the Italian Civil Code If it is distributed to shareholders it will be considered part of the company's taxable income.

In relation to the extraordinary tax calculated on the increase in the banks' interest margin referred to in art. 26 of the Legislative Decree 10 August 2023 no. 104, converted with amendments by Law 9 October 2023 no. 136, and considering in particular the provision referred to in paragraph 5-bis of the aforementioned article which allows – in place of the payment of the required tax – to allocate to a non-distributable reserve an amount not less than two and a half times the aforementioned tax, equal in this case to 14,067,874.97, the Board of Directors, in the meeting of 10 November 2023, resolved that it will propose to the Board, upon approval of the 2023 financial statements and allocation of the profit for the year and distribution of the dividend to shareholders, the allocation to a specific reserve, making use of the option provided for by the aforementioned provision, of an amount equal to 35,169,687.44 euros from the profit for the entire 2023 financial year.

If this reserve were distributed in the future, it would have to be subject to the payment of the tax calculated pursuant to paragraph 3 of art. 26, amounting to 14,067,874.97 euros, to which interest calculated on the basis of the interest rate on deposits at the European Central Bank would be added. The consistency of freely distributable reserves not suspended for tax purposes as of 31 December 2023 (550.4 million) and the presence of further freely distributable reserves suspended for tax purposes (54.4 million), lead us to consider the payment in the future of the aforementioned sets to be highly remote.

12.5 Capital instruments: breakdown and annual changes

At the financial statement date, there were no capital instruments other than ordinary shares.

12.6 Other information

At the financial statement date, there was no further information to be provided.

OTHER INFORMATION

1. *Commitments and financial guarantees granted (other than those designated at fair value)*

	Nominal amount of commitments and financial guarantees granted				31.12.2023	31.12.2022
	First stage	Second stage	Third stage	impaired acquired or originated		
(thousands of €)						
1. Loan commitments	**-**	**-**	**-**	**-**	**2,647,206**	**2,274,209**
a) Central Banks	-	-	-	-	-	-
b) Public authorities	355,654	-	-	-	355,654	220,040
c) Banks	17,475	-	-	-	17,475	14,467
d) Other financial companies	31,525	67	-	-	31,592	29,292
e) Non-financial companies	1,619,465	279,114	19,818	-	1,918,397	1,653,664
f) Households	303,837	19,449	802	-	324,088	356,747
2. Financial guarantees issued	**-**	**-**	**-**	**-**	**429,138**	**422,468**
a) Central Banks	-	-	-	-	-	-
b) Public authorities	489	-	-	-	489	243
c) Banks	23,147	-	-	-	23,147	23,496
d) Other financial companies	2,748	15	-	-	2,763	3,570
e) Non-financial companies	310,485	48,478	10,287	-	369,250	358,722
f) Households	30,214	2,785	490	-	33,489	36,437

Commitments to allocate provisions for uncertain use to customers mainly refer to corporate clients.

2. *Other commitments and other guarantees granted*

At the reporting date there are no other commitments and other guarantees granted.

3. *Assets used as collateral for own liabilities and commitments*

(thousands of €)	**31.12.2023**	**31.12.2022**
1. Financial assets at *fair value* through profit or loss	21,647	66,447
2. financial assets measured at *fair value* through other comprehensive income	142,271	209.248
3. Financial assets measured at amortised cost	4,867,524	1,521,491
4. Tangible fixed assets	-	-
of which: property, plant and equipment qualifying as inventories	-	-

Assets used as collateral for own liabilities and commitments for repurchase agreement transactions collected amount to 180.50 million, whereas bonds as deposit and collateral for other transactions are entered for 192.7 million.

4. Administration and mediation on behalf of third parties

Type of services *(thousands of €)*	**Amount**
1. Execution of orders on behalf of clients	**-**
a) Purchasing	-
1. Settled	-
2. Not settled	-
b) Sales	-
1. Settled	-
2. Not settled	-
2. individual portfolio management	**-**
3. Safekeeping and administration of securities	**6,076,959**
a) Third party securities in custody: associated with depositary bank services (excluding portfolio management)	-
1. securities issued by the reporting bank	-
2. other securities	-
b) Third party securities in custody (excluding portfolio management): other	14,362
1. securities issued by the reporting bank	-
2. other securities	14,362
c) Third party securities held with third parties	2,375,465
d) Own securities held with third parties	3,687,132
4. Other transactions	**-**

5. Financial assets offset in the financial statements or subject to offsetting framework or similar agreements

At the reporting date there are no financial assets offset in the financial statements or subject to offsetting framework or similar agreements to be reported.

6. Financial liabilities offset in the financial statements or subject to offsetting framework or similar agreements

At the reporting date there are no financial liabilities offset in the financial statements or subject to offsetting framework or similar agreements to be reported.

7. Bond loan transactions

At the reporting date, there were no bond loan transactions.

8. Disclosure of joint control activities

At the financial statement date, there were no joint control activities.

PART C INFORMATION ON THE INCOME STATEMENT

Section 1 INTEREST - ITEMS 10 AND 20

1.1 *Interest receivable and similar income: breakdown*

Items/Technical forms *(thousands of €)*	**Debt securities**	**Financing**	**Other transactions**	**31.12.2023**	**31.12.2022**
1. Financial assets at *fair value* through profit or loss					
1.1 Financial assets held for trading	80	-	-	80	36
1.2. Financial assets designated at *fair value*	-	-	-	-	-
1.3 Other financial assets obligatorily measured at *fair value*	23	708	-	731	1,199
2. financial assets measured at *fair value* through other comprehensive income	33,302	-	-	33,302	21,696
3. Financial assets measured at amortised cost:					
3.1 Loans to banks	-	15,687	-	15,687	5,295
3.2 Receivables from customers	83,372	305,019	-	388,391	184,797
4. Hedging derivatives	X	X	569	569	-
5. Other assets	X	X	9,510	9,510	1,692
6. Financial liabilities	X	X	X	14	22,830
Total	**116,777**	**321,414**	**10,079**	**448,284**	**237,544**
of which: interest receivable from impaired financial assets		11,574		11,574	10,059
of which: interest receivable from financial leases	X	-	X	-	-

The item also includes interest income on bonds the purpose of funding repurchase agreements.
The item interest receivable on loans to customers includes, for 1.0 million, the effects for amortisation, applying the effective interest rate method, of the *fair value* of the loans identified during the Purchase Price Allocation (PPA) process of the Banca Popolare di Marostica Group.

1.2 *Interest receivable and similar income: other information*

1.2.1 *Interest receivable on foreign currency financial assets*

(thousands of €)	**31.12.2023**	**31.12.2022**
a) on assets in currency	73	166

1.3 *Interest payable and similar expenses: breakdown*

Items/Technical forms *(thousands of €)*	**Payables**	**Securities**	**Other transactions**	**31.12.2023**	**31.12.2022**
1. Financial liabilities valued at amortised cost	-	-	-	-	-
1.1 Due to central banks	(54,851)	X	X	(54,851)	(4,444)
1.2 Due to banks	(10,576)	X	X	(10,576)	(1,974)
1.3 Payables to clients	(94,824)	X	X	(94,824)	(9,722)
1.4 Debt securities issued	X	(12,518)	X	(12,518)	(9,490)
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	-	-	(143)
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	-	(1,749)
Total	**(160,251)**	**(12,518)**	**-**	**(172,769)**	**(27,521)**
of which: interest payable for lease debts	(221)	X	X	(221)	(172)

1.4 Interest payable and similar expenses: other information

1.4.1 Interest payable on foreign currency liabilities

(thousands of €)	**31.12.2023**	**31.12.2022**
a) on liabilities in currency	(5,229)	(590)

1.5 Differentials related to hedging transactions

During the year there were no differentials related to hedging transactions.

Section 2 COMMISSIONS - ITEMS 40 AND 50

2.1 Commission income: breakdown

Service type/Amounts *(thousands of €)*	**31.12.2023**	**31.12.2022**
a) Financial instruments	**3,930**	**3,756**
1. Securities placement	376	103
1.1 Underwritten and/or on an irrevocable commitment	-	-
1.2 Without irrevocable commitment	376	103
2. Receiving and transmitting orders and executing orders on behalf of clients	1,692	1,284
2.1 Reception and transmission of orders for one or more financial instruments	1,692	1,284
2.2 Execution of orders on behalf of clients	-	-
3. Other commissions related to financial instrument activities	1,862	2,369
of which: proprietary trading	1,444	1,967
of which: individual portfolio management	-	-
b) Corporate finance	**-**	**-**
1. Mergers and acquisitions consultancy	-	-
2. Treasury services	-	-
3. Other fees related to corporate finance services	-	-
c) Investment advisory services	**-**	**-**
d) Clearing and settlement	**-**	**-**
e) Custody and administration	**-**	**-**
1. Depository bank	-	-
2. Other fees related to custody and administration activities	-	-
f) Central administrative services for collective portfolio management	**-**	**-**
g) Fiduciary activity	**-**	**-**
h) Payment services	**50,791**	**50,821**
1. Current accounts	26,930	26,665
2. Credit Cards	5,980	7,309
3. Debit cards and other payment cards	8,298	7,387
4. Bank transfers and other payment orders	5,933	5,655
5. Other fees related to payment services	3,650	3,805
i) distribution of third-party services	**32,529**	**31,860**
1. Collective portfolio management	20,742	20,961
2. Insurance products	11,501	10,759
3. Other products	286	140
of which: individual portfolio management	-	-
j) Structured finance	**6**	**6**
k) Servicing activities for securitisation transactions	**115**	**14**
l) Loan commitments	**17,881**	**18,352**
m) Financial guarantees issued	**3,647**	**3,629**
of which: credit derivatives	-	-
n) Financing operations	**1,875**	**1,748**
of which: for factoring transactions	-	-
o) Currency trading	**659**	**694**
p) Goods	**-**	**-**
q) Other commission income	**3,467**	**1,405**
of which: for management of multi-lateral trading systems	-	-
of which: for management of organized trading systems	-	-
Total	**114,900**	**112,285**

2.2 Commission income: product and service distribution channels

Channels/Amounts *(thousands of €)*	31.12.2023	31.12.2022
a) C/o own counters:	**32,905**	**31,963**
1. asset management	-	-
2. placement of securities	376	103
3. third-party services and products	32,529	31,860
b) Off-site offer:	**1**	**1**
1. asset management	-	-
2. placement of securities	-	-
3. third-party services and products	1	1
c) Other distribution channels:	**-**	**-**
1. asset management	-	-
2. placement of securities	-	-
3. third-party services and products	-	-

2.3 Commission payable: breakdown

Services/Amounts *(thousands of €)*	31.12.2023	31.12.2022
a) Financial instruments	**(357)**	**(962)**
of which: trading in financial instruments	(357)	(364)
of which: placement of financial instruments	-	(598)
of which: individual portfolio management	-	-
- Own assets	-	-
- Delegated to third parties	-	-
b) Clearing and settlement	**(56)**	**(14)**
c) Custody and administration	**(546)**	**(494)**
d) Collection and payment services	**(6,071)**	**(4,422)**
of which: credit cards, debit cards and other payment cards	(5,573)	(3,949)
e) Servicing activities for securitisation transactions	**-**	**-**
f) Commitments to receive funds	**-**	**-**
g) Financial guarantees received	**(3,282)**	**(3,076)**
of which: credit derivatives	-	-
h) off-site offer of financial instruments, services and products	**-**	**-**
i) Currency trading	**(172)**	**(153)**
l) Other commission expenses	**(4,012)**	**(2,537)**
internet banking	(880)	(918)
Other	(3,132)	(1,619)
Total	**(14,496)**	**(11,658)**

Section 3 DIVIDENDS AND SIMILAR REVENUE - ITEM 70

3.1 Dividends and similar revenue: breakdown

Items/Revenue *(thousands of €)*	31.12.2023		31.12.2022	
	Dividends	**Similar revenue**	**Dividends**	**Similar revenue**
A. Financial assets held for trading	-	-	-	-
B. Other financial assets obligatorily measured at *fair value*	1	777	0	1,112
C. financial assets measured at *fair value* through other comprehensive income	2,453	-	2,488	-
D. Equity investments	-	-	-	-
Total	**2,454**	**777**	**2,488**	**1,112**

Section 4 NET PROFIT (LOSS) FROM TRADING - ITEM 80

4.1 Net profit (loss) from trading: breakdown

Transactions/Income components *(thousands of €)*	**Capital gains (A)**	**Profit from trading (B)**	**Capital losses (C)**	**Losses from trading (D)**	**Net result [(A+B) - (C+D)]**
1. Financial assets held for Trading	**32**	**101,681**	**5**	**98,947**	**2,761**
1.1 Debt securities	32	430	5	15	442
1.2 Equity securities	-	-	-	-	-
1.3 UCI units	-	-	-	-	-
1.4 Financing	-	-	-	-	-
1.5 Other	-	101,251	-	98,932	2,319
2. Financial liabilities held for trading:	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange rate differences	**X**	**X**	**X**	**X**	**-**
4. Derivative instruments	**666**	**1,199**	**230**	**966**	**669**
4.1 Financial derivatives:	666	1,199	230	966	669
- on debt securities and interest rates	666	1,010	230	761	685
- on equity instruments and share indices	-	189	-	205	(16)
- on currencies and gold	X	X	X	X	-
- other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges connected to the *fair value* option	X	X	X	X	-
Total	**698**	**102,880**	**235**	**99,913**	**3,430**

The sub-item "Financial derivatives - on debt securities and interest rates", is related to margins and spreads on trading IRS, futures and options on securities and rates.

The column "Net result" includes, profits, losses, capital gains and losses from transactions on currencies and from derivatives on currencies and gold.

Section 5 NET PROFIT (LOSS) FROM HEDGING - ITEM 90

5.1 Net profit (loss) from hedging: breakdown

Income Components/Values (thousands of €)		31.12.2023	31.12.2022
A	Income related to:		
A.1	Fair value hedging derivatives	-	-
A.2	Hedged financial assets (fair value)	5.522	-
A.3	Hedged financial liabilities (fair value)	-	-
A.4	Financial derivatives for cash flow hedging	-	-
A.5	Currency assets and liabilities	-	-
	Total income from hedging activities (A)	**5.522**	**-**
B.	Expenses related to:		
B.1	Fair value hedging derivatives	(5,518)	-
B.2	Hedged financial assets (fair value)	-	-
B.3	Hedged financial liabilities (fair value)	-	-
B.4	Financial derivatives for cash flow hedging	-	-
B.5	Currency assets and liabilities	-	-
	Total expenses of hedging activities (B)	**(5,518)**	**-**
C.	**Net result of hedging (A - B)**	**4**	**-**
	of which: result of hedges on net positions	-	-

The bank avails itself of the option, provided for at the time of the introduction of IFRS 9, to continue to fully apply the provisions of IAS 39 on "hedge accounting" (in the "carve-out" version approved by the European Commission). For this reason, in the table "5.1 net profit (loss) from hedging: breakdown", there are no entries in the row "of which: result of hedges on net positions" for subjects applying the IFRS 9 accounting standard also for hedges.

Section 6 PROFIT (LOSS) ON DISPOSAL/REPURCHASE - ITEM 100

6.1 Profit (loss) on disposal/repurchase

Items/Income components (thousands of €)		31.12.2023			31.12.2022		
		Profit	Losses	Net profit	Profit	Losses	Net profit
	Financial assets						
1.	Financial assets measured at amortised cost	2,406	(6,333)	(3,927)	6,131	(3,797)	2,334
	1.1 Loans and advances to banks	-	-	-	-	-	-
	1.2 Receivables from customers	2,406	(6,333)	(3,927)	6,131	(3,797)	2,334
2.	Financial assets measured at fair value through other comprehensive income	2,347	(10,574)	(8,227)	7,569	(4,978)	2,590
	2.1 Debt securities	2,347	(10,574)	(8,227)	7,569	(4,978)	2,590
	2.2 Financing	-	-	-	-	-	-
	Total assets	**4,753**	**(16,907)**	**(12,154)**	**13,700**	**(8,775)**	**4,924**
	Financial liabilities						
1.	Payables to banks	-	-	-	-	-	-
2.	Payables to clients	-	-	-	-	-	-
3.	Debt securities issued	-	-	-	-	-	-
	Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

Section 7 NET PROFIT/LOSS FROM OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS - ITEM 110

7.1 Net change in the value of other financial assets and liabilities at fair value through profit or loss: breakdown of financial assets designated at fair value

Transactions/Income components *(thousands of €)*	Capital gains (A)	Gains on sale (B)	Capital losses (C)	Losses on sale (D)	Net result [(A+B) - (C+D)]
1. Financial assets	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-
1.4 Financing	-	-	-	-	-
2. Financial liabilities	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables to banks	-	-	-	-	-
2.3 Payables to clients	-	-	-	-	-
3. Financial assets and liabilities in currency: exchange rate differences	**X**	**X**	**X**	**X**	**-**
Total	**-**	**-**	**-**	**-**	**-**

7.2 Net change in the value of other financial assets and liabilities at fair value through profit or loss: breakdown of financial assets obligatorily measured at fair value

Transactions/Income components *(thousands of €)*	Capital gains (A)	Gains on sale (B)	Capital losses (C)	Losses on sale (D)	Net result [(A+B) - (C+D)]
1. Financial assets	**1,606**	**4,903**	**(5,495)**	**(91)**	**923**
1.1 Debt securities	**-**	**-**	**-**	**(91)**	**(91)**
1.2 Equity securities	-	-	-	-	-
1.3 UCI units	882	3,221	(5,078)	-	(975)
1.4 Financing	724	1,682	(417)	-	1,989
2. Financial assets in currency: exchange rate differences	**X**	**X**	**X**	**X**	**-**
Total	**1,606**	**4,903**	**(5,495)**	**(91)**	**923**

Section 8 ADJUSTMENTS/WRITE-BACKS OF NET VALUE FOR CREDIT RISK – ITEM 130

8.1 Net credit risk losses related to financial assets measured at amortised cost: breakdown

Transactions/Income components *(thousands of €)*	Value adjustments						Write-backs				Total 31.12.2023	Total 31.12.2022
	First stage	Second stage	Third stage		Impaired acquired or originated		First stage	Second stage	Third stage	Impaired acquired or originated		
			Write-off	Other	Write-off	Other						
A. Loans and advances to banks	**(110)**	**-**	**-**	**-**	**-**	**-**	**103**	**-**	**-**	**-**	**(7)**	**(353)**
- Financing	(23)	-	-	-	-	-	2	-	-	-	(21)	(4)
- Debt securities	(87)	-	-	-	-	-	101	-	-	-	14	(349)
of which: purchased or originated credit impaired loans	-	-	-	-	-	-	-	-	-	-	-	-
B. Receivables from customers	**(21,791)**	**(26,784)**	**(1,426)**	**(27,430)**	**-**	**-**	**49,164**	**23,082**	**6,761**	**-**	**1,576**	**(21,491)**
- Financing	(20,744)	(26,784)	(1,426)	(27,430)	-	-	48,441	23,082	6,708	-	1,847	(22,047)
- Debt securities	(1,047)	-	-	-	-	-	723	-	53	-	(271)	556
of which: purchased or originated credit impaired loans	-	-	-	-	-	-	-	-	-	-	-	-
C. Total	**(21,901)**	**(26,784)**	**(1,426)**	**(27,430)**	**-**	**-**	**49,267**	**23,082**	**6,761**	**-**	**1,569**	**(21,844)**

8.2 Net credit risk losses related to financial assets measured at fair value through other comprehensive income: breakdown

Transactions/Income components (thousands of €)	Value adjustments						Write-backs				Total 31.12.2023	Total 31.12.2022
	First stage	Second stage	Third stage		Impaired acquired or originated		First stage	Second stage	Third stage	Impaired acquired or originated		
			Write-off	Other	Write-off	Other						
A. Debt securities	(374)		-	-	-	-	287		-	-	(87)	(300)
B. Financing	-	-	-	-	-	-	-	-	-	-	-	-
- To customers	-	-	-	-	-	-	-	-	-	-	-	-
- To banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	**(374)**	**-**	**-**	**-**	**-**	**-**	**287**		**-**	**-**	**(87)**	**(300)**

Section 9 PROFITS/LOSSES FROM CONTRACTUAL AMENDMENTS WITHOUT WRITE-DOWNS - ITEM 140

9.1 Profit (loss) from contractual amendments: breakdown

This item includes the effect of changes in conditions applied to credit positions without this resulting in the cancellation of the original position.

Section 10 ADMINISTRATIVE EXPENSES - ITEM 160

10.1 Personnel expenses: breakdown

Type of Charges/Amounts *(thousands of €)*	**31.12.2023**	**31.12.2022**
1) Employees	(110,745)	(103,807)
a) wages and salaries	(77,001)	(72,810)
b) social charges	(19,408)	(19,199)
c) severance indemnities	-	-
d) social security costs	-	-
e) Provision for employee severance indemnities	(3,609)	(3,373)
f) provision for retirement pensions and similar obligations:	-	-
- defined contribution	-	-
- defined benefits	-	-
g) payments to external supplementary pension funds:	(4,644)	(4,278)
- defined contribution	(4,644)	(4,278)
- defined benefits	-	-
h) costs arising from share-based payment agreements	-	-
i) other employee benefits	(6,083)	(4,146)
2) Other personnel in service	-	(142)
3) Directors and Auditors	(1,434)	(1,413)
4) Retired personnel	-	-
5) Recovery of expenses for employees seconded to other companies	-	-
6) Reimbursement of expenses for third-party employees seconded to the company	-	-
Total	**(112,179)**	**(105,362)**

Item 3 "Directors and Auditors" includes remuneration paid to members of the company's Board of Directors and Board of Statutory Auditors.

10.2 Average number of employees by category

		31.12.2023	31.12.2022
1.	**Employees**	**1,236**	**1,209**
	a) Managers	34	34
	b) Middle managers	538	530
	c) Remaining personnel	664	645
2.	**Other personnel**	-	-
	Total	**1,236**	**1,209**

The average number of employees does not include directors and statutory auditors. Part-time employees are traditionally considered at 50%.

10.3 Provisions for defined benefit plan pensions: costs and revenue

There were no defined benefit pension provisions during the year.

10.4 Other employee benefits

Other employee benefits, the costs of which are shown in table 10.1 above at point i) mainly include costs of 1.5 million for meal vouchers, extraordinary payments to employees of 1.4 million, costs for insurance policies covering employees of 1.3 million, and personnel training expenses of 0.7 million.

10.5 Other administrative expenses: breakdown

(thousands of €)		31.12.2023	31.12.2022
1.	Machine and software rental fees	(4,713)	(3,898)
2.	Vehicle, food and travel expenses reimbursement	(2,120)	(1,542)
3.	Professional fees	(5,958)	(5,431)
4.	Membership fees	(846)	(847)
5.	AFAST management costs (data processing centre)	(17,447)	(14,738)
6.	Donations	(1,008)	(601)
7.	Building rental expenses	(392)	(429)
8.	Stamp duty and tax on stock exchange contracts	(14,645)	(13,589)
9.	Indirect taxes	(975)	(893)
10.	Insurance premiums	(776)	(779)
11.	Transport expenses	(874)	(775)
12.	Security expenses	(1,039)	(969)
13.	Electricity, heating and service charges	(2,605)	(2,906)
14.	Office material supply charges	(1,130)	(1,028)
15.	Information and title search costs	(1,446)	(1,538)
16.	Legal collection costs	(1,463)	(2,167)
17.	Property, furniture and plant maintenance expenses	(5,996)	(4,191)
18.	Advertising and entertainment expenses	(2,788)	(2,777)
19.	Cleaning costs	(1,116)	(1,140)
20.	Telephone, postal, data and telex charges	(2,323)	(2,404)
21.	Taxes and charges	(2,455)	(2,571)
22.	Treasury Consortium	(302)	(300)
23.	Levies and charges relating to the banking system	(13,253)	(14,335)
24.	Other expenses	(645)	(665)
Total		**(86,315)**	**(80,513)**

Section 11 NET PROVISIONS FOR RISKS AND CHARGES - ITEM 170

11.1 Net provisions for credit risk related to loan commitments and financial guarantees granted: breakdown

(thousands of €)		Total 31.12.2023	Total 31.12.2022
a)	Net provision for commitments to provide funds	1,890	(1,922)
b)	Net provision for financial guarantees issued	(736)	(276)
c)	Use for enforcement of guarantees	-	-
Total		**1,154**	**(2,198)**

11.2 Net provisions relating to other commitments and other guarantees issued: breakdown

At the reporting date there are no provisions relating to other commitments and other guarantees.

11.3 Net provisions for other provisions for risks and charges: breakdown

(thousands of €)		31.12.2023	31.12.2022
a)	Provision for sundry civil suits, bankruptcy clawbacks and other charges	(28,654)	(3,463)
b)	Net provisions for sundry personnel charge funds	-	-
c)	Provisions for winding up	159	850
Total		**(28,495)**	**(2,612)**

Section 12 NET ADJUSTMENTS/WRITE-BACKS ON TANGIBLE ASSETS - ITEM 180

12.1 Net value adjustments to tangible assets: breakdown

Asset/income component *(thousands of €)*	Depreciation (a)	Value adjustments for deterioration per deterioration (b)	Write-backs	Net result (a+b-c)
A. Tangible fixed assets				
1 For functional use	(12,185)	-	-	(12,185)
- owned	(7,386)	-	-	(7,386)
- rights of use acquired with leases	(4,799)	-	-	(4,799)
2 Held for investment purposes	(303)	(1,397)	-	1,700
- owned	(303)	(1,397)	-	(1,700)
- rights of use acquired with leases	-	-	-	-
3 Inventories	-	-	-	-
B. Assets held for sale	-	-	-	-
Total	**(12,488)**	**(1,397)**	**-**	**(13,885)**

Section 13 NET ADJUSTMENTS / WRITE-BACKS ON INTANGIBLE ASSETS - ITEM 190

13.1 Net value adjustments on intangible assets: breakdown

Asset/income component *(thousands of €)*	Depreciation (a)	Value adjustments for deterioration per deterioration (b)	Write-backs (c)	Net result (a+b-c)
A. Intangible fixed assets				
A.1 Owned	(989)	-	-	(989)
- generated internally by the company	-	-	-	-
- Other	(989)	-	-	(989)
A.2 Rights of use acquired with leases	-	-	-	-
Total	**(989)**	**-**	**-**	**(989)**

Section 14 OTHER OPERATING EXPENSES AND INCOME - ITEM 200

14.1 Other operating expenses: breakdown

(thousands of €)	31.12.2023	31.12.2022
1. Cash differences, materiality and management	(35)	(38)
2. Losses for receivables from the Deposit Protection Fund	-	-
3. Other charges	(3,165)	(3,244)
Total	**(3,200)**	**(3,282)**

14.2 Other operating income: breakdown

(thousands of €)	31.12.2023	31.12.2022
1. Building rental income	880	860
2. Recovery of operating costs	965	1,267
3. Debited to third parties for sundry recoveries	17,297	18,136
4. Other income	882	1,490
Total	**20,024**	**21,754**

Section 15 PROFIT (LOSS) ON EQUITY INVESTMENTS - ITEM 220

15.1 Profits (losses) on equity investments: breakdown

Income Component/Amounts *(thousands of €)*	31.12.2023	31.12.2022
A. Income	45	1,537
1. Revaluations	-	-
2. Profits from disposal	-	-
3. Write-backs	45	1,537
4. Other income	-	-
B. Expenses	(142)	(268)
1. Write-downs	-	-
2. Value adjustments for deterioration	(142)	(268)
3. Losses on disposal	-	-
4. Other charges	-	-
Net profit	**(97)**	**1,270**

Section 16 NET RESULT OF MEASUREMENT AT FAIR VALUE OF TANGIBLE AND INTANGIBLE ASSETS - ITEM 230

16.1 Net result of the measurement at fair value (or at re-measured value) or presumed collection value for tangible and intangible assets: breakdown

During the year and in the last one there were no profits or losses from measurement at *fair value* of tangible and intangible assets.

Section 17 VALUE ADJUSTMENTS FOR GOODWILL - ITEM 240

17.1 Value adjustments for goodwill: breakdown

There were no value adjustments to goodwill during the year.

Section 18 PROFITS (LOSSES) ON DISPOSAL OF INVESTMENTS - ITEM 250

18.1 Profits (losses) on disposal of investments: breakdown

Income Component/Amounts *(thousands of €)*	**31.12.2023**	**31.12.2022**
A. Mortgage	678	50
- Profits from disposal	678	50
- Losses on disposal	-	-
B. Other assets	240	(107)
- Profits from disposal	300	40
- Losses on disposal	(60)	(147)
Net profit	**918**	**(57)**

Section 19 INCOME TAXES FOR THE YEAR ON CURRENT OPERATIONS - ITEM 270

19.1 Income taxes for the year on current operations: breakdown

Income Component/Amounts *(thousands of €)*		**IRES**	**IRAP**	**31.12.2023**	**31.12.2022**
1.	Current tax expense (-)	(32,015)	(7,719)	(39,734)	(27,074)
2.	Change in current taxes over previous years (+/-)	(11)	-	(11)	(1,655)
3.	Reductions in current taxes for the year (+)	(299)	-	(299)	-
3 bis	Reduction of current taxes for the year for tax credits pursuant to (It.) Law 214/2011 (+)	-	-	-	-
4.	Changes in deferred tax assets (+/-)	(8,830)	(577)	(9,407)	(10,105)
5.	Changes in deferred tax liabilities (+/-)	(358)	-	(358)	26
5 bis.	Transfer from tax provision item 270 to tax provision item 60a SP	300	-	300	750
6.	Taxes for the year (-) (-1 +/- 2 + 3 + 3bis +/- 4 +/- 5)			**(49,509)**	**(38,058)**

19.2 Reconciliation between the theoretical tax charge and the actual tax charge in the financial statements

(thousands of €)	**TAXES**	***Incidence % on theoretical taxable profit***
Income tax - theoretical tax burden	**55,829**	**37.1%**
Increases in taxes	**2,522**	**1.7%**
Other non-deductible costs	1,118	0.7%
Other	1,404	0.9%
Decrease in taxes	**(8,842)**	**-5.9%**
Effects of participation exemption	-	0.0%
Dividends	(49)	0.0%
Other	(5,540)	-3.7%
Total changes in taxes	**(3,253)**	**-2.2%**
Effective tax charges for the year	**(6,320)**	**-4.2%**

Section 20 PROFIT (LOSS) ON DISCONTINUED OPERATIONS AFTER TAX - ITEM 290

20.1 Profit (loss) on discontinued operations after tax: breakdown

There were no profits or losses from discontinued operating activities after tax during the year for which breakdown should be reported.

20.2 Detail of income taxes relating to discontinued operations

No income taxes were levied on discontinued operations during the year.

Section 21 OTHER INFORMATION

21.1 Collection of receivables on behalf of third parties: adjustments to debit and credit

(thousands of €)	31.12.2023	31.12.2022
a) "Debit" adjustments	**964,187**	**958,974**
1. Current accounts	259,429	248,615
2. Central Portfolio	703,157	707,316
3. Cash	976	1,774
4. Other accounts	625	1,269
b) "Credit" adjustments	**984,966**	**986,266**
1. Current accounts	235,281	255,368
2. Assigned effects and documents	748,572	730,051
3. Other accounts	1,113	847

Section 22 EARNINGS PER SHARE

The methods used to calculate basic earnings per share are defined by IAS 33 - Earnings per Share. The basic earnings per share is established as the ratio between the economic result attributable to the owners of ordinary capital instruments and the weighted average of ordinary shares outstanding in the year.
The diluted earnings per share also considers the dilution effects resulting from the conversion of potential ordinary shares, established as financial instruments attributing the right to obtain ordinary shares to the owner. Accordingly, when calculating the account, the numerator and denominator of the ratio are adjusted to consider the effects of the additional shares that would have been outstanding if all potential ordinary shares with dilutive effects were converted..

	31.12.2023	31.12.2022
Basic earnings per share	2.09	1.57
Diluted earnings per share	2.09	1.57

"Earnings per Share" (or EPS) is a performance measure providing an indicator of shareholder participation in the result for the year and is obtained by comparing profit for the year with the weighted average of outstanding shares.

	31.12.2023	31.12.2022
Weighted average of ordinary shares	48,477,360	48,140,026
Adjustment for dilution effect	-	-
Weighted average of ordinary shares with diluted capital	48,477,360	48,140,026

At the reporting date there were no operations with dilutive effects.

22.1 Average number of ordinary shares with diluted capital

At the reporting date there were no transactions with dilutive effects on the number of shares.

22.2 Other information

There is no significant information other than that indicated in the preceding sections.

PART D COMPREHENSIVE INCOME

Analytical statement of comprehensive income

Items *(thousands of €)*		31.12.2023	31.12.2022
10.	**Profit (Loss) for the year**	**101,129**	**75,527**
	Other income not reversed to the income statement	(1,264)	2,376
20.	Equity securities designated at fair value through other comprehensive income:	(1,153)	(27)
	a) change in *fair value*	(1,093)	(1,703)
	b) transfers to other components of shareholders' equity	(60)	1,677
30.	Financial liabilities designated at fair value through profit or loss (changes in credit rating):	-	-
	a) change in *fair value*	-	-
	b) transfers to other components of shareholders' equity	-	-
40.	Hedging of equity instruments designated at fair value through other comprehensive income:	-	-
	a) change in *fair value* (hedged instrument)	-	-
	b) change in *fair value* (hedging instrument)	-	-
50.	Tangible fixed assets	-	-
60.	Intangible fixed assets	-	-
70.	Defined benefit plans	(167)	2,375
80.	Non-current assets and groups of assets held for sale	-	-
90.	Share of valuation reserves of equity accounted investments	-	-
100.	Income taxes relating to other income components not reversed to profit and loss	56	27
	Other income components reversed to profit and loss	9,077	(15,030)
110.	Foreign investment hedges:	-	-
	a) changes in *fair value*	-	-
	b) reversal to profit and loss	-	-
	c) other changes	-	-
120.	Exchange rate differences:	-	-
	a) value changes	-	-
	b) reversal to profit and loss	-	-
	c) other changes	-	-
130.	Cash flow hedges:	-	-
	a) changes in fair value	-	-
	b) reversal to profit and loss	-	-
	c) other changes	-	-
	of which: result of net positions	-	-
140.	Hedging tools (Non-designated items):	-	-
	a) value changes	-	-
	b) reversal to profit and loss	-	-
	c) other changes	-	-
150.	- Financial assets (other than equity securities) measured at *fair value* through other comprehensive income:	13,425	(22,443)
	a) changes in *fair value*	7,371	(17,939)
	b) reversal to profit and loss	6,054	(4,504)
	- adjustments for credit risk	87	300
	- profits / losses on disposal	5,967	(4,804)
	c) other changes	-	-
160.	Non-current assets and groups of assets held for sale:	-	-
	a) changes in *fair value*	-	-
	b) reversal to profit and loss	-	-
	c) other changes	-	-
170.	Share of valuation reserves of equity accounted investments:	-	-
	a) changes in *fair value*	-	-
	b) reversal to profit and loss	-	-
	- adjustments from deterioration	-	-
	- profits / losses on disposal	-	-
	c) other changes	-	-
180.	Income tax on other income components reversed to profit and loss	(4,348)	7,413
190.	**Total other income components**	**7,813**	**(12,655)**
200.	**Comprehensive income (Item 10 + 190)**	**108,942**	**62,872**

PART E RISKS AND RELATED HEDGING POLICIES

Section 1 Credit risk

QUALITATIVE INFORMATION

1 General aspects

The Bank's lending activities are designed to support the development and consolidation of small and medium-sized enterprises and to accompany families in their financing requirements; with the dual objective of financially supporting the development of the local economies in the territories in which the Bank operates and establishing itself as a recognised, competent and lasting partner for its customers.
The Bank's credit policy has always been based on responding to requests for finance from private customers and businesses, always paying special attention to the risk/return ratio and the presence of adequate coverage with mortgage guarantees, in particular for medium/long-term exposures.
With regard to private customers, the Bank's activity focuses on mortgage and personal loans, for which it provides a broad, complete offer. It selects customers on the basis of reliability and the merit of the customer's specific financial requirements and objectives.
For small businesses, demand has mainly concentrated on short-term loans, characterised by a high risk spread; while for medium and large companies, the Bank sought to increase medium-term loans, paying special attention to loans secured by collateral.
Particular attention was paid to selecting economic sectors, with priority given to those deemed to be less risky. Support for businesses has been provided through special finance operations, such as property financing projects managed and monitored throughout their progress and redemption by use of a specific IT procedure.
In general, the loan portfolio is monitored in order to achieve broad diversification across sectors of economic activity and geographical areas (the provinces of Bolzano, Trento, Belluno, Vicenza, Padua, Treviso, Pordenone and Venice), in order to mitigate the effects of any crises. Careful, precise controls are imposed on the most significant exposures, taking account of all the legal and economic links between the counterparts, in order to maintain them within limits so as not to risk the Bank's financial and economic equilibrium.
In all cases, the credit policy is guided by a prudent approach and oriented towards establishing relationships with trusted customers based on mutual confidence and transparency with a view to fostering personalised, long-term relationships.

2. Credit risk management policies

2.1 Organisational aspects

The credit risk management process is based on the maximum involvement of all relevant departments, at the various structure levels, to reconcile the need for fast fulfilment of customer requests with an analytical assessment of the credit risk. The credit process stages are expressed in the planning of credit policies, in the investigation, allocation, periodical review, monitoring and management of "non-performing" loans.
The credit policy, implementing strategic guidelines set by company Bodies during planning and in complying with the maximum risk levels established by the RAF, establishes the size of the loans portfolio and the relative breakdown, in order to guarantee an adequate mix between the profile of the risk taken and return levels achieved. At company planning level, the guidelines become targets, for business structures, for the quality of the portfolio integrated with those of growth and profitability, to be achieved consistent with capital and risk constraints.
The deliberative autonomy system, ruled by the Board of Directors through the "cascade" delegation principle, foresees attributing limited rights to the peripheral structures, privileging control by specialised central units. Involving the various company bodies and departments in control of the credit process involves the entire company:

- The Board of Directors supervises and monitors correct allocation of resources, defines the strategic guidelines and credit policies, sets the criteria for the recognition, management and assessment of risks, approves delegation of powers and signature to be attributed to the Bodies and business Units for granting and reviewing credit lines. Checks that the structure of control functions is defined in compliance with strategic guidelines; that the latter have appropriate autonomy of judgement and adequate qualitative and quantitative resources;

- The internal credit Committee analyses and examines the credit risk management policies. Specifically, the Committee is informed of compliance with limits set in the annual Credit Policy, examines the overall quality trend of the loans portfolio.
- General Management implements the strategies and policies established by the Board of Directors; in particular, it prepares rules, activities, procedures and organisational structures able to ensure adoption and maintenance of an efficient credit process and a solid risks control system, intervenes to eliminate any shortcomings and malfunctioning detected.
- Through the credit line Inquiry office, the Loans Department supports the decision-making bodies by receiving loans dossiers from peripheral offices, checks their formal correctness and completeness, finalisation of the inquiry.
- Branches manage the relationship with the customer, acquire documents, perform a first selection of applications, make decisions directly for the ones they are responsible for, monitor the credit ratio evolution daily, checking for any potential anomalous situations;
- Risk Management defines, develops and maintains the "models" underlying the rating system used for management purposes, checks the reliability and effectiveness of estimates it produces and possibly intervenes to improve it. Assesses, based on various analysis scales, loans portfolio riskiness, produces the relative information flows and makes them available for the bodies responsible and operating departments. The main Risk management responsibilities for correct credit risk management include defining and implementing the RAF, the ICAAP, stress tests and the remediation Plan; monitoring the activities performed by the Offices appointed to monitor and manage the credit risk, with special attention for how the rating system evolves; the planning, development and maintenance of the models and matrices adopted to measure the credit risk for management purposes; supervision of the programming of credit policies in line with the RAF and monitoring its punctual application; monitoring the overall quality of the loans portfolio through aggregated analyses and, where needed, single positions; assessment of the most important credit exposures in risk terms, preparing the relative analyses and performing controls on exceptions to rating judgements expressed by the operational units.

2.2 Management, measurement and control systems

Control of the credit risk is supported by an internal management rating system developed by the Bank.
The models cover the management segments "micro-companies, other companies and private individuals". Those models enable assigning a rating to each counterpart and an associated estimate of the probability of default (PD); the latter estimates the probability that an entrepreneur becomes insolvent within a year. The rating depends solely on counterpart characteristics and is, therefore, independent of any guarantees acquired. Rating assessments, produced by statistic models, are divided into 12 classes, related to the "performing" counterparts, and three classes related to non-performing ones (past-due, unlikely to pay, bad debts).
The rating is used in the credit process stages going from planning credit policies to monitoring trends. The rating is calculated monthly with reference to the entire population involved.
Operationally, the rating system is integrated by the loss rate with default (LGD "Loss Given Default") and by the exposure estimated at the time of default (EAD "Exposure at Default"). Estimates, specifically at single relationship level, also result from models and are influenced by the presence and type of guarantees acquired, and by the technical forms through which the loan is allocated.
The availability of that information, updated every month, provides better assessment of the risk profile, helping to improve the information capital supporting the credit allocation and monitoring process. The PD, LGD, EAD values enable calculation of the Expected Loss, representing the estimate of presumable loss associated with the credit

exposure, and which provides, being a cost element, support with deciding provisions for financial statement purposes.
The impaired position classes include bad debts, unlikely to pay and loans expired and/or over the limits to a relevant extent and exceeding 90 days. The ratings released by independent agencies are used to calculate the capital requirements for the credit and counterpart risk, with the bank adopting the “standardised” assessment approach, which implies attributing weighting ratios for exposures based, where possible, on the rating assigned to each counterpart by a specialised company (rating agencies such as Standard & Poor’s, Moody’s, Fitch Ratings, DBRS, Cerved Group).
For the counterpart risk, besides continually monitoring the main credit groups assigned, a specific analysis of each position taken is performed periodically, mainly through the joint consideration of several indicators, including the rating judgement, data from accounting information, market data. At the loans portfolio level, riskiness is assessed based on several types of analysis, including distribution of the counterparts over time by rating classes and economic and production sector.
Those assessments support formulating credit policy guidelines and enable adopting suitable management measures and providing operational guidelines to the central and peripheral departments involved.
For what concerns the credit risk and extension of the use of its measurements to the various management areas, for some time now the Bank has introduced expected loss control targets (cost of the credit risk) when preparing the annual branch budgets. Deciding the spread and margins on loans discounts a correction factor for the credit risk based on PD and LGD parameters. This in order to guarantee greater correlation between profit performances assigned to the single production units and the effective capacity to take on and manage the risk; hence drawing growth paths for loans that are as effective as possible in risk-return terms. The credit process also foresees, in its single stages, a number of risk mitigation controls.
The inquiry stage, to ascertain presumed reliability by assessing the credit merit of applicants, foresees examining the consistency of the transaction characteristics with the funding purpose, control of the suitability of any collateral hedging the non-repayment risk, the cost-effectiveness of the credit action. In that area, the judgement expressed by the internal rating system, when available, and the associated default estimates are duly considered, as essential, indispensable elements for a full assessment of the customer.
The decision to grant the loan is made by the decision-making bodies responsible, at the time of allocation, carefully assessing all the information gathered during the inquiry, and any further opinion element possibly available. In order to guarantee greater control of the credit risk, the mechanism setting the autonomy limits for the decision-making bodies at the base of the hierarchical scale flanks the transaction’s nominal value with a delegation system, also considering an objective counterpart credit riskiness measure expressed by the internal rating .
The credit lines then become operational and are then only made available to the borrower when what is foreseen in the decision has been finalised; with specific attention for acquiring guarantees, controls and assessment that they can limit the credit risk.
After granting, exposures are reviewed periodically, or revised, to ascertain that the conditions found during the inquiry and considered to allocate the funding are still applicable.
The revision can also take place automatically, with reference to positions presenting limited riskiness levels, ascertained with a rigorous examination of suitable, pre-set indicators. Credit and guarantees are monitored by continuously observing counterpart reliability and with a periodical control that general and specific requirements still exist and with the value of protections acquired; in order to guarantee full, effective enforceability if the debtor should become insolvent.
Monitoring, performed in compliance with formalised organisational procedures, is conducted so as to establish early whether any negative symptoms have arisen and promptly, effectively take the actions needed to prevent the situation getting worse. Related to that, an important role is assigned to the branches holding the credit positions because, through relations with customers, they can immediately perceive any signs of anomaly.
Specific head office departments are dedicated to analysing all the information available to continually assess the credit merit of each exposure and identify those with a greater exposure to risk.

The Bank also has an identification, decision-making and monitoring process for the so-called forborne position (that is credit exposures for which changes to contractual conditions or refinancing have been granted due to the debtor's financial problems).
Varied information of a guiding type is also produced periodically to support monitoring, based on relevant analysis routes, of how the credit portfolio risk is evolving. Related to the monitoring of credits displaying anomalies, it also identifies the specific analysis of overflowing, in order to intervene promptly on problematic positions.
The anomalous credits analysis service, in the Workout Department, using measurement and trend control methods that consider internal and system data, jointly, when available, for the judgement assigned by the rating system, identifies potentially problematic counterparts and promotes actions to mitigate the credit risk. Those positions are subjected to suitable analysis and, when concrete signs of tension are detected, classify them as "non-performing" based on their gravity.
Within Risk management, a specific unit identifies the "performing" customers displaying signs of difficulty and the first relationship anomalies, as well as counterparts persistently overdrawn. In order to intervene fast on worsening relationships and effectively control the overall credit quality of the loans portfolio, monitoring processes are adopted that, supported by specific instruments, promote actions to regularise the relationships. During the inquiry, allocation, revision and monitoring stages in-depth controls on the concentration of risks for significant exposures with single counterparts or groups of counterparts with legal and/or economic connections are carried out.
For dossiers qualified as of greater important ("OMR"), based on the amount of exposure and the amount of a new loan request, a specific procedure takes place, compliant with regulations applicable. Specifically, those dossiers, integrated by the credit line investigation report, are transmitted to Risk management responsible for assessing transaction consistency with the risk target system identified in the RAF (Risk Appetite Framework).

2.3 Methods used to measure expected losses

In order to calculate the impairment of an exposure, IFRS 9 envisages:
- for *performing* exposures that do not present a significant increase in credit risk compared to origination, an estimate of the expected loss at 12 months, to include losses arising from default events that may occur within one year;
- for *performing* exposures presenting a significant increase in credit risk compared to origination, the estimated expected loss over the lifetime horizon, taking account of all losses arising from default events that may occur during the residual life of the instrument;
- for *non-performing* positions, cash flows discounted at the effective interest rate of the loan are considered.

The Bank has developed a position allocation model that reflects the various ways of calculating expected loss. In particular, each relationship is assigned according to a system of assignment stages, which identifies:
- stage 1: as *performing* exposures that have not suffered a significant increase in credit risk since origination;
- stage 2: *performing* exposures for which there has been a significant increase of the credit risk (*Significant Increase of Credit Risk – "SICR"*) between the origination and reporting dates;
- stage 3 as non-performing exposures which are therefore classified as *non-performing* on the reporting date, according to the definition of default adopted by the Bank.

The criteria applied by the Bank to recognise a significant increase in credit risk (and therefore forming the basis for stage 2 classification) can be grouped into two types:
- qualitative criteria, which identify a set of indicators which when present are assumed to significantly increase risk. Three criteria can be distinguished:
    - the presence of *forbearance* measures (i.e. special concessions, such as amendments to existing contractual terms or refinancing following a substantial change in the economic situation of the counterpart);
    - the so-called *rebuttable presumption*, i.e. the presence of a continuous overrun or expired over 30 days;
    - the presence of the position on the Bank's watch list.

- the quantitative criterion, based on calculation of the *lifetime* PD ratio (LtPDR), which is a measure of the increase in the *lifetime* riskiness of a position at the reporting date compared to the *origination* date; stage 2 classification of a position based on the quantitative criterion occurs by comparing the LtPDR with a significance level estimated statistically.

The *lifetime* PD model developed by Volksbank plays a decisive role in calculation of the ECL and in the stage allocation of individual credit exposures. In particular, the value of MPD (marginal PD) at time t is used to obtain the expected loss of ECL_t at any time t<T until maturity T; for stage allocation, on the other hand, the level of risk expressed by the PD over the residual life of an instrument is used to identify positions that show a significant increase in credit risk, and which are consequently classified in stage 2.

The selected estimation method focuses on the estimation of PD lifetime curves with a Weibull function, following the derivation of the Cumulative Default Rates by means of Kaplan-Meier survival analysis. The reasoning behind the choice of this methodology is based on the model's greater flexibility, the theoretical soundness of the approach and the defined implementation effort, consistent with the size, internal organisational structure and the nature, scope and complexity of the Bank's business and credit portfolio.

With reference to the logic of defining impairment for exposures classified as past due or likely to default without analytical assessment, the ECL is equal to EAD • LGD. In particular, the formula applied is as follows:

$$IMPAIRMENT = EAD * CCF * \left\{1 - \left(\frac{(1 - LGD)}{(1 + EIR)^{TTR}}\right)\right\}$$

where:

$$LGD = \frac{EAD - PREVISION\_REC\_OK}{EAD}$$

$$PROVISION\_REC\_OK = min\ \{EAD;\ PROVISION\_OF\_RECOVERY\}$$

For positions classified as "Non-performing" or subject to analytical assessment, the expected loss is:

$$IMPAIRMENT = SVAL\_SPECIFICHE$$

In particular, the value of exposures classified as impaired is equal to the estimate of the present value of the cash flows expected to be obtained. For secured positions, the value of the cash flows that the Bank expects to recover coincides with the value of the flows deriving from completion of the process of recovering the value of each guarantee, net of costs incurred, and not contingent on the probability that the enforcement action has been taken. The TTR (recovery time) and the discount rate are necessary to estimate the present value of the cash flows. With regard to application of sale scenarios, please see the contents of Chapter A "Accounting Policies" of the explanatory notes.

In the context of risk management for the Abnormal Loan Analysis Service unit, the Workout Department is responsible for ensuring:

- credit control and the management and monitoring of positions, liaising with the branch and area offices responsible for customer relations;
- the proposal, on its own initiative, of rules for the management of positions within the scope of its competence, including with reference to specific dedicated units;
- a contribution to the implementation and maintenance of an information base that enables the assessment and performance control of individual positions and the customer's overall exposure to the Bank;
- guarantee correct management of positions, providing the necessary assistance and advice to the units responsible for the customer relationship;
- systematic monitoring of the evolution of performing positions with the tools available, also referring to the *Early Warning* model, and promptly identification of positions showing signs of deterioration and which risk slipping into Stage 2;

- implementation of measures to reduce and/or contain risk exposure for those positions identified by the *Early Warning* engine in which there is a real risk of slipping into Stage 2.

For risk management purposes, it should be noted that the model adopted by the Bank provides for an *Early Warning* process based on SICR measurement methods developed during the implementation of IFRS 9. In particular, development of an *Early Warning* methodology consistent with IFRS 9 methods appears necessary in order to harmonise risk management tools with the accounting framework and consistently integrate the stage allocation process with the credit risk management practices and the way in which these practices are managed for the purposes of recognition and assessment of expected credit losses.

The natural evolution of the *Early Warning* system is to play a complementary role to stage 2, in which it plays the role of preventing the occurrence of a significant increase in risk.

The *Early Warning* mechanism minimises stage 2 migration, reducing the impact on capital and regulatory ratios, and allows for an enrichment of the tools available for credit risk management. In particular, this methodology involves identification of a threshold of significance (“SICR”) estimated by means of a statistical model of quantile regression that defines the discriminatory level of risk as an estimate of the quantile of the distribution of LtPDRs that optimises the forecast of credit deterioration. In order to ensure that deterioration phenomena are captured sufficiently in advance, the *Early Warning* model is developed by extrapolating the SICR thresholds downwards, so that positions are identified that are closest to the discriminating SICR threshold for stage 2 classification in terms of *lifetime* PD variation (ΔPD).

The development of this methodology makes it possible to achieve a double benefit:

- it enables integration of the two stage allocation and *Early Warning* systems, without overlaps, resulting in harmonious functioning in two operating environments;
- it implements a methodology that is consistent across its classification accounting assessment and its credit risk management aspects. In particular, focus of the *Early Warning* model on the LtPDR (that is on the variation of the lifetime PD) bases the risk management model on the *lifetime* PD model adopted for accounting purposes, which refers to the rating system, of which it adopts and reflects the implicit risk profile estimates.

Lastly, related to use of future provisions containing *forward looking* elements, in particular *scenario-dependent*, the model defining the macroeconomic scenarios, suitably parametrized and based on specific rules defining the “transmission model” of evolutionary trends in the scenario-dependent structures, helps determine the risk parameters as part of the ECL calculation process. Three different macro-scenarios are adopted enabling implementation, in compliance with what is required by the standard, a sufficiently structured, punctual forecasting estimate, yet suitable for Bank size, structure and complexity. The baseline scenario, based on the “central” evolutionary trend of the macroeconomic variables compared to their value observed when the estimate is first made, which therefore constitutes the one whose implementation is generally considered as the most probable, is flanked by an adverse scenario which presents an unfavourable yet plausible evolution of the macroeconomic context and a moderately favourable scenario which presents a favourable, realistic evolution compared to the situation observed when the estimate took place.

For that purpose, the bank uses an external supplier with acknowledged competences in forecasting scenarios and a consolidated national reputation. The latter has been supporting the banking system for some time supplying macroeconomic, financial and banking variable forecasts, for activities assuming, in a forecasting, simulative way, future occurrences happening, for both strategic and healthy, prudent management purposes.

Credit risk mitigation techniques

In order to mitigate credit risk, the Bank uses all the main forms of collateral typical of the banking business, both real and personal. The main collateral acquired consist of:

- mortgages on properties;
- pledges on money and various types of securities (government securities, bonds, mutual funds, asset management, insurance policies, certificates of deposit, foreign securities, shares, etc.).

With regard to the management methods, these guarantees are acquired with a regular pledge agreement and by a notarial deed (for mortgages) and are entered into the “Loans and Guarantees” electronic procedure which enables the management, control and monitoring of such guarantees.

Personal guarantees are mainly issued by:
- natural persons in favour of companies of which they are shareholders and/or directors;
- natural persons in favour of other natural persons to whom they are linked by family relationships;
- consortia in favour of individual companies/firms associated with them (following agreements stipulated with the Bank).

To a limited extent, personal guarantees are also provided by companies in favour of other subsidiaries/associates and financial institutions in favour of companies.
An analysis of the characteristics of the guarantees provided does not reveal a particular degree of concentration in the various forms of coverage/guarantee, since the guarantees acquired, except in particular cases, can essentially be considered “specific” to each individual position. Furthermore, in general terms, no contractual constraints are in place that could undermine their legal validity.
Lastly, to check the legal and operational effectiveness of the guarantees an information / organisational / legal system (electronic credit line folder) is used and prepares texts and IT supports of the various guarantees, including:
- the regulatory operating processes of internal regulations, foreseeing and establishing rules on the values to be attributed to guarantees acquired (estimate opinions, confirmation/control/monitoring of events with cadastral preliminary enquiries, IT assessments in real time of the values of listed securities, etc.)
- verification of the authenticity of the signatures on the various guarantees (verification of company documents, witnessing in the presence of our operators, notarial authentication, etc.).

With specific reference to mortgages, reliable principles and standards are adopted to value the properties and obtain realistic, detailed estimates of the value of assets used as collateral. The Bank is also equipped with a process that can ensure efficient management and specific assessment of constrained properties in real time, through the census of assets and filing of estimates in a specific IT procedure. Furthermore, in order to fulfil supervisory provisions, to supervise the value of property, both residential and commercial/industrial, they are periodically revalued. The existence of specific requirements on properties, needed to mitigate the credit risk (regardless of the property’s value, the counterpart’s credit value, independence of repayment from financial flows from the asset and direct use of the property or its rental), it is checked by the departments appointed and made clear in the electronic credit line folders for the subsequent control of investigators and decision-making bodies.
The value of the real guarantees on financial instruments, listed on regulated markets, is automatically reviewed on a daily basis and based on list prices, in order to check, compared to the loan granted, that the initial coverage continues and permit, if that is not the case, prompt examination by managers.

3. Non-performing loan exposures

3.1 Management strategies and policies

The specific, transversal competences in the management of problematic and/or non-performing loans (“NPL”) are concentrated in the Workout Department, divided into three Business Units:
- abnormal loan analysis organisational unit;
- bad debts organisational unit;
- credit monitoring organisational unit.

The organisational structure is designed to ensure hierarchical independence between the Workout Department and the structures responsible for granting credit, as well as second-level controls, in accordance with the wishes of the Supervisory Authority.
The organisational model described above involves management in activities for the recovery of positions in difficulty up to those concerning the management of positions classified as non-performing.
The central role of Management, also in support of the strategic decisions of the office responsible for strategic supervision, can be identified as its methodological, monitoring, and process management, designed and constantly maintained in order to promote active management of the items for which it is responsible.

Loans for which there are particularly severe stress signals are classified as "*Non-Performing Exposures*" in accordance with the "Guidelines on the Application of the Definition of Default under Art. 178 of Regulation (EU) no. 575/2013 "(EBA / GL / 2016/07) and the" Regulatory technical standards relating to the materiality threshold of overdue credit obligations "and related Delegated Regulation (EU) 171/2018 of the European Commission of 19 October 2017 (EBA / RTS / 2016/06), which are in turn implemented at national level by the Bank of Italy (the so-called "new DoD" discipline).
Based on how serious the anomaly is, they are divided into the following categories:
- bad debts, total existing exposures with insolvent subjects or essentially equivalent situations regardless of their guarantees and/or any expected losses;
- unlikely to pay, total exposures with debtors who, in the Bank's opinion, are unlikely, without the use of actions such as enforcing the guarantees, to fully fulfil (capital and/or interest) their debt obligations (*"unlikely to pay"*). That assessment is performed regardless of the presence of any amounts (or instalments) that have expired and were not paid;
- exposures expired and/or impaired past due exposures, cash exposures, other than those classified amongst the bad debts and unlikely to pay, that have expired or been overdrawn by more than 90 days according to regulations in force.

Management of "non-performing" loans involves taking actions consistent with how serious the situation is in order to return it to normal or, if that is impossible, to implement a suitable recovery procedure. More specifically, in the presence of positions:
- non-performing, suitable credit recovery procedures are implemented; if circumstances permit it, repayment plans and/or amicable transaction proposals are prepared aimed at final closure of relationships;
- unlikely to pay, the probability is assessed as to whether the debtor is able to fulfil its contractual obligations in full in order to restore the original reliability and economic conditions of the relationship or, if that solution is assessed as impossible, everything is done for the step towards a non-performing position. The unlikely to pay for which there are restructuring agreements are checked continuously to make sure they comply with conditions agreed;
- expired and/or impaired past due, the trend is monitored and prompt actions are taken to return them to normal; having checked the debtor's effective state of financial difficulty and if the conditions exist, everything is prepared for the step to unlike to pay or non-performing.

From the bad debt management method point of view, the NPL Management Strategy is of specific importance, as required by the Bank of Italy with its "Guidelines for the Less Significant Italian Banks on the management of non-performing loans" published on 30 January 2018. In particular, in the context of the definition of the NPL management strategy, the forecast values of NPL are calculated as the evolution of 2 separate portfolios:
- the stock of loans already disbursed by the Bank and amortised;
- the stock of future loans to be disbursed by the Bank.

The above two portfolios are further divided into 3 sub-portfolios:
- guaranteed by residential properties;
- guaranteed by non-residential properties;
- not guaranteed by the properties.

The model developed by the Bank used as input data:
- analytical forecasts for the stock of *non-performing exposures* ("NPEs") developed by the Bank. The analytical forecasts were used as the basis for the development of the forecast management model;
- the transition matrices recorded by the Bank over the last two years, adjusted on the basis of internal valuation elements and with reference to the macroeconomic context. The matrices were used to estimate percentage point rate of passage between risk classes;
- the percentages of collections and cancellations calculated from the financial statements for the last three years;
- the new stock of loans that the Bank intends to grant in the three-year planning period in accordance with the business plan in place on the date the strategy was approved;

- the amortisation plan for the stock of existing loans and the newly-disbursed loans;
- the amount of "item 130 a) Net adjustments/write-backs on credit risk of financial assets valued at amortised cost" for the period 2023-2025 as included in the current strategic planning. These values, which constitute model input data, were used to estimate the maximum applicable prospective coverage.

Transfers between the various risk classes are calculated by applying a specific approach to the individual exposure classes:

- Performing: *default*rate registered;
- Past Due and UTPs: *danger rates* and *care rates*;
- Bad debts: *cure rate*.

In addition, with regard to loans classified as non-performing positions, other sources of stock reduction have been modelled such as:

- percentages of historical collections recorded by the Bank for the individual risk classes;
- percentages of historical write-offs recorded by the Bank for the individual risk classes;
- extraordinary cancellations entered as input data in a precise manner as shared with the Bank;
- sales of NPL portfolios specifically included as shared with the Bank.

Further source of a decrease in loan stock classified as Performing are the specific amortisation plans.

3.2 Write-offs

IFRS 9 states that "an entity shall directly reduce the gross carrying amount of a financial asset when the entity has no reasonable expectation of recovery of all or a portion of it. A write-off constitutes a derecognition event".
The "guidance for banks on NPLs" published by the European Central Bank in March 2017 specifies that "the reduction in the gross book value of a financial asset corresponds to the value of the write-off".
It goes on to state that, "the derecognition of a financial asset, even a partial one, should be made by the Bank in the year in which the loan or part of it was considered non-recoverable". It follows that "the derecognition can take place before the final judicial action taken against the debtor to recover the debt has concluded. Derecognition does not imply a waiver by the Bank of its legal right to recover the debt".
Finally,"once derecognised, an amount may not be reinstated, unlike provisions, the value of which may be reinstated in the profit and loss account if there are changes in the estimate. Derecognition should not be restored and if cash flows or other assets are recovered as a last resort, their value should be recognised in the income statement as part of the income statement."
Bank of Italy Circular No. 262/2005, in its current version, establishes that a *write-off* may concern the entire amount of a financial asset or a portion thereof and corresponds to:

- the reversal of total value adjustments, as a balancing entry to the gross value of the financial asset, and
- for the part exceeding the amount of the total value adjustments, to the loss in value of the financial asset recognised directly in the Income statement.

Any recoveries from collections subsequent to the *write-off* are recognised in the income statement under write-backs. The term "total *write-offs*" refers to the cumulative amounts of partial and total *write-offs* on financial assets".
As part of the new provisions implementation process, the scope of positions to be written-off is defined by the positions, measured at amortised cost and belonging to the *Hold To Collect* Business Model, which are classified as doubtful or unlikely to pay and are subject to analytical loss projections.
Performing positions, whether in Stage 1 or Stage 2, and positions measured at *fair value* are therefore excluded from the *write-off*.

3.3 Impaired financial assets acquired or originated

At the balance sheet date, no impaired or originated financial assets had been acquired. The originated *impaired* assets, moreover quantitatively insignificant, are managed - in the extra-judicial recovery phase - by the Workout Department. In the event of the insolvency of the position, or situations that are essentially equivalent, property foreclosure proceedings are instigated. Internal procedures foresee registering and probable non-compliance of all dossiers showing unpaid instalments, or an ongoing irregularity or cases of suspensions to the legal rate. The move to non-performing takes place once the ineffectiveness of actions taken to recover the exposure has been ascertained.

4. Financial assets subject to business renegotiations and forborne exposures

Exposures subject to forbearance or '*forborne* exposures' are exposures subject to tolerance measures in which the Bank grants amendments to the original contractual conditions in the face of a state of ascertained or presumed financial difficulty of the debtor as a result of which it is considered unlikely that the debtor will be able to fully and regularly meet its credit obligations.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1 Non-performing and performing exposures: amounts, impairment losses, trend, and economic breakdown

A.1.1 Distribution of financial assets by portfolio and credit quality (book values)

Portfolio/Quality ***(thousands of €)***	**Bad debts**	**Unlikely to pay**	**Past due non-performing exposures**	**Past due performing exposures**	**Other performing exposures**	**Total**
1. Financial assets measured at amortised cost	43,512	85,890	8,058	107,462	10,131,828	**10,376,750**
2. financial assets designated at *fair value* through other comprehensive income	-	-	-	-	662,220	**662,220**
3. Financial assets designated at *fair value*	-	-	-	-	-	**-**
4. Other financial assets obligatorily measured at *fair value*	2,345	8,141	-	-	4,998	**15,484**
5. Financial assets under disposal	-	-	-	-	-	**-**
Total as at 31.12.2023	**45,857**	**94,031**	**8,058**	**107,462**	**10,799,046**	**11,054,454**
Total as at 31.12.2022	**54,663**	**112,411**	**6,153**	**89,106**	**10,973,845**	**11,236,178**

Financial assets measured at amortised cost include non-performing exposures subject to forbearance of 177.3 million, of which 13.8 are due to bad debts and 42.2 are due to unlikely to pay positions, and non-performing exposures subject to forbearance of 121.3 million.

A.1.2 Distribution of financial assets by portfolio and credit quality (gross and net values)

Portfolio/Quality *(thousands of €)*	Non-performing assets				Unimpaired assets			Total (net exposures)
	Gross exposure	Overall value adjustments	Net exposure	Overall partial write-offs *	Gross exposure	Overall value adjustments	Net exposure	
1. Financial assets measured at amortised cost	334,909	197,449	137,459	31,225	10,325,006	85,717	10,239,289	**10,376,749**
2. financial assets designated at *fair value* through other comprehensive income	-	-	-	-	662,841	621	662,220	**662,220**
3. Financial assets designated at *fair value*	-	-	-	-	-	-	-	**-**
4. Other financial assets obligatorily measured at *fair value*	10,486	-	10,486	-	X	X	4,998	**15,484**
5. Financial assets under disposal	-	-	-	-	-	-	-	**-**
Total as at 31.12.2023	**345,395**	**197,449**	**147,946**	**31,225**	**10,987,847**	**86,338**	**10,906,507**	**11,054,453**
Total as at 31.12.2022	**389,770**	**216,543**	**173,227**	**32,298**	**11,105,508**	**85,408**	**11,062,951**	**11,236,178**

* value to be indicated for information purposes

Portfolio/Quality *(thousands of €)*	Assets of evidently poor credit quality		Other assets
	Accumulated capital losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	1,763
2. Hedging derivatives	-	-	-
Total as at 31.12.2023	**-**	**-**	**1,763**
Total as at 31.12.2022	**-**	**-**	**1,601**

A.1.3 Distribution of financial assets by past-due segment (book values)

Risk portfolios/stages	First stage			Second stage			Third stage			Impaired acquired or originated		
(thousands of €)	From 1 day to 30 days	Between 30 days and 90 days	More than 90 days	From 1 day to 30 days	Between 30 days and 90 days	More than 90 days	From 1 day to 30 days	Between 30 days and 90 days	More than 90 days	From 1 day to 30 days	Between 30 days and 90 days	More than 90 days
1. Financial assets measured at amortised cost	60,221	-	-	32,175	14,395	671	6,907	9,546	66,100	-	-	-
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets under disposal	-	-	-	-	-	-	-	-	-	-	-	-
Total as at 31.12.2023	**60,221**	**-**	**-**	**32,175**	**14,395**	**671**	**6,907**	**9,546**	**66,100**	**-**	**-**	**-**
Total as at 31.12.2022	**44,527**	**-**	**0**	**24,643**	**17,408**	**2,528**	**3,420**	**5,666**	**74,460**	**-**	**-**	**-**

A.1.4 Financial assets, commitments to disburse funds and financial guarantees given: changes in total adjustments and total provisions

Causes/stages of risk	Overall value adjustments: Activities in the first stage						Activities in the second stage						Activities in the third stage						Impaired financial assets acquired or originated					Total provisions on loan commitments and financial guarantees granted		
(thousands of €)	Loans to Central Banks and at sight central banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Assets held for sale	of which: individual impairment	of which: collective impairment	Loans to Central Banks and at sight central banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Assets held for sale	of which: individual impairment	of which: collective impairment	Loans to banks and on demand central banks	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Assets held for sale	of which: individual impairment	of which: collective impairment	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Assets held for sale	of which: individual impairment	of which: collective impairment	Stage 1	Stage 2	Stage 3
Opening balance	**6**	**50,709**	**534**	**-**	**2,587**	**48,662**	**-**	**34,166**	**-**	**-**	**-**	**34,166**	**-**	**216,543**	**-**	**-**	**85,694**	**130,849**	**-**	**-**	**-**	**-**	**-**	**960**	**567**	**8,302**
Increases from purchased or originated financial assets	1	10,662	387	-	1,006	10,044	-	2,868	-	-	-	2,868	-	29,117	-	-	4,817	24,300	-	-	-	-	-	602	817	1,827
Derecognitions other than write-offs	-	(7,156)	(280)	-	(609)	(6,827)	-	(2,891)	-	-	-	(2,891)	-	(50,619)	-	-	(28,304)	(22,315)	-	-	-	-	-	(470)	(135)	(4,624)
Net adjustments/write-backs on credit risk (+/-)	-	(10,503)	(20)	-	(375)	(10,148)	-	7,862	-	-	376	7,486	-	4,411	-	-	2,441	1,970	-	-	-	-	-	(75)	160	744
Contractual amendments without write-downs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation method	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,003)	-	-	(2,003)	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing inventories	**7**	**43,712**	**621**	**-**	**2,609**	**41,731**	**-**	**42,005**	**-**	**-**	**376**	**41,629**	**-**	**197,449**	**-**	**-**	**62,645**	**134,804**	**-**	**-**	**-**	**-**	**-**	**1,017**	**1,409**	**6,249**
Reversals from collections on financial assets written off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.1.5 Financial assets, loan commitments and financial guarantees granted: transfers between different credit risk stages (gross and nominal amounts)

Risk portfolios/stages	Gross value/nominal value					
	Transfers between first stage and second stage		Transfers between second stage and third stage		Transfers between first stage and third stage	
(thousands of €)	From first to second stage	From second to first stage	From second to third stage	From third to second stage	From first to third stage	From third to first stage
1. Financial assets measured at amortised cost	305,128	425,954	45,693	41,602	12,629	3,085
2. Financial assets measured at *fair value* with impact on comprehensive income	-	-	-	-	-	-
3. Financial assets under disposal	-	-	-	-	-	-
3. Loan commitments and financial guarantees granted	143,141	95,561	4,892	5,037	452	119
Total as at 31.12.2023	**448,269**	**521,515**	**50,585**	**46,639**	**13,081**	**3,204**
Total as at 31.12.2022	**584,327**	**321,707**	**56,923**	**42,183**	**56,717**	**1,408**

A.1.6 On- and off-balance-sheet exposures to banks: gross and net amounts

Types of exposure/Values	Gross exposure					Overall value adjustments and overall provisions						
(thousands of €)		First stage	Second stage	Third stage	Impaired acquired or originated		First stage	Second stage	Third stage	Impaired acquired or originated	Net exposure	Overall partial write-offs*
A. ON-BALANCE-SHEET EXPOSURES												
A1. AT SIGHT												
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	44,978	44,978	-	-	-	6	6	-	-	-	44,984	-
A2. OTHER												
a) Bad debts	-	X	-	-	-	-	X	-	-	-	-	-
- of which: exposures subject to forbearance	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-	-
- of which: exposures subject to forbearance	-	X	-	-	-	-	X	-	-	-	-	-
c) Past due non-performing exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: exposures subject to forbearance	-	X	-	-	-	-	X	-	-	-	-	-
d) Past due performing exposures	-	-	-	X	-	-	-	-	X	-	-	-
- of which: exposures subject to forbearance	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	566,904	566,904	-	X	-	(905)	(905)	-	X	-	565,999	-
- of which: exposures subject to forbearance	-		-	X	-	-	-	-	X	-	-	-
TOTAL A	**611,882**	**611,882**	**-**	**-**	**-**	**(899)**	**(899)**	**-**	**-**	**-**	**610,983**	**-**
B. OFF-BALANCE-SHEET LOAN EXPOSURES												
a) Non-performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	40,952	40,622	-	X	-	(2)	(2)	-	X	-	40,950	-
TOTAL B	**40,622**	**40,622**	**-**	**-**	**-**	**(2)**	**(2)**	**-**	**-**	**-**	**40,950**	**-**
TOTAL A+B	**652,504**	**652,504**	**-**	**-**	**-**	**(901)**	**(901)**	**-**	**-**	**-**	**651,933**	**-**
* value to be indicated for information purposes	-	X	-	-	-	-	X	-	-	-	-	-

On-balance-sheet exposures include all cash financial assets due from banks, regardless of their accounting portfolio allocation.
"Off-balance-sheet" exposures include all financial transactions other than sheet exposures (guarantees granted, commitments, derivatives, etc.) involving assumption of a loan risk, whatever the purpose of those transactions (trading, hedging, etc.).

A.1.7 On-balance-sheet and off-balance-sheet credit exposures to clients: gross and net values

Types of exposure/Values	Gross exposure					Overall value adjustments and overall provisions						
(thousands of €)		First stage	Second stage	Third stage	Impaired acquired or originated		First stage	Second stage	Third stage	Impaired acquired or originated	Net exposure	Overall partial write-offs*
A. CASH CREDIT EXPOSURES												
a) Bad debts	172,417	X	-	172,417	-	(126,560)	X	-	(126,560)	-	45,857	31,225
- of which: exposures subject to forbearance	51,959	X	-	51,959	-	(38,119)	X	-	(38,119)	-	13,840	10,091
b) Unlikely to pay	161,853	X	-	161,853	-	(67,822)	X	-	(67,822)	-	94,031	-
- of which: exposures subject to forbearance	74,961	X	-	74,961	-	(32,775)	X	-	(32,775)	-	42,186	-
c) Past due non-performing exposures	11,126	X	-	11,126	-	(3,067)	X	-	(3,067)	-	8,059	-
- of which: exposures subject to forbearance	-	X	-	-	-	-	X	-	-	-	-	-
d) Past due performing exposures	111,584	61,126	50,458	X	-	(4,122)	(904)	(3,218)	X	-	107,462	-
- of which: exposures subject to forbearance	16,923	-	16,923	X	-	(1,265)	-	(1,265)	X	-	15,658	-
e) Other performing exposures	10,315,781	9,604,536	704,823	X	-	(81,310)	(42,524)	(38,786)	X	-	10,234,471	-
- of which: exposures subject to forbearance	113,017	-	113,017	X	-	(7,326)	-	(7,326)	X	-	105,691	-
TOTAL A	**10,772,761**	**9,665,662**	**755,281**	**345,396**	**-**	**(282,881)**	**(43,428)**	**(42,004)**	**(197,449)**	**-**	**10,489,880**	**31,225**
B. OFF-BALANCE-SHEET LOAN EXPOSURES												
a) Non-performing	31,163	X	X	31,163	-	(6,248)	X	-	(6,248)	-	24,915	-
b) Performing	3,192,419	2,656,360	349,908	X	-	(2,425)	(1,015)	(1,410)	X	-	(3,189,994)	-
TOTAL B	**3,223,582**	**2,656,360**	**349,908**	**31,163**	**-**	**(8,673)**	**(1,015)**	**(1,410)**	**(6,248)**	**-**	**3,214,909**	**-**
TOTAL A+B	**13,996,343**	**12,322,022**	**1,105,189**	**376,559**	**-**	**(291,554)**	**(44,443)**	**(43,414)**	**(203,697)**	**-**	**13,704,789**	**31,225**

* Value to be indicated for information purposes

On-balance-sheet exposures include all cash financial assets due from clients, regardless of their accounting portfolio allocation.
"Off-balance-sheet" exposures include all financial transactions other than sheet exposures (guarantees granted, commitments, derivatives, etc.) involving assumption of a loan risk, whatever the purpose of those transactions (trading, hedging, etc.).

A.1.8 On-balance-sheet credit exposures to banks: trends of gross impaired exposures

At that date, there were no impaired exposures to banks.

A.1.8bis On-balance-sheet exposures to banks: trends in gross forborne exposures broken down by credit quality

At that date, there were no impaired exposures to banks.

A.1.9 On-balance-sheet credit exposures to clients: changes in gross impaired exposures

Causes/Categories *(thousands of €)*		Bad debts	Unlikely to pay	Past due non-performing exposures
A.	**Initial gross exposure**	**178,922**	**202,076**	**8,772**
	of which: exposures transferred but not derecognised	1,529	20,224	607
B.	**Increases**	**43,453**	**73,604**	**10,364**
	B.1 inflows from performing exposures	10,879	58,010	9,529
	B.2 inflows from impaired financial assets acquired or originated	-	-	-
	B.3. transfers from other categories of impaired exposures	30,533	2,033	283
	B.4 contractual amendments without write-downs	-	-	-
	B.5 other increases	2,041	13,561	552
C.	**Decreases**	**(49,959)**	**(113,828)**	**(8,010)**
	C.1 outflows to performing exposures	-	(39,897)	(1,459)
	C.2 write-offs	(13,122)	(3,456)	(268)
	C.3 collections	(3,129)	(6,636)	(898)
	C.4 proceeds from disposals	(8,878)	(9)	-
	C.5 losses on disposal	-	(3,773)	-
	C.6 transfers to other categories of impaired exposures	-	(29,541)	(3,309)
	C.7 contractual amendments without write-downs	-	-	-
	C.8 other decreases	(24,830)	(30,516)	(2,076)
D.	**Final gross exposure**	**172,416**	**161,852**	**11,126**
	of which: exposures transferred but not derecognised	3,605	18,241	291

A.1.9bis On-balance-sheet exposures to customers: trends in gross forborne exposures broken down by credit quality

Causes/Categories ***(thousands of €)***		**Forborne exposures: non-performing**	**Forborne exposures: performing**
A.	**Initial gross exposure**	**146,219**	**334,568**
	of which: exposures transferred but not derecognised	10,798	97,021
B.	**Increases**	**45,286**	**69,887**
	B.1 inflows from non-forborne performing exposures	28,105	44,159
	B.2 inflows from performing forborne exposures	12,853	X
	B.3 inflows from non-performing forborne exposures	X	25,534
	B.4 inflows from non-forborne non-performing exposures	3,636	78
	B.5 other increases	692	116
C.	**Decreases**	**(64,585)**	**(274,513)**
	C.1 outflows to non-forborne performing exposures	X	(229,055)
	C.2 outflows to performing forborne exposures	(25,534)	X
	C.3 outflows to non-performing forborne exposures	X	(12,853)
	C.4 write-offs	(2,134)	-
	C.5 collections	(6,918)	(24,956)
	C.6 proceeds from disposals	-	-
	C.7 losses on disposal	-	-
	C.8 other decreases	(29,999)	(7,649)
D.	**Final gross exposure**	**126,920**	**129,942**
	of which: exposures transferred but not derecognised	8,490	16,929

A.1.10 On-balance-sheet exposures to banks: trends in overall value adjustments

Causes/Categories		**Bad debts**		**Unlikely to pay**		**Past due non-performing exposures**	
(thousands of €)		**Total**	**Of which: forborne exposures**	**Total**	**Of which: forborne exposures**	**Total**	**Of which: forborne exposures**
A.	**Total initial adjustments**	**-**	**-**	**-**	**-**	**-**	**-**
	of which: *exposures transferred but not derecognised*	-	-	-	-	-	-
B.	**Increases**	**-**	**-**	**-**	**-**	**-**	**-**
	B.1 value adjustments from impaired financial assets	-	X	-	X	-	X
	acquired or originated	-	X	-	X	-	X
	B.2. other value adjustments	-	-	-	-	-	-
	B.3 losses on disposal	-	-	-	-	-	-
	B.4 transfers from other categories of impaired exposures	-	-	-	-	-	-
	B.5 contractual amendments without write-downs	-	X	-	X	-	X
	B.6 other increases	-	-	-	-	-	-
C.	**Decreases**	**-**	**-**	**-**	**-**	**-**	**-**
	C.1 impairment reversals from measurement	-	-	-	-	-	-
	C.2 value recoveries from collection	-	-	-	-	-	-
	C.3 gains on disposal	-	-	-	-	-	-
	C.4 write-offs	-	-	-	-	-	-
	C.5 transfers to other categories of impaired exposures	-	-	-	-	-	-
	C.6 contractual amendments without write-downs	-	X	-	X	-	X
	C.7 other decreases	-	-	-	-	-	-
D.	**Total final corrections**	**-**	**-**	**-**	**-**	**-**	**-**
	of which: exposures transferred but not derecognised	-	-	-	-	-	-

A.1.11 On-balance-sheet exposures to customers: trends in overall value adjustments

Causes/Categories	Bad debts		Unlikely to pay		Past due non-performing exposures	
(thousands of €)	Total	Of which: forborne exposures	Total	Of which: forborne exposures	Total	Of which: forborne exposures
A. Total initial adjustments	**129,887**	**27,060**	**105,934**	**50,254**	**2,619**	**-**
of which: exposures transferred but not derecognised	631	26	7,419	4,483	183	-
B. Increases	**32,141**	**14,958**	**25,902**	**10,783**	**2,503**	**-**
B.1 value adjustments from impaired financial assets acquired or originated	-	X	-	X	-	X
B.2. other value adjustments	12,440	14,958	23,306	9,477	1,935	-
B.3 losses on disposal	-	-	-	-	-	-
B.4 transfers from other categories of impaired exposures	18,778	-	605	-	70	-
B.5 contractual amendments without write-downs	-	X	-	X	-	X
B.6 other increases	923	-	1,991	1,306	498	-
C. Decreases	**(28,917)**	**(3,899)**	**(52,704)**	**(28,264)**	**(2,054)**	**-**
C.1 impairment reversals from measurement	(2,891)	(2,058)	(22,682)	(26,519)	(674)	-
C.2 value recoveries from collection	(9,291)	(49)	(7,334)	(1,328)	(268)	-
C.3 gains on disposal	-	-	(1,666)	(9)	-	-
C.4 write-offs	(16,735)	(1,792)	(1,547)	(408)	(80)	-
C.5 transfers to other categories of impaired exposures	-	-	(17,656)	-	(984)	-
C.6 contractual amendments without write-downs	-	X	-	X	-	X
C.7 other decreases	-	-	(1,819)	-	(48)	-
D. Total final corrections	**133,111**	**38,119**	**79,132**	**32,773**	**3,068**	**-**
of which: exposures transferred but not derecognised	2,013	26	6,352	2,726	80	-

Transactions for the conversion of receivables into equity instruments

During the year, in the context of agreements to restructure impaired positions, no operations to convert receivables into equity instruments were completed.

A.2 Classification of financial assets, loan commitments and financial guarantees granted based on external and internal rating

A.2.1 Breakdown of financial assets, loan commitments and financial guarantees granted by external rating class (gross amounts)

Considering the breakdown of loan portfolios, mainly including exposures with small and medium-sized enterprises, family companies and craftsmen, professionals and consumer families, distribution of on-balance-sheet and "off-balance-sheet" exposures for external rating classes is not significant.
For prudential purposes, credit risks are measured using the standardised method. Rating judgements generated internally are not relevant for prudential purposes.

A.3 Distribution of guaranteed exposures by guarantee type

A.3.1 On- and off-balance-sheet credit exposures to guaranteed banks

At the Balance Sheet date, there were no secured bank exposures.

A.3.2 On- and off-balance-sheet credit exposures to secured clients

	Gross exposure amount	Net exposure amount	Collateral (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Unsecured loans				
								Other derivatives								
(thousands of €)			Property Mortgages	Property loans for leases	Securities	Other collateral guarantees	CLN	Central counterpart	Banks	Other finance companies	Other entities	Public authorities	Banks	Other finance companies	Other entities	
1. Guaranteed on-balance-sheet exposures:	**6,403,293**	**6,195,457**	**4,462,599**	**-**	**15,390**	**13,753**	**-**	**-**	**-**	**-**	**-**	**856,923**	**1,030**	**31,264**	**573,821**	**5,954,780**
1.1 totally guaranteed	5,559,258	5,396,697	4,397,471	-	9,241	8,051	-	-	-	-	-	428,550	900	21,384	531,099	5,396,696
- of which non-performing	211,837	111,982	97,407	-	94	451	-	-	-	-	-	7,346	-	695	5,989	111,982
1.2 partially guaranteed	844,035	798,760	65,128	-	6,149	5,702	-	-	-	-	-	428,373	130	9,880	42,722	558,084
- of which non-performing	60,182	26,032	9,433	-	84	61	-	-	-	-	-	6,151	-	192	615	16,536
2. Guaranteed off-balance-sheet exposures:	**484,158**	**483,145**	**27,179**	**-**	**1,710**	**12,253**	**-**	**-**	**-**	**-**	**-**	**25,870**	**916**	**14,903**	**377,728**	**460,559**
2.1 totally guaranteed	423,448	422,476	25,457	-	661	7,860	-	-	-	-	-	11,891	718	11,628	364,110	422,325
- of which non-performing	2,003	1,457	261	-	-	292	-	-	-	-	-	-	-	-	753	1,306
2.2 partially guaranteed	60,710	60,669	1,722	-	1,049	4,393	-	-	-	-	-	13,979	198	3,275	13,618	38,234
- of which non-performing	1,120	1,112	-	-	-	77	-	-	-	-	-	-	-	-	-	77

A.4 Financial and non-financial assets obtained by enforcing guarantees received

At the reporting date there were no assets obtained through the enforcement of guarantees received.

B. BREAKDOWN AND CONCENTRATION OF CREDIT EXPOSURES

B.1 Sectoral breakdown of on- and off-balance-sheet credit exposures to customers

Exposures/counterparts		Public authorities		Other public bodies		Financial corporations		Insurance companies		Non-financial corporations	
(thousands of €)		Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals
A.	**Cash credit exposures**										
	A.1 Bad debts	-	-	58	1,298	-	-	30,586	94,878	15,213	30,384
	of which: forborne exposures	-	-	3	1,160	-	-	8,143	28,222	5,694	8,737
	A.2 Unlikely to pay	-	-	3	2	-	-	71,190	53,775	22,838	14,045
	of which: forborne exposures	-	-	-	-	-	-	31,091	26,252	11,095	6,523
	A.3 Past due non-performing exposures	1	1	1	-	-	-	1,685	636	6,372	2,430
	of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
	A.4 Non-impaired exposures	2,867,228	988	252,934	1,937	1,446	21	3,673,788	57,772	3,547,983	24,735
	of which: forborne exposures	-	-	5,232	553	-	-	64,444	5,940	51,673	2,098
	Total A	**2,867,229**	**989**	**252,996**	**3,237**	**1,446**	**21**	**3,777,249**	**207,061**	**3,592,406**	**71,594**
B.	**"Off-balance-sheet" credit exposures**										
	B. 1 Non-performing exposures	-	-	-	-	-	-	24,147	5,944	768	304
	B.2 Performing exposures	356,078	65	34,341	14	7,273	-	2,255,430	2,134	358,004	212
	Total B	**356,078**	**65**	**34,341**	**14**	**7,273**	**-**	**2,279,577**	**8,078**	**358,772**	**516**
	Total as at 31.12.2023	**3,223,307**	**1,054**	**287,337**	**3,251**	**8,719**	**21**	**6,056,826**	**215,139**	**3,951,178**	**72,110**
	Total as at 31.12.2022	**3,388,056**	**746**	**423,707**	**2,901**	**33,272**	**-**	**5,994,497**	**212,730**	**4,009,529**	**94,698**

B.2 Geographical distribution of on- and off-balance-sheet credit exposures to clients

Exposures/Geographical areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
(thousands of €)	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals
A. Cash credit exposures										
A.1 Bad debts	45,823	(126,264)	34	(296)	-	-	-	-	-	-
A.2 Unlikely to pay	93,957	(67,240)	74	(582)	-	-	-	-	-	-
A.3 Past due non-performing exposures	7,889	(3,007)	170	(60)	-	-	-	-	-	-
A.4 Performing exposures	10,206,081	(84,583)	99,521	(766)	34,600	(75)	1,532	(7)	199	(1)
Total A:	**10,353,750**	**(281,094)**	**99,799**	**(1,704)**	**34,600**	**(75)**	**1,532**	**(7)**	**199**	**(1)**
B. "Off-balance-sheet" credit exposures										
B.1 Non-performing exposures	24,909	(6,220)	6	(28)	-	-	-	-	-	-
B.2 Performing exposures	2,999,346	(2,422)	4,507	(3)	-	-	-	-	-	-
Total B:	**3,024,255**	**(8,642)**	**4,513**	**(31)**	**-**	**-**	**-**	**-**	**-**	**-**
Total as at 31.12.2023	**13,378,005**	**(289,736)**	**104,312**	**(1,735)**	**34,600**	**(75)**	**1,532**	**(7)**	**199**	**(1)**
Total as at 31.12.2022	**13,681,331**	**(309,619)**	**95,603**	**(1,327)**	**37,223**	**(123)**	**1,422**	**(5)**	**210**	**(1)**

Exposures/Geographical areas	ITALY NORTHWEST		NORTHEASTERN ITALY		CENTRAL ITALY		SOUTHERN ITALY AND ISLANDS	
(thousands of €)	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals
A. Cash credit exposures								
A.1 Bad debts	1,039	(1,999)	44,411	(123,334)	291	(548)	82	(384)
A.2 Unlikely to pay	2,235	(3,094)	90,974	(62,905)	710	(1,217)	38	(24)
A.3 Past due non-performing exposures	-	-	7,880	(3,004)	7	(3)	1	(1)
A.4 Performing exposures	191,732	(2,510)	7,058,072	(80,231)	2,949,299	(1,794)	6,979	(46)
Total A:	**195,006**	**(7,603)**	**7,201,337**	**(269,474)**	**2,950,307**	**(3,562)**	**7,100**	**(455)**
B. "Off-balance-sheet" credit exposures								
B.1 Non-performing exposures	-	-	20,382	(6,208)	4,521	(9)	6	(4)
B.2 Performing exposures	74,310	(49)	2,901,804	(2,354)	21,156	(17)	2,076	(1)
Total B:	**74,310**	**(49)**	**2,922,186**	**(8,562)**	**25,677**	**(26)**	**2,082**	**(5)**
Total as at 31.12.2023	**269,316**	**(7,652)**	**10,123,523**	**(278,036)**	**2,975,984**	**(3,588)**	**9,182**	**(460)**
Total as at 31.12.2022	**253,617**	**(13,115)**	**9,983,315**	**(292,731)**	**3,419,550**	**(2,887)**	**24,848**	**(886)**

B.3 *Geographical distribution of on- and off-balance-sheet credit exposures to banks*

Exposures/Geographical areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
(thousands of €)	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals
A. Cash credit exposures										
A.1 Bad debts	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Past due non-performing exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	476,218	(747)	134,190	(157)	575	(1)	-	-	-	-
Total A:	**476,218**	**(747)**	**134,190**	**(157)**	**575**	**(1)**	**-**	**-**	**-**	**-**
B. "Off-balance-sheet" credit exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	22,637	-	15,813	(2)	1,500	-	1,000	-	-	-
Total B:	**22,637**	**-**	**15,813**	**(2)**	**1,500**	**-**	**1,000**	**-**	**-**	**-**
Total as at 31.12.2023	**498,855**	**(747)**	**150,003**	**(159)**	**2,075**	**(1)**	**1,000**	**-**	**-**	**-**
Total as at 31.12.2022	**343,094**	**(673)**	**43,059**	**(31)**	**663**	**(1)**	**45**	**-**	**-**	**-**

Exposures/Geographical areas	ITALY NORTHWEST		NORTHEASTERN ITALY		CENTRAL ITALY		SOUTHERN ITALY AND ISLANDS	
(thousands of €)	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals	Net exposure	Overall impairment losses/reversals
A. Cash credit exposures								
A.1 Bad debts	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-
A.3 Past due non-performing exposures	-	-	-	-	-	-	-	-
A.4 Performing exposures	174,483	(310)	236,252	(262)	65,483	(175)	-	-
Total A:	**174,483**	**(310)**	**236,252**	**(262)**	**65,483**	**(175)**	**-**	**-**
B. "Off-balance-sheet" credit exposures								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	-	-	-	-	22,637	-	-	-
Total B:	**-**	**-**	**-**	**-**	**22,637**	**-**	**-**	**-**
Total as at 31.12.2023	**174,483**	**(310)**	**236,252**	**(262)**	**88,120**	**(175)**	**-**	**-**
Total as at 31.12.2022	**140,481**	**(332)**	**154,973**	**(238)**	**47,640**	**(103)**	**-**	**-**

B.4 Large exposures

	Number of large exposures	Credit exposure *(thousands of euro)*	Weighted amount for large exposures *(thousands of €)*
31.12.2023	7	4,733,054	293,493
31.12.2022	8	6,062,612	357,198

The number of large exposures entered in the table is decided with reference to the non-weighted "exposures" exceeding 10% of capital allowable, as set forth in EU Regulation 575/2013 (so-called CRR), where "exposures" are intended as the sum of on-balance and off-balance-sheet risk assets (excluding those deducted from capital) with a client, or a group of connected clients, without applying the weighting factor.

The Balance Sheet table for large exposures also includes entities which - although 0% risk-weighted - have a non-weighted exposure of more than 10% of the eligible capital for the purposes of large risks.

As at 31st December 2023, exposures (market risks and included) exceeding 10% of the Supervisory Capital concerned 7 client groups with a gross exposure of 4.7 billion. In detail, the positions concern 1 belonging to the central administrations and central banks portfolio, two belonging to the public sector body portfolio, two belonging to the financial sector and one belonging to the company sector.

C. SECURITISATION TRANSACTIONS

QUALITATIVE INFORMATION

Securitisation of residential mortgage loans - S.P.V. VOBA n. 7 S.r.l. (May 2018)

Issue characteristics

The Board of Directors resolved, in 2018, to perform a securitisation of a loans portfolio consisting of performing mortgages and unsecured loans granted to small and medium-sized enterprises (SMEs) called VOBA n. 7 S.r.l..
The transaction involved the sale of no. 4,473 transactions for a total value of €750.5 million.
As in the case of previous securitisation operations, the purpose of the securitisation is to obtain eligible instruments for refinancing operations with the ECB in support of liquidity requirements.

Vehicle company:	VOBA N.7 S.r.l.
- Company interest in the vehicle company	0%
- Date of assignment of receivables	01/05/2018
- Type of receivables assigned	SME mortgages
- Quality of receivables assigned	Performing
- Guarantees on receivables assigned	Mortgage and unsecured loans
- Geographical area of receivables assigned	Italy North
- Economic activity of assigned debtors	
- Number of receivables assigned	4,473
- Price of receivables assigned	€ 750,469,537.60
- Nominal value of receivables assigned	€ 750,470,731.39

The characteristics of the securities issued by the vehicle and listed on the Dublin Stock Exchange are as follows:

Tranche	S&P/Moody's Rating	Percentage	Amount (in euro)
Class A1	AA/Aa3	18.45%	141,000,000
Class A2	AA/Aa3	46.05%	352,000,000
Class B	A+/A1	19.63%	150,000,000
Junior Class	NR	15.87%	121,319,000
Total		**100.00%**	**764,319,000**

Class A1, A2, B and Junior securities were fully subscribed by the Company, as at 31.12.2023, 74.8 million Class B securities and 121.3 million Class Junior securities remained.

QUANTITATIVE INFORMATION

C.1 Exposure arising from the main "own" securitisation transactions broken down by type of securitised asset and by type of exposure

Type of securitised assets/Exposures	On-balance-sheet exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
(thousands of €)	Book value	Value adjustments/wri-te-backs	Book value	Value adjustments/wri-te-backs	Book value	Value adjustments/wri-te-backs	Net exposure	Value adjustments/wri-te-backs	Net exposure	Value adjustments/wri-te-backs	Net exposure	Value adjustments/wri-te-backs	Net exposure	Value adjustments/wri-te-backs	Net exposure	Value adjustments/wri-te-backs	Net exposure	Value adjustments/wri-te-backs
A. Subject of complete derecognition from the financial statements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Subject to partial derecognition from the financial statements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C. Not derecognised from the financial statements	-	-	**44,867**	-	**121,319**	-	-	-	-	-	-	-	-	-	-	-	-	-
- Mortgage loans	-	-	44,867	-	121,319	-	-	-	-	-	-	-	-	-	-	-	-	-

C.2 Exposures arising from main "third party" securitisation transactions broken down by type of securitised asset and by type of exposure

Type of underlying asset/Exposures	On-balance-sheet exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
(thousands of €)	Book value	Value adjustments/wri-te-backs	Book value	Value adjustments/wri-te-backs	Book value	Value adjustments/wri-te-backs	Net exposure	Value adjustments/wri-te-backs	Net exposure	Value adjustments/wri-te-backs	Net exposure	Value adjustments/wri-te-backs	Net exposure	Value adjustments/wri-te-backs	Net exposure	Value adjustments/wri-te-backs	Net exposure	Value adjustments/wri-te-backs
VIVERACQUA	9,166	(202)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Securitisation of bonds																		

C.3 Vehicle company for securitisation

Securitisation name / Vehicle name	Registered office	Consolidation	Intangible (thousands of €)			Liabilities (thousands of €)		
			Credits	Debt Securities	Other	Senior	Mezzanine	Junior
Voba 7 S.r.l.	Conegliano (TV)	NO	223,250	-	18,810	-	74,778	121,319

C.4 Unconsolidated securitisation vehicle

At the reporting date, there were no interests in non-consolidated securitisation companies. Moreover, there are no exposures to these companies and no interventions or support agreements, including financial support, have been approved for these companies.

C.5 Servicer activities - own securitisations: collection of securitised loans and redemption of securities issued by the securitisation vehicle

Vehicle company (thousands of €)	Securitised assets (end of period data)		Collection of receivables in the year		Percentage of securities repaid (end of period data)					
					Senior		Mezzanine		Junior	
	Non-performing	Performing	Non-performing	Performing	Non-performing assets	Performing assets	Non-performing assets	Performing assets	Non-performing assets	Performing assets
Voba 7 S.r.l.	11,385	215,396	436	55,585	-	100.00%	-	50.15%	-	-

D. INFORMATION ON STRUCTURED ENTITIES NOT CONSOLIDATED FOR ACCOUNTING PURPOSES (OTHER THAN SECURITISATION VEHICLE COMPANIES)

QUALITATIVE INFORMATION

At the reporting date, the company did not have any structured entities that are not consolidated for accounting purposes.

QUANTITATIVE INFORMATION

At the reporting date, the company did not have any structured entities that are not consolidated for accounting purposes.

E. SALES TRANSACTIONS

The information provided in this part apply to all sales transactions, including securitisation transactions.

A. Financial assets sold and not fully derecognised

QUALITATIVE INFORMATION

Transactions mainly refer to the use of debt securities in portfolio for short and medium-term repurchase agreements and to receivables from clients sold in the context of the securitisation transactions. With regard to transactions in debt securities under medium and long-term repurchase agreements, please refer to the Notes to the Financial Statements - Part B.

QUANTITATIVE INFORMATION

E.1 Financial assets sold and fully recognised and associated financial liabilities: book values

Technical forms/portfolio *(thousands of €)*		Financial assets sold and fully recognised				Associated financial liabilities		
		Book value	of which: subject to securitisation transactions	of which: subject to repurchase agreements	of which non-performing	Book value	of which: subject to securitisation transactions	of which: subject to repurchase agreement
A.	**Financial assets held for trading**	**-**	**-**	**-**	**X**	**-**	**-**	**-**
	1. Debt securities	-	-	-	X	-	-	-
	2. Equity securities	-	-	-	X	-	-	-
	3. Financing	-	-	-	X	-	-	-
	4. Derivatives	-	-	-	X	-	-	-
B.	**Other financial assets obligatorily measured at *fair value***	-	-	-	-	-	-	-
	1. Debt securities	-	-	-	-	-	-	-
	2. Equity securities	-	-	-	X	-	-	-
	3. Financing	-	-	-	-	-	-	-
C.	**Financial assets designated at *fair value***	-	-	-	-	-	-	-
	1. Debt securities	-	-	-	-	-	-	-
	2. Financing	-	-	-	-	-	-	-
D.	**Financial assets measured at fair value through other comprehensive income**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	1. Debt securities	-	-	-	-	-	-	-
	2. Equity securities	-	-	-	X	-	-	-
	3. Financing	-	-	-	-	-	-	-
E.	**Financial assets measured at amortised cost**	**418,295**	**219,232**	**199,063**	**7,247**	**11,598**	**11,598**	**-**
	1. Debt securities	199,063	-	199,063	-	-	-	-
	2. Financing	219,232	219,232	-	7,247	11,598	11,598	-
	Total as at 31.12.2023	**418,295**	**219,232**	**199,063**	**7,247**	**11,598**	**11,598**	**-**
	Total as at 31.12.2022	**598,676**	**275,865**	**322,811**	**5,105**	**32,560**	**32,560**	**-**

Financial liabilities against financial assets sold but not derecognised relate to both securitisations and repurchase agreements against securities recorded as assets. However, repurchase agreements relating to securities received under reverse repurchase agreements are not included.

E.2 Financial assets sold, partially recognised, and associated financial liabilities: book values

At the Balance Sheet date, there were no partially recognised transferred financial assets or associated financial liabilities.

E.3 Transfer transactions with liabilities with recourse exclusively to the assets transferred and not fully derecognised: fair value

Columns A and B show the *fair value* of the financial assets sold but still recorded, respectively, in full or in part, under the assets of the Balance Sheet, as well as the *fair value* of the associated financial liabilities recorded following such sale, if the liabilities can only be recourse to the related assets sold. In the case of assets sold belonging to two or more accounting portfolios, the associated liabilities must, by convention, be indicated in proportion to the weight that the assets sold (measured at *fair value*) forming part of a given accounting portfolio have on the total assets sold. This last case is not present as at 31st December 2023.
This table does not show covered bond transactions where the selling bank and the financing bank are one and the same.

		Fully recognised	Partially recognised	Total	
(thousands of €)				31.12.2023	31.12.2022
A.	**Financial assets held for trading**	**-**	**-**	**-**	**-**
	1. Debt securities	-	-	-	-
	2. Equity securities	-	-	-	-
	3. Financing	-	-	-	-
	4. Derivatives	-	-	-	-
B.	**Other financial assets obligatorily measured at *fair value***	**-**	**-**	**-**	**-**
	1. Debt securities	-	-	-	-
	2. Equity securities	-	-	-	-
	3. Financing	-	-	-	-
C.	**Financial assets designated at *fair value***	**-**	**-**	**-**	**-**
	1. Debt securities	-	-	-	-
	2. Financing	-	-	-	-
D.	**financial assets designated at *fair value* through other comprehensive income**	**-**	**-**	**-**	**-**
	1. Debt securities	-	-	-	-
	2. Equity securities	-	-	-	-
	3. Financing	-	-	-	-
E.	**Financial assets measured at amortised cost**	**947,183**	**-**	**-**	**-**
	1. Debt securities	-	-	-	-
	2. Financing	947,183	-	-	-
	Total financial assets	947,183	-	-	-
	Total associated financial liabilities	11,598	-	X	X
	Net value 31.12.2023	**958,781**	**-**	**958,781**	**X**
	Net value 31.12.2022	**751,517**	**-**	**751,517**	**X**

B. Financial assets sold and derecognised in full with entry in the continuing involvement

At the reporting date there were no financial assets sold and derecognised in full entered in the continuing involvement.

E.4 Covered Bond transactions

On 30 August 2019, the Board of Directors authorised a covered bonds Program for a maximum amount of 3 billion based on the sale to a special purpose vehicle of residential landed-property loans and secured mortgages originated by the Bank itself.
On 1 October 2019 there was a without recourse sale, pursuant to and for the purposes of the combined provisions of arts. 4 and 7a of Law no. 130 of 30 April 1999, to the vehicle VOBA CB S.r.l. of a portfolio of a total of 460

million performing loans in relation to the issue of the first series of covered bonds for a total of 300 million on 28 October 2019 with a duration of 7 years. On 15 November 2021, a second sale of residential mortgages in the amount of 170 million was made in order to ensure a sufficient level of coverage against the natural amortisation of the loans sold. On 1 September 2023, a third sale of residential mortgages in the amount of 337 million was made to secure the second issue of covered bonds on 27 September 2023.
The Covered Bond transactions involved the sale of residential mortgages to the vehicle and the contextual transfer to it of a subordinate loan to settle the sale price. As the Bank still carries all the risks and benefits connected to those loans, those transactions do not emerge as types relevant for derecognition from the financial statements of the loans being sold as specified by IFRS 9.
The main strategic objectives pursued include that of providing the Bank with instruments intended for the market. In addition activation of instruments like this can contribute to:

- lengthening the due dates of the collection so strengthen the relation between the latter and the medium/long term loan assets;
- diversifying long-term supply sources;
- use of favourable conditions, compared to those available through normal non-covered bonds.

A complex, structured process was implemented to satisfy regulations. In particular, to enable the calculation and monitoring of legal and contractual tests, check compliance with the suitability requirements for the assets sold, draw up reports required by regulations and by rating agencies and fulfil all controls. For the counterparts involved for various reasons, the independent auditing firm BDO Italia S.p.A., as "asset monitor", audits the regulatory tests. The transactions show a regular trend and no irregularities have emerged compared to what was established contractually. Regulations also establishes that the objectives, risks, also legal and reputational, and the control procedures implemented be assessed by corporate bodies with strategic supervision and controls functions.

Series and tranches	1-1
ISIN Code	IT0005388647
Date of issue	28 October 2019
Expiry date	28 October 2026
Currency	Euro
Amount	300,000,000
Type of rate	Fixed
Parameter	n.a.
Coupon	0.250%, per annum, annual frequency
Law applicable	Italian

Series and tranches	2-1
ISIN Code	IT0005565988
Date of issue	27 September 2023
Expiry date	27 September 2028
Currency	Euro
Amount	250,000,000
Type of rate	Fixed
Parameter	n.a.
Coupon	4.000%, per annum, annual frequency
Law applicable	Italian

F. MODELS FOR MEASURING CREDIT RISK

The bank does not use internal portfolio models to measure the exposure to credit risk.

Section 2 MARKET RISKS

2.1 Interest rate risk and price risk - supervisory trading book

QUALITATIVE INFORMATION

A. *General aspects*

The supervisory trading book constitutes a very small fraction of the proprietary book; the majority of the financial instruments held are registered in the accounting categories Hold To Collect & Sell (HTCS) and Hold To Collect (HTC) and accordingly belonging to the banking book.
However, the analytical instrumentation used to measure market risks (interest rate risk and price risk) is the same for the entire proprietary portfolio.
Interest rate risk represents the risk associated with the possibility of incurring losses on the Bank's financial assets as a result of unfavourable market interest rates.
Price risk, on the other hand, represents the risk associated with changes in the value of outstanding positions, deriving from fluctuations in market prices. It breaks down into:
- generic risk: a change in the price of an equity instrument as a result of fluctuations in the reference stock market;
- specific risk: change in the market price of a specific equity security resulting from changes in the market's expectations of the issuer's capital strength or prospects.

The proprietary portfolio is managed with a view to prudent management of transactions, geared to limiting market risks and in compliance with the strategic indications and operating limits contained in the "Investment Policy", the document "Operating limits and proxies for finance and liquidity" and the annual "Operating Plan".
The main source of interest rate risk is proprietary bonds; trading is aimed at absolute return targets by maximising portfolio profitability in strict compliance with the *Value at Risk* (VaR) and *Stop-Loss* limits, defined in the internal regulations mentioned above. The portfolio's bond section consists of floating-rate and fixed-rate securities with a limited duration. Most of the bonds held refer to securities issued by the Italian Republic or by Italian banks of national importance. The interest rate risk is assumed by the Securities Portfolio & ALM, which also uses derivative instruments (futures, IRS) for hedging purposes.
The main source of price risk, on the other hand, is represented by equity positions relating to mainly European or US companies and only marginally by derivative instruments linked to equity indices. In this case, too, the strategy pursued is geared towards prudent asset management and conscious risk-taking. They also apply to the price risk limits of Value at Risk and Stop-Loss.
Almost all of the financial instruments in the portfolio are denominated in euros, making the exchange rate risk entirely marginal.
The assets in the proprietary portfolio did not undergo significant changes compared to the previous year, except for the average stock that decreased in accordance with the strategic planning guidelines.

B. *Management processes and methods for measuring interest rate risk and price risk*

The internal control and market risk management processes (interest rate and price) are contained in the "Investments policy" and in the document "Finance and liquidity limits and delegations policy", both reviewed periodically and decided by the Board of Directors.
The policies formalise the performance of risk management activities relating to market risks, define the tasks and responsibilities assigned to the various organisational units with competence in the matter and specify, in particular, the main operating processes, measurement methods, exposure limits, information flows and any corrective actions.
Investment and trading activities are accordingly carried out in compliance with internal policies and are carried out within the framework of an articulated internal regulatory system of delegation of management powers, which

provides for management limits defined in terms of negotiable financial instruments, amount, duration, investment markets, types of issues and issuers, sector and rating.
As part of its risk management activities, Risk management produces daily and monthly reports.
Related to the market risk control and management methods, here below please find the control indicators and the first and second level internal control processes on the overall operations of the proprietary portfolio. In general, limits are differentiated amongst the various market risk types (rate and price), but are nevertheless brought back into a unitary framework, built with a homogeneous logic.
The structure of the operating powers of finance is divided into four levels:

- operating limits
- position limits: credit and concentration risk
- Stop-Loss limits
- Value-at-Risk (VaR) limits

The structure of the operating limits requires the use of the following risk indicators:

- interest rate risk: sensitivity (change in profits or losses that would occur in the event of a change of one hundredth of a point in the reference curve, with a parallel shift);
- equity risk: delta equivalent (market value for equity positions and cash equivalent position for equity derivatives);
- maximum amount invested: countervalue of securities/funds at loading prices to ensure compliance with the average stocks allocated.

The position limits are structured on:

- limits on the assumption of credit risk: overall limits are set on exposure on the rating classes, in particular below the investment grade bracket;
- sectoral limits;
- credit sensitivity limits (change in profits or losses that would occur in the event of a change of one hundredth of a point in the credit spread);
- limits for maturity bands;
- constraints related to eligibility criteria for Eurosystem purposes;
- country limits: there are limits on the maximum permissible exposure per country depending on the country’s rating.

The Stop-Loss limits are checked on the results achieved and not achieved during the last business day, accumulated over the last 5 business days (weekly stop-loss) and accumulated over the last 30 calendar days (monthly stop-loss), reinforced by a cumulative check since the beginning of the year, with a process of reporting to the bodies responsible for the appropriate decisions. The limits are based on the maximum level of loss deemed acceptable in the reference period, in line with the Bank’s strategic choices (Risk Capital within the Risk Appetite Framework, RAF) and contained in the Annual Operating Plan. The Risk Capital is in turn divided between the various asset classes forming the portfolio.
Related to the VaR limits, the latter is defined as the threshold amount beyond which no losses should occur with a confidence level and on a specific time horizon. VaR is a uniform measurement indicator applicable to all types of trading on the markets and all financial instruments, thus making it possible to compare risk values from the point of view of both time and daily profitability. For the calculation of VaR, the Bank uses the parametric model of variance-covariance provided by Prometeia, supported by internal models used for the necessary checks, as well as for planning purposes: for example, VaR from Monte Carlo simulations and historical VaR using the Extreme Value Theory for the highest levels of confidence. The responsibility for daily checks on operating, position, Stop-Loss and VaR limits lies with the risk control function, which, in order to avoid and prevent possible overruns of authorised risk limits, checks and verifies the approaching of the thresholds by means of a standardised daily reporting system.
VaR models are for management purposes only and are not used to calculate capital requirements on market risks for which, instead, the standardised methodology is adopted for the purposes of the relative supervisory reporting to the Bank of Italy.

1. *Supervisory trading book: distribution by residual maturity (repricing date) of financial assets and liabilities in cash and financial derivatives*

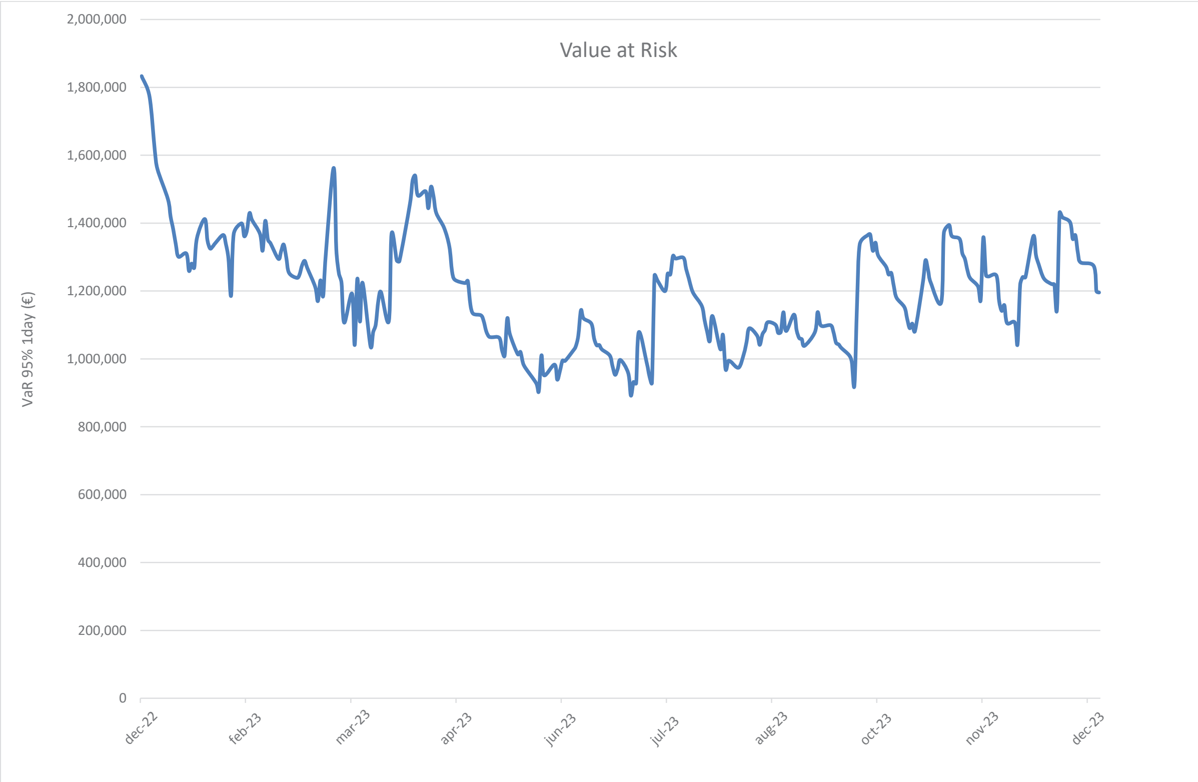
Type/Remaining time (thousands of €)		At sight	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Indefinite duration
1.	***Cash assets***	**-**	**-**	**-**	**-**	**1,419**	**-**	**-**	**-**
1.1	Debt securities	-	-	-	-	1,419	-	-	-
	- With early redemption option	-	-	-	-	-	-	-	-
	- Other	-	-	-	-	1,419	-	-	-
1.2	Other assets	-	-	-	-	-	-	-	-
2.	***Cash liabilities***	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1	P.C.T. liabilities	-	-	-	-	-	-	-	-
2.2	Other liabilities	-	-	-	-	-	-	-	-
3.	***Financial derivatives***	**-**	**(94,637)**	**(343)**	**-**	**(26,660)**	**(5,291)**	**(530)**	**-**
3.1	With underlying security	-	12,472	-	-	-	-	-	-
	- Options	-	-	-	-	-	-	-	-
	+ Long positions	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-
	- Other derivatives	-	12,472	-	-	-	-	-	-
	+ Long positions	-	12,500	-	-	-	-	-	-
	- Short positions	-	(28)	-	-	-	-	-	-
3.2	Without underlying security	-	(107,109)	(343)	-	(26,660)	(5,291)	(530)	-
	- Options	-	-	-	-	(26,660)	(5,291)	(530)	-
	+ Long positions	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	(26,660)	(5,291)	(530)	-
	- Other derivatives	-	(107,109)	(343)	-	-	-	-	-
	+ Long positions	-	-	-	-	-	-	-	-
	- Short positions	-	(107,109)	(343)	-	-	-	-	-

2. *Supervisory trading book: distribution of exposures in equities and equity indices for the main countries of the quotation market*

Type of transactions/Listing index		Listed			Not listed
		ITALY	USA	OTHERS	
A.	Equity securities	11	-	-	-
	- long positions	11	-	-	-
	- short positions	-	-	-	-
B.	Buying/selling not yet regulated on equity securities	28	-	-	-
	- long positions	28	-	-	-
	- short positions	-	-	-	-
C.	Other derivatives on equity securities	-	-	-	-
	- long positions	-	-	-	-
	- short positions	-	-	-	-
D.	Derivatives on share indices	-	-	-	-
	- long positions	-	-	-	-
	- short positions	-	-	-	-

3. Supervisory trading book - internal models and other methods for sensitivity analysis

Below please find the VaR trend related to 2023 (confidence 95%, confidence interval 1 day), referred to the entire proprietary portfolio of Volksbank (however excluding what is priced at amortised cost):



In addition to traditional VaRs, a 99.9% daily VaR is also calculated using the so-called "Extreme Value Theory". The metric in question amounted to approximately €6.1m at the end of December 2023. The use of this methodology has a considerable advantage in terms of accuracy, especially in the evaluation of extreme events (unlikely situations, but high impact).

2.2 *Interest rate risk and price risk - Supervisory trading book*

QUALITATIVE INFORMATION

A. General aspects, management processes and methods for measuring interest rate risk and price risk

The internal measurement, control and management process for the interest rate risk of the bank portfolio uses a monitoring system based on an internal model for the daily calculation of the Value at Risk (VaR), also used to analyse sensitivity to the price risk.

This model is for the financial assets classified under "other financial assets obligatorily measured at *fair value*", the "financial assets measured at *fair value* with an impact on comprehensive income" and the financial assets measured at amortised cost".

The relative internal risk control and management process, for both interest rate and price, and the method, are the same as what is detailed in the qualitative information related to "Interest rate and price risk - supervisory portfolio".

On monitoring based on the sensitivity analyses using ALM methods, the difference is made between the interest rate risk from "*fair value*" and the interest risk from "*cash flow*". The main sources of interest rate risk from "*fair value*" are found in collection transactions - especially at sight - and loans - mainly mortgages and debt securities - at fixed rate. The rate risk from "*cash flow*" also comes from the remaining assets and liabilities at sight or at indexed rate.

The guidelines and discipline for the management of interest rate risk are contained in the "Finance and treasury policy" and the "Risk management regulation" according to a clear and easily understandable model. The measurement of interest rate risk is based on a gap analysis model:

- in relation to the annual interest margin (12 months), calculation of the effect of an instantaneous and parallel shift of the yield curve by two percentage points, which is assumed to occur instantaneously and in parallel on all maturities on the day following the reference date;
- in relation to the present value of assets, the full valuation of assets and liabilities following shocks of a different nature (parallel shift, short-term rate shock and rotation shock), and recalculating the difference (the "delta") with respect to the previous situation. The risk indicator represents the ratio between the total change in value and equity.

In order to ensure a realistic treatment of on-demand assets and liabilities (current accounts in euros and in foreign currency and savings deposits), the analysis uses an econometric model parametrised on the basis of the historical behaviour of the items themselves. Standardised prepayment models for fixed-rate loans and *early redemption* models for releasable term deposits are also used.

The Risk Management function then calculates monthly the sensitivity of the Bank's net interest and assets margin at pre-set changes in the interest rate curve on transactions outstanding at the reference date.

The results of the analysis, together with the interest rate forecasts prepared by the Securities Profile & ALM and Treasury Units, are contained in a monthly report and contribute to defining the interest rate risk hedging policy established by the bank's ALCO. They are discussed on a quarterly basis in the Finance Committee itself. The Securities Profile & ALM and Treasury Units are accordingly responsible for implementing the decisions taken in practice.

2 main indicators are identified to strengthen control of the interest rate risk, related to the sensitivity to risk rate of the interest margin and of the current value of equity respectively, for which specific limits are set:

- ΔMI% indicator: Delta Margin of Interest (shock +200bp/-200bp) / CET1
- ΔVE% indicator: Delta Economic Value (worse than regulatory shocks) / CET1

For the first indicator, a tolerance of 4.5% is set and for the second a limit of 12.5%. Verification of the limits set out is the responsibility of the Risk Management Function, which carries it out at least quarterly.

B. Fair value hedging activities

At the reporting date, there were two interest rate swaps under hedge accounting. Interest Rate Swaps cover the interest rate risk exposure, in terms of *fair value*, of two government bonds in the proprietary portfolio on a total nominal position of 110 million.

C. Cash flow hedging activities

At the reporting date, there were no cash flow hedges.

D. Hedging of foreign investments

For further information, reference should be made to the section on the exchange rate risk.

QUANTITATIVE INFORMATION

1. Banking book: distribution by residual maturity (re-pricing date) of financial assets and liabilities

Type/Remaining time *(thousands of €)*	At sight	Up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Indefinite duration
1. Cash assets	**1,413,372**	**4,022,947**	**1,270,287**	**201,519**	**2,012,795**	**1,284,154**	**891,223**	**-**
1.1 Debt securities	49	642,031	1,089,743	49,401	1,045,698	541,331	150,499	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	49	642,031	1,089,743	49,401	1,045,698	541,331	150,499	-
1.2 Loans to banks	62,697	86,483	-	-	-	-	-	-
1.3 Loans to customers	1,350,626	3,294,433	180,544	152,118	967,097	742,823	740,724	-
- CURRENT ACCOUNT	765,323	374	78,222	1,278	10,414	1,055	2	-
- Other loans	585,303	3,294,059	102,322	150,840	956,683	741,768	740,722	-
- with early redemption option	75,464	3,216,459	78,358	140,358	906,537	724,455	727,860	-
- other	509,839	77,600	23,964	10,482	50,146	17,313	12,862	-
2. Cash liabilities	**8,357,149**	**758,982**	**299,818**	**81,029**	**962,524**	**108,099**	**12,442**	**-**
2.1 Payables to clients	8,234,741	248,272	43,785	81,029	341,229	9,628	12,442	-
- CURRENT ACCOUNT	7,985,218	-	-	-	-	-	-	-
- other payables	249,523	248,272	43,785	81,029	341,229	9,628	12,442	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	249,523	248,272	43,785	81,029	341,229	9,628	12,442	-
2.2 Payables to banks	122,408	510,710	256,033	-	-	-	-	-
- CURRENT ACCOUNT	27,940	-	-	-	-	-	-	-
- other payables	94,468	510,710	256,033	-	-	-	-	-
2.3 Debt securities	-	-	-	-	621,295	98,471	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	621,295	98,471	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**(40,000)**	**-**	**(70,000)**	**-**	**-**	**110,000**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	(40,000)	-	(70,000)	-	-	110,000	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-
- other derivatives	-	(40,000)	-	(70,000)	-	-	110,000	-
+ long positions	-	-	-	-	-	-	110,000	-
- short positions	-	(40,000)	-	(70,000)	-	-	-	-
4. Other off-Balance-Sheet transactions	**(123,698)**	**32,579**	**-**	**-**	**3,122**	**19,331**	**100,915**	**-**
+ long positions	-	32,579	-	-	3,122	19,331	100,915	-
- short positions	(123,698)	-	-	-	-	-	-	-

2. Banking book: internal models and other methods for the sensitivity analysis

With reference to assets and liabilities generating an interest margin - other than the debt securities of the supervisory trading book, of the P.C.T. assets and liabilities (with underlying debt securities of the supervisory trading book) to the other contracts in the information on the supervisory trading book - as defined in the qualitative information to this section, please note that exposure to the interest rate risk in terms of capital (Economic Value Delta) is carried out using the "full evaluation" method, revaluing - under different shock scenarios - the economic value of all the positions that make up the interest-bearing assets and the interest-bearing liabilities of the *banking book*. It is specified that trade margins and other spread components on the coupon component are excluded from the calculation. Only the 'risk-free' remuneration component of the coupon is therefore taken into account. At the end of the financial year, the delta EV is below the regulatory and internal limits for each regulatory shock.
The measurement of interest rate risk exposure in terms of income (Delta Interest Margin) is also carried out on a transaction-by-transaction basis. In this case, the variability of interest over the gap period from the maturity or repricing date of the position to the predetermined analysis horizon (12 months) is estimated. As per regulatory guidelines, the shocks considered are the parallel shifts of the curve of +/- 200bp. The financial year is carried out under the assumption of a "constant balance sheet".
At the end of the financial year, the delta MI is below the regulatory limits.

2.3 Exchange rate risk

QUALITATIVE INFORMATION

A. General aspects, management processes and methods for measuring exchange rate risk

Support for commercial activities in foreign currencies and the trading service for foreign securities are the main source generating an exchange rate risk for the Bank.
Management of the exchange rate risk is centred with the Treasury with limited exposures.
Automatic network systems interfaced with a single position keeping system give the Treasury Service continual control and in real time of flows in currency that are instantly transferred to the Forex interbank market. The position is updated in real time in the Treasury. The Service can therefore act on the interbank market to balance any imbalances created due to the aforementioned transactions.
The integrated IT treasury procedure (Murex) allows efficient management of spot, forward and optional flows within the framework of pre-established operating limits, defined in the "Investment Policy" and the annual "Operating Plan".
All currency positions are revalued daily at the reference exchange rates of the European Central Bank and constitute the economic contribution of the foreign exchange business to the overall profitability of the Bank.

B. Exchange rate risk hedging activities

Exposure to exchange rate risk is limited by the Company's extremely prudent attitude, expressed in a highly circumscribed currency trading activity.
The exchange rate risk generated by lending and borrowing activities in foreign currencies is also systematically hedged in real time through a hedging and/or borrowing operation in the same currency.

QUANTITATIVE INFORMATION

1. Distribution of assets, liabilities and derivatives by currency of denomination

Items *(thousands of €)*	Currencies					
	US Dollars	Swiss Francs	Pound sterling	New Leu	Canadian Dollars	Other currencies
A. Financial assets	**4,087**	**3,564**	**132**	**5**	**26**	**227**
A.1 Debt securities	866	-	-	-	-	-
A.2 Equity securities	-	-	-	-	-	-
A.3 Loans to banks	750	149	132	5	26	152
A.4 Loans to customers	2,471	3,415	-	-	-	75
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**475**	**616**	**89**	**-**	**37**	**143**
C. Financial liabilities	**16,965**	**3,690**	**1,334**	**-**	**321**	**127**
C.1 Payables to banks	816	-	46	-	-	-
C.2 Payables to clients	16,149	3,690	1,288	-	321	127
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**
E. Financial derivatives	**13,476**	**(476)**	**1,129**	**390**	**256**	**(172)**
- Options	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-
- short positions	-	-	-	-	-	-
- Other derivatives	13,476	(476)	1,129	390	256	(172)
+ long positions	58,395	644	2,301	772	268	261
- short positions	(44,919)	(1,120)	(1,172)	(382)	(12)	(433)
Total assets	**62,957**	**4,824**	**2,522**	**777**	**331**	**631**
Total liabilities	**61,884**	**4,810**	**2,506**	**382**	**333**	**560**
Unbalance (+/-)	**1,073**	**14**	**16**	**395**	**(2)**	**71**

2. Internal models and other methodologies for sensitivity analysis

The exchange rate risk generated by the trading and banking books is monitored using an internal model, described in the section "Interest rate risk and price risk - Supervisory trading book" where, in addition to the section "Interest rate risk and price risk - Banking book", the values assumed by this indicator are shown.

Section 3 Derivative instruments and hedging policies

3.1 Derivative instruments held for trading

A. FINANCIAL DERIVATIVES

A.1 Financial derivatives held for trading: year-end notional amounts

Underlying assets/ Type of derivatives	**31.12.2023**				**31.12.2022**			
	Over the counter				Over the counter			
		Without central counterparts				Without central counterparts		
(thousands of €)	Central counterpart	With netting agreements	Without netting agreements	Organised markets	Central counterpart	With netting agreements	Without netting agreements	Organised markets
1. Debt securities and interest rates	**-**	**-**	**19,667**	**-**	**-**	**-**	**8,366**	**-**
a) Options	-	-	7,167	-	-	-	8,366	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	12,500	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and share indices	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**51,459**	**-**	**-**	**-**	**37,359**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forward	-	-	51,459	-	-	-	37,359	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Goods	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**71,126**	**-**	**-**	**-**	**45,725**	**-**

A.2 Financial derivatives held for trading: gross positive and negative fair value - breakdown by product

Type of derivatives	31.12.2023				31.12.2022			
	Over the counter				Over the counter			
		Without central counterparts				Without central counterparts		
(thousands of €)	Central counterpart	With netting agreements	Without netting agreements	Organised markets	Central counterpart	With netting agreements	Without netting agreements	Organised markets
1. Positive *fair value*								
a) Options	-	-	95	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forward	-	-	244	-	-	-	34	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**339**	**-**	**-**	**-**	**34**	**-**
2. Negative *fair value*								**-**
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forward	-	-	107	-	-	-	384	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**107**	**-**	**-**	**-**	**384**	**-**

A.3 OTC financial derivatives held for trading: notional amounts, gross positive and negative fair value by counterpart

Underlying assets *(thousands of €)*	Central counterpart	Banks	Other finance companies	Other entities
Contracts not covered by netting agreements				
1) Debt securities and interest rates	**-**	**-**	**-**	**-**
- notional value	X	19,667	-	-
- *positive* fair value	X	95	-	-
- *negative* fair value	X	-	-	-
2) Equity securities and share indices				
- notional value	X	-	-	-
- *positive* fair value	X	-	-	-
- *negative* fair value	X	-	-	-
3) Currencies and gold				
- notional value	X	44,675	5,182	1,602
- *positive* fair value	X	234	1	9
- *negative* fair value	X	95	4	8
4) Other values		**-**	**-**	**-**
- notional value	X	-	-	-
- *positive* fair value	X	-	-	-
- *negative* fair value	X	-	-	-
Contracts covered by netting agreements				
1) Debt securities and interest rates	**-**	**-**	**-**	**-**
- notional value	-	-	-	-
- *positive* fair value	-	-	-	-
- *negative* fair value	-	-	-	-
2) Equity securities and share indices	**-**	**-**	**-**	**-**
- notional value	-	-	-	-
- *positive* fair value	-	-	-	-
- *negative* fair value	-	-	-	-
3) Currencies and gold	**-**	**-**	**-**	**-**
- notional value	-	-	-	-
- *positive* fair value	-	-	-	-
- *negative* fair value	-	-	-	-
4) Other values	**-**	**-**	**-**	**-**
- notional value	-	-	-	-
- *positive* fair value	-	-	-	-
- *negative* fair value	-	-	-	-

A.4 Residual life of OTC financial derivatives held for trading: notional amounts

Underlying/Residual life ***(thousands of €)***	**Up to 1 year**	**Over 1 and up to 5 years**	**Over 5 years**	**Total**
A. 1 Financial derivatives on debt securities and interest rates	13,672	3,863	2,132	19,667
A. 2 Financial derivatives on equity securities and share indexes	-	-	-	-
A. 3 Financial derivatives on foreign currencies and gold	51,459	-	-	51,459
A. 4 Financial derivatives on goods	-	-	-	-
A. 5 Other financial derivatives	-	-	-	-
Total as at 31.12.2023	**65,131**	**3,863**	**2,132**	**71,126**
Total as at 31.12.2022	**38,558**	**4,213**	**2,955**	**45,725**

B. CREDIT DERIVATIVES

B.1 Credit derivatives held for trading: notional values at the end of the period

At the reporting date, there were no trading credit derivatives.

B.2 Credit derivatives held for trading: gross positive and negative fair value - breakdown by product

At the reporting date, there were no trading credit derivatives.

B.3 OTC credit derivatives held for trading: notional values, gross positive and negative fair values by counterpart

At the reporting date, there were no trading credit derivatives.

B.4 Residual life of OTC credit derivatives held for trading: notional values

At the reporting date, there were no trading credit derivatives.

B.5 Credit derivatives associated with the fair value option: annual changes

At the reporting date, there were no credit derivatives associated with the *fair value* option.

3.2 Accounting hedges

QUALITATIVE INFORMATION

A. Fair value hedging activities

The hedging activities implemented by the Bank are aimed at immunising the supervisory trading book from changes in the *fair value* of asset securities caused by movements in the interest rate curve (interest rate risk).
The Bank adopts specific hedges (micro *fair value* hedges) that hedge government bonds recorded as assets.
The derivatives used are plain interest rate swaps (IRS) realised with third parties.
Derivatives are not listed on regulated markets, but traded on over-the-counter (OTC) circuits. Over-the-counter (OTC) contracts also include those concluded through Clearing Houses.

B. Cash flow hedging activities

At the reporting date, there were no cash flow hedges in place.

C. Hedging of foreign investments

At the reporting date, there were no foreign investment hedges in place.

D. *Hedging instruments*

The main causes of ineffectiveness detected by the model adopted by the Bank for verifying the effectiveness of hedges are attributable to the following phenomena:

- mismatch between the notional amount of the derivative and the underlying hedged item recognised at the time of the initial designation or generated thereafter;
- application of different curves on hedging derivative and hedged item for the purpose of performing the effectiveness test on *fair value* hedges. Derivatives entered into through Clearing House are discounted to the Overnight curve, while hedged items are discounted to the index curve of the hedging instrument;
- inclusion in the effectiveness test of the value of the variable leg of the hedging derivative, assuming a '*fair value* hedge'.

The ineffectiveness of the hedge is promptly detected for the purposes:

- of determining the effect on the profit and loss account;
- of assessing whether the hedge accounting rules can continue to be applied.

The Bank does not use dynamic hedges, as defined in IFRS 7, paragraph 23C.

E. *Covered elements*

Debt securities on the asset side are covered.

QUALITATIVE INFORMATION

A) Hedging financial derivatives

A.1 *Hedging financial derivatives: notional values at the end of the period*

(thousands of €)	**31.12.2023**				**31.12.2022**			
	Over the counter				Over the counter			
Underlying assets/ type of derivatives		Without central counterparts				Without central counterparts		
	Central counterpart	With netting agreements	Without netting agreements	Organised markets	Central counterpart	With netting agreements	Without netting agreements	Organised markets
1. Debt securities and interest rates	-	110,000	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	110,000	-	-	-	-	-	-
2. Equity securities and share indices	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Goods	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**110,000**	**-**	**-**	**-**	**-**	**-**	**-**

A.2 Financial derivatives held for trading: gross positive and negative fair value - breakdown by product

(thousands of €)	**31.12.2023**				**31.12.2022**			
	Over the counter				Over the counter			
		Without central counterparts				Without central counterparts		
Type of derivatives	Central counterpart	With netting agreements	Without netting agreements	Organised markets	Central counterpart	With netting agreements	Without netting agreements	Organised markets
1. Positive fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2. Negative fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	4,965	-	-	-	-	-	-
Total	**-**	**4,965**	**-**	**-**	**-**	**-**	**-**	**-**

A.3 OTC financial hedging derivatives: notional amounts, gross positive and negative fair value by counterpart

(thousands of €) Underlying assets	Central counterpart	Banks	Other finance companies	Other entities
Contracts not covered by netting agreements				
1) Debt securities and interest rates				
- notional value	X	-	-	-
– positive *fair value*	X	-	-	-
– negative *fair value*	X	-	-	-
2) Equity securities and share indices				
- notional value	X	-	-	-
– positive *fair value*	X	-	-	-
– negative *fair value*	X	-	-	-
3) Currencies and gold				
- notional value				
– positive *fair value*	X	-	-	-
– negative *fair value*	X	-	-	-
4) Other values				
- notional value	X	-	-	-
– positive *fair value*	X	-	-	-
– negative *fair value*	X	-	-	-
Contracts covered by netting agreements				
1) Debt securities and interest rates				
- notional value		110,000	-	-
– positive *fair value*		-	-	-
– negative *fair value*		(4,965)	-	-
2) Equity securities and share indices				
- notional value		-	-	-
– positive *fair value*		-	-	-
– negative *fair value*		-	-	-
3) Currencies and gold				
- notional value		-	-	-
– positive *fair value*		-	-	-
– negative *fair value*		-	-	-
4) Other values				
- notional value		-	-	-
– positive *fair value*		-	-	-
– negative *fair value*		-	-	-

A.4 Residual life of OTC hedging derivatives: notional values

(thousands of €) Underlying/Residual life	Up to 1 year	Over 1 and up to 5 years	Over 5 years	**Total**
A.1 Financial derivatives on debt securities and interest rates	-	-	110,000	110,000
A.2 Financial derivatives on equity securities and share indexes	-	-	-	-
A.3 Financial derivatives on foreign currencies and gold	-	-	-	-
A.3 Financial derivatives on goods	-	-	-	-
A.4 Other financial derivatives	-	-	-	-
Total as at 31.12.2023	**-**	**-**	**110,000**	**110,000**
Total as at 31.12.2022	**-**	**-**	**-**	**-**

B) Hedging credit derivatives

B.1 Hedging credit derivatives: notional values at the end of the period

At the reporting date, there were no hedging credit derivatives.

B.2 Hedging credit derivatives: gross positive and negative fair value - breakdown by product

At the reporting date, there were no hedging credit derivatives.

B.3 OTC credit derivatives held for trading: notional values, gross positive and negative fair values by counterpart

At the reporting date, there were no hedging credit derivatives.

B.4 Residual life of OTC hedging credit derivatives: notional values

At the reporting date, there were no hedging credit derivatives.

C) Non-derivative hedging instruments

C.1 Hedging instruments other than derivatives: breakdown by accounting portfolio and type of hedge

At the reporting date, there were no hedging instruments other than derivatives.

D) Hedged instruments

The Bank avails itself of the option, allowed when IFRS 9 was introduced, to continue to fully apply the provisions of IAS 39 on hedge accounting (in the carved out version approved by the European Commission) for each type of hedge (for both specific hedges and macro hedges).

E) Effects of hedging transactions on shareholders' equity

The Bank avails itself of the option, allowed when IFRS 9 was introduced, to continue to fully apply the provisions of IAS 39 on hedge accounting (in the carved out version approved by the European Commission) for each type of hedge (for both specific hedges and macro hedges).

3.3 Other information on derivatives (trading and hedging)

A. FINANCIAL AND CREDIT DERIVATIVES

A.1 OTC financial and credit derivatives: net fair value for counterparts

At the reporting date, there were no hedging transactions.

B.1 OTC financial derivatives: counterparty risk/financial risk - Internal models

For the purposes of calculating the capital requirement for counterpart risk, the Company does not use internal EPE models validated by the supervisory authorities.
For management and capital adequacy assessment purposes (ICAAP process), it uses a risk estimation model for the component represented by over-the-counter (OTC) derivative transactions.
This model uses internal market risk estimation methodologies to determine the potential short-term evolution of the *fair value* of positions, incorporating the benefits of market correlations and including the impacts of guarantee agreements.

Section 4 Liquidity risk

QUALITATIVE INFORMATION

A. General aspects, management procedures and measurement methods of the liquidity risk

Liquidity risk typically occurs as a non compliance with payment commitments or being unable to finance the financial statement assets promptly and based on cost-effectiveness criteria. Those negative circumstances can occur because of:

- not being able to raise funds or to obtain them at reasonable costs (*funding liquidity risk*);
- not being able to sell or reduce a position without significantly affecting the price, due to the bad market efficiency or its malfunctioning (*market liquidity risk*).

The Bank's general liquidity risk management strategy, characterised by a limited appetite for risk, is displayed first of all by adopting specific management guidelines enabling the reduction of the unfavourable circumstances described above probably happening.

In particular, referred to the first of the aforementioned risk sources, the Bank's commitment is mainly addressed at maintaining a broad, stable, retail collection base, adequately diversified. Further important supply sources are from Italian and international companies and from banking counterparts from whom the Bank has no difficulty with financing itself at market rates. The Bank also uses funding granted by the European Central Bank (*Targeted Longer-Term Refinancing Operations*).

The potential liquidity risk from difficulties to disinvest its positions is limited thanks to the Bank's choice to keep a portfolio of high quality bonds. It mainly includes Government bonds, and, to a lesser extent, bonds issued by other issuers, with high cash value characteristics as they are easy to sell on markets and can be used, with a need for liquidity, in both repurchase agreement transactions with bank counterparts and in the European Central Bank refinancing transactions if the bonds, as most of them are, are eligible.

The liquidity risk is controlled through the actions of different business units: the first control is the action implemented by the operating functions foreseeing specific control that activities they are responsible for are carried out correctly and that they draw up the summary of daily operations.

Liquidity risk management is described in the Risk Management Policy and Regulation as well as in the Finance and Treasury Policy. The documents are reviewed and approved annually by the Board of Directors. They define in detail:

- the organisational model, which assigns roles and responsibilities to the organisational functions involved in the liquidity management and control process;
- operational and structural liquidity management policies, with an indication of the models and metrics used to measure, monitor and control the liquidity risk, as well as to perform stress tests;
- the*Contingency Funding Plan* (CFP) foreseeing, besides a description of the indicators supporting identification of possible emergencies, the organisation processes and actions to re-establish the normal liquidity management condition.

An essential element of that management is the distinction between short-term operational liquidity (with a time horizon of up to 12 months) and medium- to long-term structural liquidity (with a time horizon of more than 12 months). The former is aimed at avoiding situations of sudden liquidity tension, caused by specific shocks of the Bank or systemic market shocks; the latter responds to the need to ensure optimal management, from a strategic point of view, of the transformation of the maturities between deposits and loans, through an adequate balance of the maturities of the assets and liabilities, so as to prevent future liquidity crisis situations.

The measurement and control of operational liquidity and structural liquidity have been defined by means of a system of indicators, limits and periodic reporting, including on a daily basis. In particular, a so-called *maturity ladder* has been set up, i.e. a system for monitoring the net financial position that makes it possible to highlight the balances and accordingly the imbalances between expected flows and outflows over predefined time bands and, through the construction of cumulative imbalances, the calculation of the net balance of financial needs (or surpluses) over the considered time horizon.

For the measurement of liquidity risk, the Bank also uses the so-called *Liquidity-at-Risk* (LaR) model, which is based on the observation of “autonomous” negative net flows of liquidity - considering the historical series of the last 5 years and on the application of the *Extreme-Value-Theory* which enables improving the precision of the analysis for high levels of confidence. In particular, daily data are used for the following variables: compulsory reserve with the Bank of Italy, interbank deposits, bond issues, securitisations, movements in securities, extraordinary flows. The data are processed in order to determine the daily cash flows attributable exclusively to decisions outside the direct control of the Bank and accordingly attributable to client behaviour. The 3 levels of confidence hypothesised represent the Bank’s liquidity needs in normal (up to the LaR value with 99% confidence), stress (up to 99.9%) and extreme conditions (up to 99.99%) at 1 day, 1 week (5 working days), 2 weeks (10 working days) at one month (20 working days).
Another key liquidity risk management activity concerns the execution of a stress test programme to assess the Bank’s vulnerability to exceptional but plausible events. In particular, stress tests are performed in terms of scenario analysis, consistent with the definition of liquidity risk adopted and trying to simulate the behaviour of their cash flows in unfavourable conditions against subjective conjectures based on corporate experience and/or indications provided by regulations and supervisory guidelines.
In addition, the regulation clearly defines the organisational structure of the structures and functions responsible for liquidity management and related controls and the emergency plans to be implemented in the event of stress or crisis situations (CFPs, Contingency Funding Plans), the declaration of which originates from the problematic development of a predefined series of exogenous and endogenous factors.
Moreover,the “Policy on the system of internal transfer prices” (“TIT”) of funds has the following objectives:

- the transfer of interest rate and liquidity risks from the commercial network to the treasury unit, so as to ensure centralised assessment and management of the Bank’s exposure to these types of risks;
- the transfer from the commercial network to the treasury unit of contributions resulting from the transformation of maturities;
- the possibility of evaluating in precise ways the actual contribution at the level of each individual business unit and each individual client relationship.

The internal transfer rates at the base of the system, in addition to being differentiated by maturity (multiple TITs), being based on market rates that are effectively negotiable by the treasury, guaranteeing profit margins for the operating units consistent with the Bank’s overall profitability, are all made up of several components with different purposes:

- the interest rate free component (TIT risk free), which transfers interest rate risk from commercial units to the treasury unit;
- the liquidity component (TIT), which takes into account the cost of funding (refinancing) that the Bank has to face on the interbank market and the risk-taking capabilities set out in the “Risk Policy” and the “Risk management regulation”;
- the “bonus-malus” component as an instrument with which to manage any commercial incentives.

QUANTITATIVE INFORMATION

1. *Distribution of financial assets and liabilities over time by residual contractual duration*

Items/Scales of time *(thousands of €)*		At sight	Over 1 day to 7 days	over 7 days to 15 days	over 15 days to 1 month	over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	Indefinite duration
Cash assets		**786,548**	**14,146**	**36,946**	**153,665**	**337,925**	**385,772**	**968,116**	**4,650,628**	**3,936,326**	**86,689**
A.1	Government bonds	93	-	7,621	-	13,915	35,520	225,574	1,635,905	824,500	-
A.2	Other debt securities	121	160	239	6,562	22,850	14,026	67,179	498,472	132,333	-
A.3	UCI units	41,395	-	-	-	-	-	-	-	-	-
A.4	Financing	744,939	13,986	29,086	147,103	301,160	336,226	675,363	2,516,251	2,979,493	86,689
	- Banks	22,714	-	-	2,141	-	-	-	-	-	84,344
	- Customers	722,225	13,986	29,086	144,962	301,160	336,226	675,363	2,516,251	2,979,493	2,345
Cash liabilities		**8,226,149**	**190,980**	**3,900**	**5,497**	**535,951**	**297,083**	**107,504**	**925,807**	**278,147**	**-**
B.1	Deposits and current accounts	8,177,236	2,534	3,900	5,326	35,966	47,339	88,078	350,075	-	-
	- Banks	(11,190)	-	-	-	-	-	-	-	-	-
	- Customers	8,188,426	2,534	3,900	5,326	35,966	47,339	88,078	350,075	-	-
B.2	Debt securities	-	-	-	-	-	-	3,942	550,000	242,760	-
B.3	Other liabilities	48,913	188,446	-	171	499,985	249,744	15,484	25,732	35,387	-
"Off-balance-sheet" transactions		**(176,182)**	**2,439**	**2,717**	**8,971**	**29,806**	**-**	**765**	**3,122**	**120,246**	**-**
C.1	Financial derivatives with exchange of capital	(20,000)	(276)	2	(79)	11,385	-	-	-	-	-
	+ Long positions	-	56,659	318	6,856	54,398	343	-	-	-	-
	- Short positions	(20,000)	(56,935)	(316)	(6,935)	(43,013)	(343)	-	-	-	-
C.2	Financial derivatives without exchange of capital	95	-	-	-	321	-	765	-	-	-
	+ Long positions	95	-	-	-	321	-	765	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.3	Deposits and loans to be received	(32,579)	2,715	2,715	9,050	18,100	-	-	-	-	-
	+ Long positions	-	2,715	2,715	9,050	18,100	-	-	-	-	-
	- Short positions	(32,579)	-	-	-	-	-	-	-	-	-
C.4	Irrevocable commitments to disburse funds	(123,698)	-	-	-	-	-	-	3,122	120,246	-
	+ Long positions	-	-	-	-	-	-	-	3,122	120,246	-
	- Short positions	(123,698)	-	-	-	-	-	-	-	-	-
C.5	Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6	Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7	Credit derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
	+ Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-
C.8	Credit derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
	+ Long positions	-	-	-	-	-	-	-	-	-	-
	- Short positions	-	-	-	-	-	-	-	-	-	-

INFORMATION ON INVESTMENTS IN HEDGE FUNDS

At the date, there are no Hedge Funds in the Bank's portfolio.

Section 5 Operational risk

QUALITATIVE INFORMATION

A. General aspects, management processes and methods for measuring operational risk

In line with supervisory requirements, operational risk is defined as the risk of loans losses due to errors, violations, interruptions, external events or damage resulting from malfunctions in internal processes or inadequacies of persons and/or systems. Operational risks include, amongst other things, losses resulting from theft and fraud, human error, operational disruption, system unavailability, transaction execution, breach of contract, data processing, property damage and natural disasters.
With reference to governing operating risks, the Risk management department is responsible for establishing methods and coordinating execution of management and control processes, preparing specific information flows for the competent company Bodies and Departments, in order to ensure the full knowledge and governance of risky phenomena, also potential, the bank is exposed to.

Monitoring and measurement of operational losses

The most advanced method of measuring the operational risk profile involves the combined use of information on internal and external historical operating losses, with qualitative factors deriving from scenario analysis and evaluations relating to the control system and the operating context.
With regard to the monitoring of operational risks, it should first of all be noted that the Bank is a member of the interbank consortium DIPO (Italian Data Base for Operational Losses) promoted by the Italian Banking Association, and accordingly regularly collects information on operating losses.
The internal database of operating losses reports all events with a gross operating loss of more than 500 Euros. Reports from the network and the internal business units are integrated with losses deriving from passive legal actions and complaints from clients; both the latter types of events are systematically recorded and monitored during their evolution in special internal databases under the responsibility of the Legal Advice organisational unit and the Compliance department respectively.
Where a legal and accounting analysis reveals elements that may suggest a probable future disbursement of economic resources, adequate provisions will be made for risks and charges as a precautionary measure and, if possible, settlement policies will be implemented.
The information obtained from the internal and external databases (DIPO), the detailed analysis of the most significant loss events according to their impact and/or frequency of occurrence, the countermeasures already taken or to be taken are discussed periodically in the Internal Control Committee. This meeting, possibly also involving the operational functions (*process owners*) affected from time to time, identifies the main sources of manifestation of operational risks and potential critical situations, the adequacy of existing operational processes with respect to possible sources of loss, the actions to be taken with a view to prevention and mitigation, and the quality of insurance cover. As already indicated, where deemed appropriate, certain categories of operational risks are mitigated through the conclusion of ad hoc insurance contracts. The Bank also has a sophisticated going concern plan, reviewed and verified on an annual basis; it establishes principles, targets and procedures aimed at reducing the damage resulting from accidents and catastrophes to an acceptable level.
The Risk Management department also carries out numerical analysis and processing activities, based on data from the internal database of operating losses and DIPO return flows, with the aim of calculating the VaR values of operating losses (Operational VaR, or potential losses). The model consists of running Monte Carlo simulations on a large number of scenarios. In each scenario, the operating losses incurred in a year are simulated, numerically

and as an amount, by acting on 2 independent distributions that model the following key variables:

- distribution of the frequency of loss events (number of events in 1 year); the Poisson distribution is used;
- distribution of the impact (amount) of the loss events ("*severity loss distribution*"); the generalised Pareto distribution is used according to the methodology of the *Extreme-Value-Theory* (EVT, model of the extreme values).

To calculate the capital requirements referred to the operating risk, the Bank uses the standardised method (*Traditional Standardized Approach*) based on provisions in Regulation (EU) 575/2013 of 26 June 2013 which implements the Basel 3 principles. It establishes that the calculation of the overall capital charge will be equal to the average of the so-called TSA contribution, referring to the last three annual observations made at the end of the financial year (31st December). For each year, the TSA contribution is obtained from the sum of the contributions of the individual regulatory business lines (BL, *business line*), the latter calculated by applying as weighting factors the regulatory coefficients (known as "B" or risk factors) to the relevant indicator. These ratios have been estimated by the Supervisory Authority on the basis of the ratio between the losses historically recorded by the banking industry in that particular BL and the relative economic indicator. As a relevant indicator, the regulations establish the set of elements taken from the accounting items of the Profit and Loss Account, which are appropriately dealt with.

Processes for identifying and assessing operational risks

A key element used to identify, assess and implement operating risks containment actions in company operations is the company process system.

The assessment of inherent and residual operational risks takes place through a *risk self-assessment* methodology and process, common to all control departments, by means of which the operational processes underlying the Bank's business activities are analysed with respect to every possible risk factor, considering its potential impact. Each type of risk (inherent and residual) is then assigned an overall assessment of its "relevance" using as a guideline a breakdown of the analysis on two dimensions:

- impact of the risk on normal business operations;
- the probability (or frequency) that the risk will occur over a given period of time.

The assessment of the residual risk starts from that of the inherent risk, reducing it on the basis of the degree of mitigation that is expected to be provided by the controls; a greater robustness of the controls leads to a reduction of the residual risk. Risk Management uses the following tools to correctly assess the significance of the risks:

- mapping of processes in order to identify critical risk points, interdependencies between different risks, control areas and possible control deficiencies,
- the results of the verification activities carried out by the control functions,
- information of various kinds relating to the probability of entry of a risk and the possible economic damage that may result from it,
- risks for which there is insufficient information on probability of occurrence and causable damage, will, where appropriate, be subject to qualitative estimation analysis.

Dedicated analysis, measurement and monitoring methodologies are developed for the management of specific types of operational risk, such as

- IT risk, i.e. the risks associated with the use of *Information and Communication Technology* - ICT;
- outsourcing risk, i.e. the risks arising from the outsourcing of the Bank's processes, functions and services to third parties,
- model risk, i.e. the risk of potential negative consequences deriving from decisions made on the basis of results obtained from unreliable or incorrectly used models.

Control management processes

The monitoring of operational risks, within the Internal Control System, is guaranteed by the adoption of an integrated control model which, in line with the supervisory provisions, is divided into three levels and involves, each with own specific role, the business functions responsible for line controls (or 1st level controls) and the company control functions responsible for 2nd level controls (Risk management and Compliance) and 3rd level controls (Internal audit).
The results of monitoring and control activities are periodically discussed and evaluated by the Internal Control Committee, which is composed of all the company's control functions and which, in particular, has the task of establishing priorities for action and coordinating the performance of control activities.
In addition, operational risk monitoring makes use of the results of the monitoring and analysis of operational losses contained in the periodic report prepared by the Risk Management Department and the related discussion within the Internal Control Committee itself.

First-level controls

Level 1 controls, or line controls, are to ensure the correct, regular performance of the transactions underlying all company processes and are carried out by the same network production organisational units or in the context of *middle* and *back-office* activities, preferably through the use of IT procedures/systems.
They are the first line of defence in the operating risk control system.
Line controls are the responsibility of the single *process owners* who have to assess the design and effectiveness in risk mitigation related to execution of the operating processes.

Second-level controls

Level 2 controls are entrusted to different structures, independent of the production ones and:
- contribute to the definition of risk measurement methodologies, verifying compliance with the assigned limits also in terms of consistency of operations with the set risk/return targets (RAF),
- contribute to the definition of methodologies for the measurement/assessment of conformity risk, identify suitable procedures for the prevention of the risks identified and request their adoption,
- certify/declare the company's accounting information in accordance with the law.

These controls are mainly aimed at monitoring risks, verifying compliance with risk limits and external and internal regulatory provisions, checking the consistency of the various operations with the strategic targets of risk-return, and reporting conduct or events that differ from the usual operations.
The Risk Management function (as a risk management function) and the Compliance function and the anti-money laundering function carry out part of their activities within the scope of level 2 controls. In order to ensure the effectiveness of the performance of their duties, the functions responsible for carrying out level 2 checks will be provided with the necessary independence, authority and professionalism.

Third-level controls

Level 3 controls are entrusted to structures other than the production ones and are aimed at identifying anomalous trends, violations of procedures/regulations and evaluating the functionality of the overall Internal Control System.
Level 3 controls are entrusted to the Internal Audit Department as the internal audit Function.
Controls identify anomalous trends, breaches of procedures and regulations and assess the overall functionalities of the internal controls system. That activity was carried continually during the year, periodically or for exceptions, through in loco controls and by using remote instruments, in accordance with Supervisory Instructions.

QUANTITATIVE INFORMATION

The most significant impact in absolute terms is represented by the presence of losses connected to breaches of regulatory provisions an/or adoption of inappropriate commercial and market practices, mainly configurable as prudential provisions made for legal or conduct disputes.
The total amount of operating losses also includes errors made when performing daily activities, in particular when executing transactions or as part of relations with counterparts that are not customers, and the losses resulting from events of an exogenous nature, such as forgery / fraudulent collection of cheques and theft / loss / cloning payment cards, normally mitigated through specific insurance policies.
Internal reporting for 2023 showed 169 new reports with a gross loss of €1,915,186, of which 13% from external or internal fraud cases (equal to 6.0% of the value), 82.6% from process execution errors (with 82.4% of the value), 4.3% from other factors, counterfeit notes, system failures, legal disputes, etc. (11.6% of the value).
By way of comparison, in 2022 there were 256 events, corresponding to gross losses of €4,145,780.

PART F INFORMATION ON ASSETS

Section 1 COMPANY ASSETS

A. QUALITATIVE INFORMATION

The solidity of the banking system is a public, specifically protected interest and the solvency and reliability of banks assumes they maintain suitable capital resources. For the Company those resources must be able to absorb any losses without prejudicing the reasons of depositing parties. So the real consistency of those resources is a founding element of the Company's reputation.

The need for a suitable supply of capital was made even stricter by the crisis and by Supervisory Body activities that are now at supranational level. The 2007-2008 economic-financial crisis brought the importance of capital adequacy to the forefront, because of the consistent losses recorded, the explosion of losses expected induced by the recession and by the worsening of credit quality and by the asset assessment uncertainties.

The adjustment process of European rules to international standards is now concentrating on adopting the revision of the Basel III package. The corrections made to Basel III are to reduce the excessive variability of the risk measures and make them more transparent and comparable, to give all stakeholders correct assessments of the banks' risk profiles. That way, providing correct incentives to increase the solidity of the banking system and strengthen the capacity to sustain the real economy.

The measures approved aim to restore market trust in how weighted risk assets are calculated: i) limiting the use of internal models; ii) improving the robustness and sensitivity to risk of standardised calculation methods for credit risk requirements and the operating risk; iii) introducing backstop measures, such as a financial lever ratio and a floor to weighted risk activities.

Faithful to its people's bank cultural matrix, the Company has identified in its capitalisation policy the instrument that, favouring the creation of the partner-customer figure, enables it to pursue the autonomous growth strategy. Company growth has therefore involved periodical increases in capital, in simple, transparent forms in the technical methods that can give the corporate body clear, immediate understanding of transaction characteristics.

The financial means collected with those transactions, together with the allocations of profits made in compliance with statutory specifications have enabled the Company to expand its activities uniformly and look towards future challenges with a certain tranquillity.

B. QUANTITATIVE INFORMATION

B.1 Company assets: breakdown

Items/Amounts *(thousands of €)*		31.12.2023	31.12.2022
1.	**Capital**	**201,994**	**201,994**
2.	**Share premium reserves**	**275,888**	**298,774**
3.	**Reserves**	**372,617**	**326,729**
	- of profits:	372,617	326,729
	a) legal	138,200	130,800
	b) extraordinary	240,469	203,556
	c) treasury shares	-	-
	d) other	(6,052)	(7,627)
	- other	-	-
4.	**Capital instruments**	**-**	**-**
5.	**(Treasury shares)**	**(23,686)**	**(30,130)**
6.	**Valuation reserves**	**(3,973)**	**(11,847)**
	- Equities designated at *fair value* with impact on total revenue	(2,370)	(1,333)
	- Hedging of equity securities designated as at *fair value* through other comprehensive income	-	-
	- Financial assets (other than equity securities) measured at *fair value* with impact on total revenue	(475)	(9,553)
	- Tangible fixed assets	-	-
	- Intangible fixed assets	-	-
	- Foreign investment hedges	-	-
	- Cash flow hedges	-	-
	- Hedging instruments (non-designated elements)	-	-
	- Exchange rate differences	-	-
	- Non-current assets and disposal groups held for sale	-	-
	- Financial liabilities designated at *fair value* through profit or loss (changes in credit rating)	-	-
	- Actuarial gains (losses) on defined-benefit pension plans	(1,128)	(961)
	- Portion of valuation reserves relating to investee companies valued by the equity method	-	-
	- Special revaluation laws	-	-
7.	**Profit (loss) for the year**	**101,129**	**75,527**
	Total	**923,969**	**861,047**

B.2 Valuation reserves for financial assets at fair value through other comprehensive income: breakdown

Assets/Amounts		31.12.2023		31.12.2022	
(thousands of €)		Positive reserve	Negative reserve	Positive reserve	Negative reserve
1.	Debt securities	6,523	(6,998)	762	(10,315)
2.	Equity securities	313	(2,684)	312	(1,645)
3.	Financing	-	-	-	-
	Total	**6,836**	**(9,682)**	**1,074**	**(11,960)**

B.3 Valuation reserves for financial assets at fair value through other comprehensive income: annual changes

(thousands of €)	Debt securities	Equity securities	Financing
1. Opening balance	**(9,553)**	**(1,334)**	**-**
2. Positive changes	**17,869**	**118**	**-**
2.1 *Fair value* increases	11,305	2	-
2.2 Value adjustments for credit risk	376	X	-
2.3 Transfer to Profit and Loss Account of negative reserves on disposal	6,174	X	-
2.4 Transfers to other components of shareholders' equity (equity securities)	-	60	-
2.5 Other changes	14	56	-
3. Negative changes	**(8,791)**	**(1,155)**	**-**
3.1 *Fair value* reductions	(3,935)	(1,155)	-
3.2 Value reinstatements for credit risk	(289)	-	-
3.3 Transfer to Profit and Loss Account from positive reserves: - from sale	(207)	X	-
3.4 Transfers to other components of shareholders' equity (equity securities)	-	-	
3.5 Other changes	(4,361)	-	-
4. Closing inventories	**(475)**	**(2,371)**	**-**

B.4 Valuation reserves relating to defined benefit plans: annual changes

(thousands of €)	31.12.2023		31.12.2022	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
Employee benefit plans	-	(1,128)	-	(961)
Total	**-**	**(1,128)**	**-**	**(961)**

(thousands of €)	
1. Opening balance	**(961)**
2. Positive changes	**143**
2.1 Gains due to changes in the discount rate	143
2.2 Other changes	-
3. Negative changes	**(310)**
3.1 Losses due to changes in the discount rate	(310)
3.2 Other changes	
4. Closing inventories	**(1,128)**

Section 2 OWN FUNDS AND MONITORING RATIOS

Please refer to the information on own funds and capital adequacy in the document "Disclosure by institutions (Pillar III)", available on the bank's website.

PART G MERGER TRANSACTIONS INVOLVING COMPANIES OR COMPANY BRANCHES

Section 1 OPERATIONS CARRIED OUT DURING THE YEAR

There were no business combinations during the year.

Section 2 OPERATIONS IMPLEMENTED AFTER THE CLOSING OF THE FINANCIAL YEAR

No business combinations were carried out after the end of the financial year.

Section 3 RETROSPECTIVE ADJUSTMENTS

No retrospective adjustments were made during the year.

PART H TRANSACTIONS WITH RELATED PARTIES

1. *Information on the remuneration of Directors, Statutory Auditors and key employees*

The following table summarises the remuneration paid to directors, statutory auditors and the remaining key employees, i.e. to the category of persons who, by function, role, professional activity or remuneration structure have a significant impact on the Bank's risk profile. The remuneration paid is governed by the Remuneration policies approved by resolution of the shareholders' meeting.

(thousands of €)	**31.12.2023**
Directors	1,100
Statutory Auditors	373
Key personnel	6,595
Total	**8,068**

Remuneration of key personnel ***(thousands of €)***	**31.12.2023**
of which	
– - short-term benefits	5,320
– - benefits after employment	474
– - long-term benefits	189
– - termination benefits	519
– - share-based payments	92
Total	**6,595**

The amount refers to the total cost sustained by the Company. In the case of fees to directors and statutory auditors, the amounts also include any VAT.

2. *Information on transactions with related parties*

In accordance with the indications of IAS 24, applied to the organisational and governance structure of the Bank, the following individuals and legal entities are considered related parties:

- subsidiaries, companies over which the Bank exercises direct or indirect control, as defined by IAS 27;
- associated companies, companies in which the Bank exercises significant direct or indirect influence, as defined by IAS 28;
- jointly controlled companies, companies over which the Bank exercises direct or indirect joint control, as defined by IAS 31;
- executives with strategic responsibilities and top managers, i.e. directors, statutory auditors, the General Manager and the Deputy General Managers;
- other related parties, which include:
  - close family members up to the second degree, the spouse or partner living together as man and wife, as well as the children of the latter;
  - subsidiaries, jointly controlled companies by the Bank's Directors, Statutory Auditors, the General Manager and the Deputy General Managers, as well as by their close relatives as defined above.

Transactions with subsidiaries and associates

The main Balance Sheet and Profit and Loss Account transactions with subsidiaries and associates are set out below.

Transactions with subsidiaries

(thousands of €)	Receivables for loans granted	Bonds underwritten	Payables for loans received	Bonds issued	Guarantees	Commitments
31.12.2023	9,637	-	640	-	1,119	-
Incidence	0.13%	0.00%	0.01%	0.00%	0.28%	0.00%

	Interest income on loans granted	Interest income on bonds underwritten	Interest expenses on loans received	Interest expenses on bonds issued	Commissions and other income	Commissions and other costs
31.12.2023	100	-	23	-	1	-
Incidence	0.02%	0.00%	0.01%	0.00%	0.00%	0.00%

Transactions with associated companies

(thousands of €)	Receivables for loans granted	Bonds underwritten	Payables for loans received	Bonds issued	Guarantees	Commitments
31.12.2023	10,138	-	1,411	-	3,312	-
Incidence	0.14%	0.00%	0.02%	0.00%	0.84%	0.00%

	Interest income on loans granted	Interest income on bonds underwritten	Interest expenses on loans received	Interest expenses on bonds issued	Commissions and other income	Commissions and other costs
31.12.2023	464	-	2	-	24	-
Incidence	0.10%	0.00%	0.00%	0.00%	0.02%	0.00%

Transactions with Directors, Statutory Auditors and members of General Management

Below please find the main capital and economic transactions with Directors, Statutory Auditors and Managers with strategic responsibilities are listed below.

(thousands of €)		Directors		Statutory Auditors		Strategic executives		Total
		Direct	Indirect	Direct	Indirect	Direct	Indirect	
Credit line granted*		12,392	-	-	7,392	-	-	19,784
Loans*		5,902	486	-	80	1,502	274	8,244
	Incidence	0.08%	0.01%	0.00%	0.00%	0.02%	0.00%	0.11%
Unsecured loans*		182	-	-	2	-	5	189
	Incidence	0.05%	0.00%	0.00%	0.00%	0.00%	0.00%	0.05%
Direct funding*		6,549	1,317	1,091	457	399	222	10,035
	Incidence	0.07%	0.01%	0.01%	0.00%	0.00%	0.00%	0.11%
Indirect funding*		3,517	2,286	69	31	653	344	6,900
	Incidence	0.07%	0.05%	0.00%	0.00%	0.01%	0.01%	0.14%
Interest revenue**		303	22	-	3	45	10	384
	Incidence	0.07%	0.00%	0.00%	0.00%	0.01%	0.00%	0.09%
Interest expense**		136	28	2	9	10	3	188
	Incidence	0.08%	0.02%	0.00%	0.01%	0.01%	0.00%	0.11%
Commissions and other revenue**		44	13	3	6	1	2	68
	incidence	0.04%	0.01%	0.00%	0.00%	0.00%	0.00%	0.06%

Key		
*	=	Balances as of 31.12.2023
**	=	Amounts accrued in 2023

3. Management of Transactions with related parties

Transactions with related parties are governed by Consob Regulation no. 17221 of 12 March 2010 and subsequent update resolutions and Part Three, Chapter 11 of Bank of Italy Circular no. 285 of 17 December 2013 as updated. The bank adopted – through Board of Directors resolution of 19 May 2023, with prior positive approval from the Committee of Independent Directors and the Board of Statutory Auditors – the "Group Regulation for management of transactions with Related Parties and Connected Subjects", published on the Bank website.
Relations with related parties, identified in accordance with the provisions of IAS 24 of the aforementioned Consob Regulation and the Provisions of the Bank of Italy, fall within the normal operations of the Bank.
No related party transaction carried out during the period under review had a material impact on the Bank's Balance Sheet or results of operations. In addition, there were no changes and/or developments in related party transactions completed by 31.12.2023. In the year 2023, no "significant" transactions were carried out as defined by the legislation governing related parties. In addition, during the same period, there are no positions or transitions deriving from atypical or unusual transactions, meaning those that are not part of normal business operations, which, due to their significance/relevance, the nature of the counterparties, the way in which the transfer price is determined and the timing of the event, may give rise to doubts as to the completeness of the information in the financial statements, the safeguarding of the company's assets and the protection of shareholders.

PART I PAYMENT AGREEMENTS BASED ON OWN EQUITY INSTRUMENTS

A. QUALITATIVE INFORMATION

The regulatory framework for share-based payment agreements is represented by the Supervisory Provisions for Banks, Bank of Italy Circular no. 285/2013, Part One, Title IV, Chapter 2 "Remuneration and Incentive Policies and Practices", which implements the European Directive 2013/36/EU (CRD IV-Capital Requirements Directive). The following are also relevant:

- art. 114-bis TUF on market disclosure;
- the joint Bank of Italy-Consob communication concerning "Implementation of guidelines issued by ESMA", to promote greater consistency with interpreting and fulfilling obligations in force concerning conflicts of interest pursuant to the MIFID directive on remuneration published on 29 January 2014;
- the technical requirements, Regulatory Technical Standard (RTS) defined by the EBA for the identification of categories of personnel whose professional activities have a significant impact on the Company's risk profile, approved on 4 March 2014 by the European Commission with EU Delegated Regulation no. 604/2014 of Regulation (EU) no. 575/2013 (CRR) which deals with the prudential requirements to be met by banks and indicates in Art. 450 the information on the remuneration policies that must be published;
- EU Delegated Regulation no. 527/2014 which specifies the categories of financial instruments suitable for use for the purposes of variable remuneration.

Lastly, it should be noted that, from 1st January 2017, the Guidelines on Sound Remuneration policies, published by the EBA on 21st December 2015. The Guidelines aim to encourage adoption of remuneration policies in line with the Bank's risk profile and, in general, to ensure that remuneration and incentive schemes are always based on the principles of sound and prudent management.

With the 25th update of Circular no. 285/2013 published on 26 October 2018, the Bank of Italy amended the provisions of Part One, Title IV, Chapter 2 concerning remuneration and incentive policies and practices in banks and banking groups in order to adapt the Italian regulatory framework to the guidelines of the European Banking Authority (EBA) on the subject.

On 03 March 2023, the Volksbank Board of Directors resolved to propose a new incentive plan to the Shareholders' Meeting which envisages, among other things, the enhancement of a portion of the variable component of the remuneration of "key personnel" through the assignment of ordinary shares of Volksbank, conditional on the achievement of specific goals to be reached during the year.

The allocation of the shares of the Financial instruments compensation plan is subject to the achievement of the performance targets for the year 2023 as well as to the respect, for the individual periods of the plan, of the economic-financial, equity and liquidity bank indices, as indicated by the remuneration policies.

The allocation of shares can take place if and only if, at the end of each period of the plan, the economic-financial, equity and liquidity indices, which constitute the "conditions of access" to the incentive system, are reached. Under these conditions, 50% of the 2022 incentives are recognised in shares provided that, in the year of allocation of the shares, the equivalent net share value exceeds the materiality threshold indicated by the remuneration policies.

Once the conditions for access to the incentive system have been verified for key staff, as well as the effective achievement of the assigned qualitative and quantitative objectives, the variable remuneration is paid:

- 50% spot, immediately after the approval of the financial statements and,
- 50% with 4-year deferral, payable on a straight-line basis for each year of deferral when the underlying performance will be considered definitively acquired as the established access threshold remains satisfied.

In application of the Delegated Regulation (EU) n. 527/2014 of the commission of 12 March 2014 and of the supervisory provisions of the Bank of Italy, the disbursable financial instruments represent, in BPAA, 50% of the incentives for both the upfront and deferred components, and are recognized according to the rules indicated in the "Financial instruments compensation plan".

In compliance with the reference legislation, the Bank has established that, if the annual variable remuneration assigned to the recipient does not exceed €50,000 and does not represent more than one third of its total annual remuneration, the variable remuneration of the key staff will be paid in cash and in a single solution (up front).
The shares are subject to a retention commitment with unavailability equal to one year from the date of allocation.

B. QUANTITATIVE INFORMATION

With regard to the bonuses for the results relating to the 2023 financial year to be paid in the year 2024 and subsequent years, the calculated amount to be paid in the form of Bank shares is equal to 89 thousand euros; in addition, with regard to the bonuses for the results for the 2022 financial year, 49 thousand remain to be paid in the period 2024-2027, and with regard to the bonuses for the results relating to the 2021 financial year, 37,000 euros remain to be paid in the period 2024-2026, if the conditions for the assignment of the bonus ("Entry Gates") are met.
The number of corresponding shares will be determined on the basis of the market price with reference to the end of the month prior to the Board of Directors' approval of the financial statements for the previous year.

PART L SEGMENT REPORTING

CRITERIA FOR IDENTIFYING AND AGGREGATING OPERATING SECTORS

Segment reporting is based on the elements that management uses to make own operational decisions (so-called "management approach") and is accordingly consistent with the disclosure requirements of IFRS 8. The segments were identified by management and approved by the Board of Directors:

- Private individuals;
- Businesses;
- Finance;

In addition to these operating segments, there are also support structures represented by other central departments and internal services.

The allocation of economic and financial results to the various business sectors is based on criteria that are independent of those used to prepare the financial statements. Accordingly, their breakdown for the purposes of segment reporting is based on the management logic used internally by the Bank to assess the results of individual operating segments. To prepare segment information, the figures shown in the "Total" column of this section are reconciled with the figures shown in the financial statements.

Distribution by sector of activity: economic data

Economic data *(thousands of €)*	**Private individuals**	**Businesses**	**Finance**	**Reconcilia-tion**	**Total**
Interest revenue margin	106,960	207,636	133,688	-	448,284
Interest expense margin	(33,374)	(59,269)	(80,126)	-	(172,769)
Interest margin	**73,586**	**148,367**	**53,562**	**-**	**275,515**
Net commission	55,231	45,677	(504)	-	100,404
Financial margin	225	698	(5,491)	-	(4,568)
Net banking income	**129,042**	**194,742**	**47,567**	**-**	**371,351**
Net value adjustment on receivables and financial transactions	604	1,745	-	-	2,349
Net profit from financial activities	**129,646**	**196,487**	**47,567**	**-**	**373,700**
Administrative expenses	(94,581)	(103,912)	-	-	(198,493)
Allocations to provisions for risks and charges	(28,214)	873	-	-	(27,341)
Amortisation/Depreciation on tangible and intangible assets	-	-	-	(14,874)	(14,874)
Other operating charges/revenue	9,255	7,570	-	-	16,825
Operating costs	**(113,540)**	**(95,469)**	**-**	**(14,874)**	**(223,883)**
Gains (losses) on equity investments/on disposal of investments	-	-	-	821	821
Profit (loss) from continuing operations before tax	**40,029**	**31,052**	**69,222**	**(14,053)**	**150,638**

The amounts included in the reconciliation column refer to structural costs and revenues that are not attributable to the reported segments.

Distribution by business segment: Balance Sheet data

Balance sheet data ***(thousands of €)***	**Private individuals**	**Businesses**	**Financial/ALM**	**Reconciliation**	**Total**
Loans and advances to banks	-	-	245,172	-	245,173
Receivables from customers	4,005,332	6,126,244	-	-	10,131,576
Financial assets measured at *fair value*	-	-	780,584	-	780,584
Payables to banks	-	-	889,152	-	889,152
Direct funding	5,026,561	3,991,262	719,766	-	9,737,589
- Payables to clients	5,026,561	3,991,262	-	-	9,017,823
- Securities issued	-	-	719,766	-	719,766
Indirect funding	3,987,686	631,943	-	-	4,619,630

The amounts included in the reconciliation column refer to business that is not attributable to the reported segments.

It should be noted that the company's operating revenue is generated and its activities carried out in Italy, confirming its roots in the area of reference, of strategic importance for the company's growth.
With reference to geographical segment information, please note that Volksbank operates on a regional geographical basis and does not have a territorial structure whose division into distinct areas takes on economic and strategic relevance. The characteristics and opportunities of the reference market are also homogeneous. Accordingly, the segment information by geographical area is not presented, as it is of no particular value.

PART M INFORMATION ON LEASES

Section 1 LESSEE

QUALITATIVE INFORMATION

Leases refer to real estate leasing contracts, in particular for properties intended for office use or bank branches and to a leasing contract for a car.
The real estate contracts do not normally last longer than 12 months and typically have renewal and extinction options that can be exercised by the lessee based on laws or specific contractual provisions.
These contracts do not include purchase options at the end of the lease or significant reversal costs for the Bank.
For contracts with an overall lease term of or for less than 12 months and to contracts with underlying asset value, when new, of less than or equal to €5,000 ("low value") IFRS 16 is not applied. In these cases, instalments related to those leases are entered as cost with a constant quota criterion for the lease term or based on another systematic criterion if more representative of how the lessee perceives the benefits.

QUANTITATIVE INFORMATION

For information on rights of use acquired with leases, please refer to what was said in Part B Assets.
For information on payables for leases, please refer to what was said in Part B Liabilities.
For information on interest expense on lease payables and other expenses connected to rights of use acquired with leases, profits and losses resulting from sale and lease-back transactions and income from sub-leasing transactions, please refer to what is said in Part C, Information of Profit and Loss.

Section 2 LESSOR

QUALITATIVE INFORMATION

The bank does not take on the lessor role for IFRS16 purposes.

QUANTITATIVE INFORMATION

The bank does not take on the lessor role for IFRS16 purposes.

CERTIFICATION OF THE FINANCIAL STATEMENTS

CERTIFICATION OF THE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81 - TER OF CONSOB REGULATION No. 11971 OF 14 MAY 1999 AS AMENDED

1. The undersigned Lukas Ladurner, as Chairman of the Board of Directors of Banca Popolare dell'Alto Adige Joint Stock Company, and Alberto Caltroni, as Manager in charge of preparing the corporate accounting documents of Banca Popolare dell'Alto Adige, a public limited company, certify, also taking into account the provisions of art. 154-bis, paragraphs 3 and 4, of Legislative Decree 24 February 1998, no. 58:

   - that the accounts are consistent with the characteristics of the company, and

   - the effective application

   of the administrative and accounting procedures for the preparation of the financial statements during 2023

2. We also certify that:

   2.1. the financial statements as at 31st December 2023:

   a) have been prepared in compliance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   b) correspond to the results of the accounts and records;
   c) provide a true and fair view of the issuer's financial position and profit performance.

   2.2. the report on operations includes a reliable analysis of the performance and result of operations, together with the issuer's situation and a description of the main risks and uncertainties to which the issuer is exposed.

Bolzano, 22nd March 2024

The Chairman of the Board of Directors

Lukas Ladurner

The Manager in charge of preparing the corporate accounting documents

Alberto Caltroni

REPORT OF THE BOARD OF STATUTORY AUDITORS

REPORT OF THE BOARD OF STATUTORY AUDITORS

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING PURSUANT TO ART. 2429, PARAGRAPH 2 OF THE ITALIAN CIVIL CODE AND ART. 153 OF (IT.) LEGISLATIVE DECREE NO. 58/1998

Dear Shareholders,

with this report, drawn up in compliance with the Italian Civil Code - specifically art. 2429, paragraph 2 - and art. 153, paragraph 1, Legislative Decree of 24 February 1998, no. 58, the Board of Statutory Auditors of Banca Popolare dell'Alto Adige S.p.A. (hereinafter the "Bank", the "Company" or "Volksbank"), Parent Company of the Banca Popolare dell'Alto Adige Banking Group, reports on the supervisory and control activities carried out during the year ended 31st December 2023.

Summary of supervisory activity

During the fiscal year 2023, the Board of Statutory Auditors performed the supervisory activities established by the Italian Civil Code, by Legislative Decree 385/1993 (Consolidated Banking Act - T.U.B.), by Legislative Decrees 39/2010 and 58/1998 ("T.U.F." Consolidated Finance Act), by the guidelines of the public Authorities exercising supervision and control activities, by statutory regulations and by the principles and codes of conduct recommended by the National Association of Chartered Accountants. Moreover, having adopted the traditional governance model, the Internal Control and Audit Committee identifies with the Board of Statutory Auditors, which is responsible for additional specific control and monitoring functions in relation to financial reporting and statutory auditing provided for by art. 19 of (It.) Legislative Decree of 27 January 2010, no. 39, as amended by Legislative Decree no 17 July 2016, no. 135.

The Board of Statutory Auditors, if it has decided to make recommendations or suggestions, has communicated this both during meetings with the internal functions concerned, and directly to the body with the function of management and strategic supervision and to the related internal board committees, as recorded from time to time. The Board reported periodically to the Board of Directors on the activities carried out and the opinions issued. In addition, the Board, taking into account the provisions of the document "Standards of conduct of the Board of Statutory Auditors of listed companies" updated by the CNDCEC on 21 December 2023, in particular in Standard Q.1.7 – Self-assessment of the Board of Statutory Auditors – conducted, with the help of a consulting firm, a self-assessment process as a result of which the Board of Statutory Auditors expressed an overall assessment of suitability with regard to its size and composition, as well as a favourable opinion on the requirements of professionalism, independence and good repute and on the functioning mechanisms of the body.

In 2023, the Board of Statutory Auditors met 27 times, participated in 12 meetings of the Board of Directors and, also through its own representative or in joint session, participated in all the meetings of the Risk Committee and of the other internal Board Committees as well as those of the Supervisory Body, set up in the Bank pursuant to Legislative Decree 231/2001, obtaining exhaustive information on activities carried out and on the most important transactions conducted by the Bank and ascertaining the regularity of management through periodical audits.

The Board of Statutory Auditors maintained a profitable and constant dialogue with the corporate bodies, the heads of the corporate control departments and with the various Departments and the various organisational structures of the Bank, also maintaining a continuous and proactive exchange with the company that audits the accounts and with the Manager in charge of preparing the Bank's corporate accounting documents.

The Board of Statutory Auditors maintained a profitable and constant dialogue with the corporate bodies, the heads of the corporate control departments and with the various Departments and the various organisational structures of the Bank, also maintaining a continuous and proactive exchange with the company that audits the accounts and with the Manager in charge of preparing the Bank's corporate accounting documents.

In particular, during the year the Board of Statutory Auditors:

- has obtained significant information on management, its evolution and the Bank's most significant economic, financial and capital transactions from Directors and General Management;
- has obtained significant information on management, its evolution and the Bank's most significant economic, financial and capital transactions from Directors and General Management;
- has performed audits on the Internal Control System ("ICS"), including through participation by the Head of Internal Audit at its meetings, and liaised with managers of the Risk Management, Compliance and Anti Money Laundering departments to oversee the necessary interrelationship of their respective control duties,

and duly informing them of the outcomes; the Board appreciated the Board of Directors' decision to carry out an Assessment on the internal control system in order to strengthen its effectiveness and efficiency. In particular, action plans were provided with reference to the activities and to the areas for improvement identified, whose timely implementation is judged by the Board of statutory auditors as essential and that require special attention by the management body;

- has reviewed the audits carried out by the Internal Audit regarding the outsourcing of Essential or Important Operating Functions, sharing the comments contained therein.
- has continuously monitored and supervised the progress and execution of the action plans containing the corrective measures taken to implement the indications contained in the findings that emerged following the inspections of the Bank carried out by the Supervision Authorities (Bank of Italy and CONSOB) during the 2019 and 2023 financial year;
- has checked transactions coming within the scope of art. 136 of the T.U.B. and ensured compliance with the obligation, established in art. 2391 bis of the Italian Civil Code, to adopt rules to guarantee the transparency and substantive and procedural propriety of transactions with related parties. No significant findings emerged from these audits. Information on transactions with related parties is provided in section "H" of the explanatory notes to the financial statements;
- in light of orders issued by the Supervisory Authorities on remuneration and incentive systems, the Board of Statutory Auditors, in close collaboration with the other corporate functions, ensured that the rules on the remuneration of the heads of corporate control bodies and of the executive responsible for preparing corporate accounting documents were correctly applied. The Board of Statutory Auditors has acknowledged the audits carried out by and endorsed the observations of the corporate auditing functions on the compliance of remuneration practices with policies and the regulatory environment, leading to a satisfactory assessment. On the basis of the information available, the Board of Statutory Auditors considers that the principles set out in the Remuneration Report are not inconsistent with the corporate objectives, strategies, and policies of prudent risk management;
- has duly ascertained the adequacy of orders given to subsidiaries;
- has regularly acquired information on the procedures, management methods and evolution of complaints and assessment of relative risks with specific reference to management of complaints regarding Bank shareholders;
- in close and continuous cooperation with the auditing firm KPMG S.p.A., has verified compliance with laws and regulations in force on financial statement preparation, implementation and layout processes for year 2023, and the compliance with laws and regulations in force and consistency with Board of Directors' resolutions.

Significant transactions during the year

In carrying out the activities of supervision and control, the Board of Statutory Auditors obtained periodically from the Directors, including through the participation in meetings of the Board of Directors, information on the activities carried out and on the most important economic, financial and equity operations approved and implemented by the Bank. In carrying out the activities of supervision and control, the Board of Statutory Auditors obtained periodically from the Directors, including through the participation in meetings of the Board of Directors, information on the activities carried out and on the most important economic, financial and equity operations approved and implemented by the Bank.
Please refer to what is described in the Management Report on significant events during the year.

Supervision of the administrative-accounting system, of the financial reporting process, and of and Non-Financial Disclosure

The Board of Statutory Auditors, in its role as Committee for internal control and auditing, monitored the process and the efficiency of internal monitoring systems and risk management with regards to financial reporting.

The Head of Internal Auditing also attends the meetings of the Board of Statutory Auditors, as a permanent invitee for the continuous interaction with the corporate function of third-level control.

The Board of Statutory Auditors, as part of the supervisory activity on compliance with the principles of proper administration – also in compliance with the obligation under art. 150 of the Condolidated Law on Finance ("TUF") – periodically obtained from the Directors, the control functions, the management, and the Statutory Auditor, information on the activities carried out and on the most important economic, financial and capital transactions carried out by the Bank.

The Board of Statutory Auditors periodically met the manager responsible for the exchange of information regarding the administrative-accounting system and the reliability of the same for the purposes of correct representation of management events in the accounting.

The Board examined the report of the Financial Reporting Manager prepared for the 2023 financial year and acknowledged the result of the checks carried out.

The Board of Statutory Auditors also took note of the certifications issued by the Chairman of the Board of Directors and by the Manager in charge in accordance with the provisions contained in art. 154 bis of the TUF and in art. 81 ter of Consob Regulation 11971/1999, from which no shortcomings were revealed that could invalidate the assessment that administrative and accounting procedures were adequate.

The Board of Statutory Auditors acknowledges that it has not received, during the periodic meetings held with the Financial Reporting Manager, reports of significant deficiencies in the operating and control processes that may affect the judgment of suitability and effective application of administrative-accounting procedures, in order to correctly represent the economic, capital and financial aspects of transactions, in accordance with international accounting standards.

The auditing firm KPMG SpA, during the periodic meetings and in the light of the Additional Report required by art. 11 of Regulation (EU) no. 537/2014 of EU Regulation on 2 April 2024, did not report any critical situations to the Board of Statutory Auditors that could affect the internal control system relating to the administrative and accounting procedures, nor did it ever highlight facts that were deemed reprehensible or any irregularities that would require reporting pursuant to Art. 155, paragraph 2 of the Consolidated Law on Finance.

On April 2, 2024, KPMG issued a report stating its opinion on the Financial Statements prepared in accordance with the International Financial Reporting Standards adopted by the European Union, as well as the measures issued in implementation of art. 9 of (It.) Legislative Decree no. 38/05 and art. 43 of (It.) Legislative Decree no.136/15. In addition, in the same report, it issued an opinion on the consistency of the Management Report and the information contained in the Corporate Governance Report with the Financial Statements. This report does not contain any comments or disclosures. In the aforementioned document, we verified that non-financial information has been approved by the Directors. The Board of Statutory Auditors received confirmation of its independence from KPMG S.p.A., pursuant to art. 17 of Legislative Decree 39/2010, together with a communication on non-audit services provided to the Bank by that company and by other companies belonging to its network.

The Board of Statutory Auditors supervised the independence of the auditing firm and, in particular, received periodic evidence of the appointments other than audit services to be assigned (or assigned pursuant to specific regulatory provisions) to the statutory auditor.

The Board of Statutory Auditors reports that in 2023, in addition to the auditing assignments, the following assignments were entrusted to KPMG S.p.A.:

- Certification on the Prospectus prepared in relation to the renewal of the EMTN program for Euro 26,470;
- report on the prospectus of investments in advertising campaigns prepared for the purposes set out in the Decree of the (IT.) Prime Minister No. 90 of 16 May 2018 in implementation of art. 57-bis of the Law Decree no. 50 of 24 April 2017 and subsequent amendments for Euro 4,000;

report of the independent auditors pursuant to art. 23(7) of the Regulation implementing Art. 4-undecies and 6, paragraph 1, letters b) and c-bis) of Legislative Decree 58/98 ("Mifid II") for EUR 28,000;

- certification services for tax returns for €6,250;
- audit of the non-financial disclosure for a fee of €16,000.

The external Auditing Firm also confirmed to the Board that, during the year and in the absence of the conditions for their release, it did not issue opinions pursuant to the law.

As provided by law, the Board of Directors produced the draft financial statement of Banca Popolare dell'Alto Adige for the year ended 31st December 2023. The Board of Statutory Auditors monitored compliance with the rules of procedure on the preparation and layout of the financial statements and the Report on Operations.

With regard to the above, no elements emerged to conclude that activities had not been carried out in accordance with the principles of correct administration or that the organisational structure, the internal audit and accounting and administrative systems were not, in their entirety, substantially adequate to the needs and size of the company. The Board of Directors also produced the Non-Financial Disclosure ("NFD"), as introduced by Directive 2014/95/EU and implemented in Italy by Legislative Decree 254/2016, as an autonomous document. The NFD was approved by the Board of Directors on 22 March 2024 as a separate document from the Management Report to the financial statements as at 31st December 2023.

In compliance with the aforementioned regulations, the non-financial disclosure (hereinafter also "NFD") was prepared in order to ensure an understanding of the Bank's activities, its performance, its results and the impact of the same product, covering the issues deemed relevant and provided for by art. 3 of (It.) Legislative Decree 254/2016, in accordance with GRI – Universal Standard 2021 reporting standards.

The Bank covered the risks related to climate change and their potential impact on its activities, and initiated a process of adaptation to the demands of the European Taxonomy, with the aim of providing an overall view of the potentially significant impacts in the achievement of its strategic objectives. The NFD describes the issues relating to corporate governance, corporate policies, the business model of management and organisation, the Company's achievements with regard to relevant issues relating to the environment, sustainable growth and social responsibility projects, personnel management, human rights and anti-corruption. With specific regard to the examination of the non-financial statement, the Board of Statutory Auditors supervised compliance with the requirements of Legislative Decree no. 254/2016, and in particular of art. 3, paragraph 7, of that decree, with the powers attributed to it by the law. The KPMG auditing firm, responsible for carrying out the limited examination of the NFD pursuant to art. 3, paragraph 10, of (It.) Legislative Decree 254/2016, in the report issued on 2 April 2024, highlights that no elements have come to its attention that would suggest that the NFD relating to the year ended 31st December 2023 has not been drawn up, in all significant aspects, in compliance with the requirements of art. 3 of (It.) Legislative Decree 254/2016 and the "*Global Reporting Initiative Sustainability Reporting Standards*".

Proposals concerning the financial statements, their approval, and matters coming within the competence of the Board of Statutory Auditors

With respect to the financial statements for the year ended 31st December 2023, it should be noted that:

- the independent audit of the accounts of Banca Popolare dell'Alto Adige, through Shareholders' Meeting appointment, was assigned pursuant to art. 2409-bis of the (It.) Civil Code to the Independent Auditing Firm, KPMG S.p.A. for the years 2019-2027;
- on 2 April 2024, the independent auditors issued its report on the audit of the financial statements as at 31 December 2023 pursuant to Articles 14 and 16 of Legislative Decree 39/2010 and 10 of Regulation (EU) No 537 of 16 April 2014. On the merits, it should be noted that the financial statements were published without any observations or objections. The financial statements also include an assessment of the consistency of the report on operations;
- in meetings with the independent auditors, the application of accounting standards and the recognition andrepresentation in the financial statements of elements of economic, and capital significance were discussed.

During these meetings, no anomalies, critical issues or omissions were detected by the Auditors;

- the draft financial statements for the year ended 31 December 2023, as approved by the Board of Directors on 22 March 2024, were presented, and information was provided on the layout of the financial statements, theirgeneral compliance with legislation, including regulations, on their formation and structure, also in accordance with the IAS/IFRS international accounting standards and instructions issued in the Bank of Italy in circular No. 262 of 22 December 2005 and subsequent updates;
- the Internal Control and Audit Committee and the Auditing department performed the supervisory activities provided for in art. 19 of (It.) Legislative Decree no. 39/2010, obtained the results of audits carried out by the independent auditors on the proper keeping of company accounts and the correct recognition of management-related issues in the accounting records. It also supervised the overall effectiveness of the internal control system for financial reporting. No significant events worthy of mention emerged from this supervisory activity;
- the Board of Directors' report on operations describes the course of operations during the year and contains an analysis of the Bank's situation and operating result. There are no particular issues to report in this regard;
- it appears that the directors have not made use of the derogation provided for in Article 2423(4) of the Italian Civil Code; meetings with the Financial Reporting Officer did not reveal any would invalidate the conclusion that the administrative and accounting procedures used to oversee the proper representation of the company's financial position, in accordance with current international accounting standards, were adequate and effective;
- The Chairman of the Board of Directors and the Financial Reporting Officer signed the report on 22 March 2024, pursuant to art. 154 bis of the T.U.F. and art. 81 ter of Consob Regulation 11971/1999, the certification for the 2023 financial year. The report did not reveal any shortcomings that could invalidate the assessment that administrative and accounting procedures were adequate.

In compliance with art. 19 of (It.) Legislative Decree. 39/2010, controls performed enabled monitoring of the administrative and accounting processes for financial reporting, the effectiveness of the internal control and risk management systems, the effectiveness of audits, and the independence of the statutory auditor.

Complaints received pursuant to art. 2408 of the Italian Civil Code

The Board of Statutory Auditors did not receive, during the year 2023, complaints from Shareholders pursuant to Art. 2408 of the Italian Civil Code.

Conclusions

Following the supervisory activities conducted by the Board of Statutory Auditors, no reprehensible facts, omissions or irregularities emerged that need to be included in this Report. Having said all of the above, the Board of Statutory Auditors, taking into account the specific duties of the Independent Auditors, in terms of the statutory auditing of the accounts, which issued its opinion without modifications and in the light of the certification issued by the Manager in charge of preparing the accounting documents and corporate bodies and the Chairman of the Board of Directors does not find, within his area of responsibility, reasons impeding the approval of the proposed financial statements as at 31 December 2023, accompanied by the management report, the proposal for the allocation of the profit for the year and distribution of dividends formulated by the Board of Directors.

Bolzano, 2 April 2024

THE BOARD OF STATUTORY AUDITORS

Georg Hesse – Chairman	Rosella Cazzulani	Sabrina Rigo

REPORT OF THE INDEPENDENT AUDITORS

KPMG S.p.A.
Revisione e organizzazione contabile
Via della Rena, 20
39100 BOLZANO BZ
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Email it-fmauditaly@kpmg.it
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(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Banca Popolare dell'Alto Adige S.p.A.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Banca Popolare dell'Alto Adige S.p.A. (the "bank"), which comprise the balance sheet as at 31 December 2023, the profit and loss account, the statement of other comprehensive income, the statement of changes in shareholders' equity and the cash flow statement for the year then ended and notes thereto, which include material information on the accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Banca Popolare dell'Alto Adige S.p.A. as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the financial statements*" section of our report. We are independent of the bank in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Classification and measurement of loans and receivables with customers recognised under financial assets at amortised cost

Notes to the financial statements "Part A - Accounting policies": paragraph A.2.3 "Financial assets at amortised cost"

Notes to the financial statements "Part B - Information on the statement of financial position - Assets": section 4 "Financial assets at amortised cost - Item 40"

Notes to the financial statements "Part C - Information on the income statement": section 8 "Adjustments/write-backs of net value for credit risk – Item 130"

Notes to the financial statements "Part E - Information on risk and risk management policies": section 1 "Credit risk"

Key audit matter	Audit procedures addressing the key audit matter
Lending to customers is one of the bank's core activities. Loans and receivables with customers recognised under financial assets at amortised cost totalled €10,131.6 million at 31 December 2023, accounting for 84.8% of total assets. Net write-backs on loans and receivables with customers recognised in profit or loss during the year totalled €1.6 million. For classification purposes, the directors make analyses that are sometimes complex in order to identify those positions that show evidence of impairment after disbursement. To this end, they consider both internal information about the performance of exposures and external information about the reference sector or the borrowers' overall exposure to banks. Measuring loans and receivables with customers is a complex activity, with a high degree of uncertainty and subjectivity, with respect to which the directors apply internal valuation models that consider many quantitative and qualitative factors, including historical collection flows, expected cash flows and related estimated collection dates, the existence of any indicators of impairment, an assessment of any guarantees, the impact of macroeconomic variables, future scenarios and risks of the sectors in which the bank's customers operate. For the above reasons, we believe that the classification and measurement of loans and receivables with customers recognised under	Our audit procedures included: • gaining an understanding of the bank's processes and IT environment in relation to the disbursement, monitoring, classification and measurement of loans and receivables with customers; • assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls, especially in relation to the identification of exposures with indicators of impairment and the calculation of impairment losses; • analysing the classification criteria used for allocating loans and receivables with customers to the IFRS 9 categories (staging); • analysing the individual and collective impairment assessment policies and models used and checking the reasonableness of the main assumptions and variables included therein; we carried out these procedures with the assistance of experts of the KPMG network; • selecting a sample of exposures tested collectively, checking the application of the measurement models applied and checking that the impairment rates applied complied with those provided for in such models; • selecting a sample of exposures tested individually and checking the reasonableness of the indicators of impairment identified and of the assumptions about their recoverability, including considering the guarantees received; • analysing the significant changes in the loan and receivable categories and in the related impairment rates compared to the previous years' figures and discussing the results with the relevant internal departments;

Key audit matter	Audit procedures addressing the key audit matter
financial assets at amortised cost are a key audit matter.	• assessing the appropriateness of the disclosures about loans and receivables with customers recognised under financial assets measured at amortised cost.

Measurement of other provisions for risks and charges recognised under provisions for risks and charges

Notes to the financial statements "Part A - Accounting policies": section A.2.11 "Provisions for risks and charges"

Notes to the financial statements "Part B - Information on the statement of financial position - Liabilities": Section 10 "Provisions for risks and charges - Item 100"

Notes to the financial statements "Part C - Information on the income statement": Section 11 "Net provisions for risks and charges – Item 170"

Notes to the financial statements "Part E – Information on risk and risk management policies": section 5 "Operational risk"

Key audit matter	Audit procedures addressing the key audit matter
The financial statements at 31 December 2023 include other provisions for risks and charges of €42.0 million related to pending litigation under provisions for risks and charges. The net other accruals recognised in profit or loss during the year totalled €28.5 million. Measuring provisions for other risks and charges for pending litigation is a complex activity, with a high degree of uncertainty, and entails directors' estimates about the outcome of the litigation, the risk of losing and the timing for its settlement. For the above reasons, we believe that the measurement of other provisions for risks and charges is a key audit matter.	Our audit procedures included: • understanding the process for the measurement of the other provisions for risks and charges and assessing the design and implementation of controls; • analysing the changes in the composition of the other provisions for risks and charges compared to the previous year end and discussing the results with the relevant internal departments; • analysing the discrepancies between past years' estimates of the other provisions for risks and charges and actual figures resulting from the subsequent settlement of disputes, in order to check the accuracy of the estimation process; • sending written requests for information to the legal advisors assisting the bank about the assessment of the risk of losing pending litigation and the quantification of the related liability and checking the consistency of the information obtained with the elements considered by the directors to measure the other provisions for risks and charges; • analysing the reasonableness of the assumptions used to measure the other provisions for risks and charges relating to the main litigation through discussions with the relevant internal departments and analysis of the supporting documentation; • assessing the appropriateness of the disclosures about the other provisions for risks and charges.

Responsibilities of the bank's directors and board of statutory auditors ("Collegio Sindacale") for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the bank's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the bank or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the bank's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to

the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the bank to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the measures taken to eliminate those threats or the safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 30 March 2019, the bank's shareholders appointed us to perform the statutory audit of its financial statements as at and for the years ending from 31 December 2019 to 31 December 2027.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the bank in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed herein is consistent with the additional report to the _Collegio Sindacale_, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The bank's directors are responsible for the preparation of a directors' report and a report on corporate governance and ownership structure at 31 December 2023 and for the consistency of such reports with the related financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the bank's financial statements at 31 December 2023 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the bank's financial statements at 31 December 2023 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Banca Popolare dell'Alto Adige S.p.A. are responsible for the preparation of a non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Bolzano, 2 April 2024

KPMG S.p.A.

(signed on the original)

Vito Antonini
Director of Audit

ANNEXES TO THE COMPANY'S FINANCIAL STATEMENTS

ANNEXES TO THE COMPANY'S FINANCIAL STATEMENTS

Information pursuant to art. 149-duodecies of Regulation no. 11971 of 14 May 1999 (Issuers Regulation)

The fees for 2023 for auditing services and for services other than auditing provided by the Independent Auditors itself or entities belonging to its network are set out below.

Type of services ***(thousands of €)***	**Subject who provided the service**	**Recipient**	**Remuneration (1)**
Auditing	KPMG S.p.A.	Volksbank	101,725
Certification on the Prospectus prepared in relation to the renewal of the program and issue of the Covered Bond.	KPMG S.p.A.	Volksbank	29,112
Report on the statement of investments in advertising campaigns	KPMG S.p.A.	Volksbank	4,000
Report of the independent auditors pursuant to art. 23(7) of the Regulation implementing Art. 4-undecies and 6, paragraph 1, letters b) and c-bis) of Legislative Decree 58/98 ("Mifid II")	KPMG S.p.A.	Volksbank	30,607
Certification services relating to tax returns	KPMG S.p.A.	Volksbank	6,250
Revision of the non-financial statement	KPMG S.p.A.	Volksbank	17,489
Assessment and benchmarking of current internal processes and procedures in the area of 'Guidelines on Governance and Control Arrangements for Retail Banking Products' (POG)	KPMG S.p.A.	Volksbank	33,000
Total			**222,183**

(1) The amounts are stated net of VAT, Consob contribution and ancillary expenses...

Financial statements of the subsidiary Valpolicella Alta Società Agricola S.r.l.

Valpolicella Alta Società Agricola S.r.l.

Valpolicella Alta Società Agricola S.r.l. - with a single shareholder
Registered office in Bolzano (BZ), Via del Macello no. 55
Share capital EUR 10,000 fully paid up
Listed in the Bolzano Companies Register
Tax Code 02625480211
A company subject to management and coordination
by Banca Popolare dell'Alto Adige S.p.A., with registered office in Bolzano - Italy

FINANCIAL STATEMENTS AS AT 31/12/2023
BALANCE SHEET

ASSETS	31.12.2023	31.12.2022
(in EUR)		
A. Receivables from shareholders for outstanding payments	**-**	**-**
B. Fixed assets		
I. Intangible assets		
II. Tangible assets		
1. Land and buildings	2,053,633	2,053,633
2. Plant and machinery	166,424	188,102
4. Other goods	510,208	555,058
5. Assets under construction and advances	-	-
Total	2,730,265	2,796,793
III. Financial assets		
Total fixed assets (B)	**2,730,265**	**2,796,793**
C. Current assets		
I. Inventories		
II. Credits		
1. From customers	-	-
5.bis Tax receivables	15,144	986
5.quater. quater to others	413	3,285
Total	15,557	4,271
III. Financial current assets		
IV. Cash and cash equivalents		
1. Bank and postal deposits	640,299	22,400
3. Cash and securities on hand	58	-
Total	640,357	22,400
Total current assets (C)	**655,914**	**26,671**
D. Accrued income and prepaid expenses	**15**	**2**
TOTAL ASSETS	**3,386,194**	**2,823,466**

FINANCIAL STATEMENTS AS AT 31/12/2023
BALANCE SHEET

LIABILITIES			31.12.2023	31.12.2022
(in EUR)				
A. Shareholders' Equity				
	I.	Capital	10,000	10,000
	IV.	Legal reserve	2,000	2,000
	VII.	Other reserves		
	1.	Extraordinary reserve	436,465	533,158
	13.	Sundry other reserves	36,003	1
			472,468	533,159
	VIII.	Profits (losses) carried forward	2,059,892	
	IX.	Profit (loss) for the year	(22,440)	(96,693)
	Total		**2,521,920**	**448,466**
B. Provisions for risks and charges				
	4.	Other	42,311	37,500
	Total		**42,311**	**37,500**
C. Employee severance indemnities			**-**	**-**
D. Payables				
	3.	Payables to shareholders for loans	806,156	806,156
	4.	Payables to banks	-	2
	7.	Trade payables	14,922	9,485
	11.	Payables to parent companies	-	-
	11 bis.	Payables to companies controlled by the parent company	-	1,520,000
	12.	Tax payables	111	1,857
	14.	Other payables	774	-
	Total		**821,963**	**2,337,500**
E. Accrued expenses and deferred income			**-**	**-**
TOTAL LIABILITIES			**3,386,194**	**2,823,466**

FINANCIAL STATEMENTS AS AT 31/12/2023
PROFIT AND LOSS ACCOUNT

INCOME STATEMENT ITEMS	**31.12.2023**	**31.12.2022**
(in EUR)		
A. Production value		
1. Revenues from sales and services	-	-
5. Other revenues and income	65,716	63,109
Total	65,716	63,109
B. Production costs		
6. Raw materials, ancillary supplies, consumables and goods	-	5
7. For services	31,532	23,542
8. For leased assets	-	-
10. Amortisation and write-downs		
b. depreciation of tangible assets	66,528	66,528
	66,528	66,528
14. Other operating expenses	13,407	39,863
Total production costs	111,467	129,938
Difference between value and costs of production (A-B)	**(45,751)**	**(66,829)**
C. Financial income and expenses		
16. Other financial income		
d. income other than the above	23,364	979
17 Interest and other financial expenses	53	(30,843)
Total financial income and expenses	23,311	(29,864)
D. Value adjustments to financial assets		
Net result (A-B+C+D+E)	**(22,440)**	**(96,693)**
20. Taxes for the year, current, deferred tax assets, deferred tax liabilities	-	-
21. PROFIT (LOSS) FOR THE YEAR	**(22,440)**	**(96,693)**

Financial statements of the subsidiary Quartiere Brizzi S.r.l.

Quartiere Brizzi S.r.l.

Quartiere Brizzi S.r.l. - with a single shareholder
Registered office in Bolzano (BZ), Via del Macello no. 55
Share capital EUR 10,000 fully paid up
Listed in the Bolzano Companies Register
Tax code 02519580217
A company subject to management and coordination
by Banca Popolare dell'Alto Adige S.p.A., with registered office in Bolzano - Italy

FINANCIAL STATEMENTS AS AT 31/12/2023
BALANCE SHEET

(in EUR)	31.12.2023	31.12.2022
ASSETS		
A. Receivables from shareholders for outstanding payments	**-**	**-**
C. Current assets		
I. Inventories		
2. Work in progress and semi-finished products	10,314,842	8,562,423
II. Credits		
1. From customers	11,000	-
5.bis Tax receivables	193,916	117,316
5. quater From others	761,038	284,898
Total	965,954	402,214
IV. Cash and cash equivalents		
Total current assets (C)	**11,280,796**	**8,964,637**
D. Accrued income and prepaid expenses	**7,985**	**2,345**
TOTAL ASSETS	**11,288,781**	**8,966,982**

FINANCIAL STATEMENTS AS AT 31/12/2023
BALANCE SHEET

LIABILITIES		31.12.2023	31.12.2022
(in EUR)			
A. Shareholders' Equity			
I.	Capital	10,000	10,000
IV.	Legal reserve	2,000	2,000
VII.	Other reserves		
	8. Payments to cover losses	369,729	37,292
	13. Sundry other reserves	-	-
VIII.	Profits (losses) carried forward	-	-
IX.	Profit (loss) for the year	(119,761)	(141,916)
Total		**261,968**	**(92,624)**
D. Payables			
3.	Payables to shareholders for loans	9,704,517	8,923,067
6.	Advances	814,500	53,000
7.	Trade payables	215,519	75,755
11.	Payables to parent companies	6,184	6,184
12.	Tax payables	6,093	1,600
14.	Other payables	280,000	-
Total		**11,026,813**	**9,059,606**
TOTAL LIABILITIES		**11,288,781**	**8,966,982**

FINANCIAL STATEMENTS AS AT 31/12/2023
PROFIT AND LOSS ACCOUNT

INCOME STATEMENT ITEMS *(in EUR)*	**31.12.2023**	**31.12.2022**
A. Production value		
2. Changes to inventories of products In progress, semi-finished and finished goods	1,752,419	430,498
5. Other revenues and income	1	-
Total	1,752,420	430,498
B. Production costs		
6. Raw materials, ancillary supplies, consumables and goods	5,110	5
7. For services	1,751,394	299,459
8. For leased assets	1,498	879
14. Other operating expenses	14,764	189,952
Total production costs	1,772,766	490,295
Difference between value and costs of production (A-B)	**(20,346)**	**(59,797)**
C. Financial income and expenses		
17. Interest and other financial expenses	(99,415)	(82,119)
Total financial income and expenses	(99,415)	(82,119)
Net result (A-B+C+D+E)	**(119,761)**	**(141,916)**
20. Taxes for the year, current, deferred tax assets, deferred tax liabilities	-	-
21. PROFIT (LOSS) FOR THE YEAR	**(119,761)**	**(141,916)**

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