Report and consolidated financial statements at June 30, 2024

GRUPPO BCC
ICCREA

Report and consolidated financial statements at June 30, 2024 of the Iccrea Cooperative Banking Group

Iccrea Banca SpA
Istituto Centrale del Credito Cooperativo
Parent company of the Iccrea Cooperative Banking Group
Registered office and headquarters: Via Lucrezia Romana 41/47 - 00178 Rome, Italy
Share capital: €1,401,045,452.35 fully paid up
Vat reg. No. And tax id no. 04774801007 - r.e.a. of rome n. 801787
Participating entity in the Group vat mechanism of the Iccrea Cooperative Banking Group, vat reg. No. 15240741007
Entered in the register of banking groups
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REPORT AND INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE ICCREA COOPERATIVE BANKING GROUP

CONSOLIDATED REPORT ON OPERATIONS

June 30, 2024

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CORPORATE BOARDS

Elected at the Ordinary Shareholders' Meeting of June 16, 2022, for the 2022-2024 term

BOARD OF DIRECTORS

MAINO Giuseppe	*Chairman*
STRA Pierpaolo	*Senior Deputy Chairman*
FIORDELISI Teresa	*Deputy Chairman*
GAMBI Giuseppe (3) (5)	
BENABDALLAH Nadia	
ALFIERI Lucio (1)	
CARRI Francesco	
OTTOBONI Roberto	
ZONI Laura* (2) (4)	
RIMOLDI Enrica* (1) (4) (5)	
LEONE Paola* (2) (3)	
MENEGATTI Luigi* (1) (3) (4)	
LONGHI Maurizio	
PIVA Flavio	
PETRINI Paola (2) (5)	

* Independent directors

(1) Member of the Risks Committee

(2) Member of the Appointments Committee

(3) Member of the Remuneration Committee

(4) Member of the Affiliated Bank Controls & Interventions Committee

(5) Member of the Environmental Social Governance Committee

EXECUTIVE COMMITTEE

CARRI Francesco	*Chairman*
BENABDALLAH Nadia	
LONGHI Maurizio	
PIVA Flavio	
OTTOBONI Roberto	

BOARD OF AUDITORS

ZANARDI Barbara	*Chairman*
ANDRIOLO Riccardo	*Standing Auditor*
CAPUANO Claudia	*Standing Auditor*
ROCCHETTI Vittorio	*Alternate Auditor*
CIGNOLINI Michela	*Alternate Auditor*

SENIOR MANAGEMENT

PASTORE Mauro	*General Manager*
ROMITO Francesco	*Senior Deputy General Manager*
GALBIATI Pietro	*Deputy General Manager*

FINANCIAL REPORTING OFFICER

DI PRINZIO Marianna

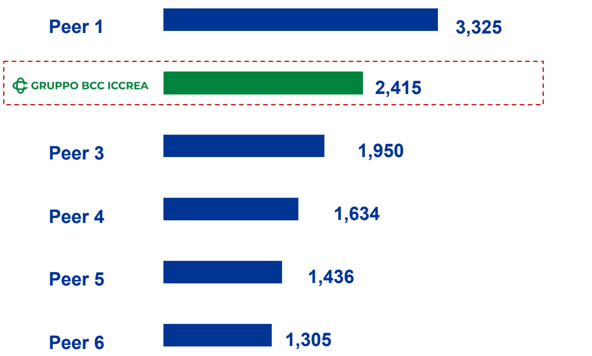
1. EXECUTIVE SUMMARY

KEY FIGURES AND MARKET POSITIONING

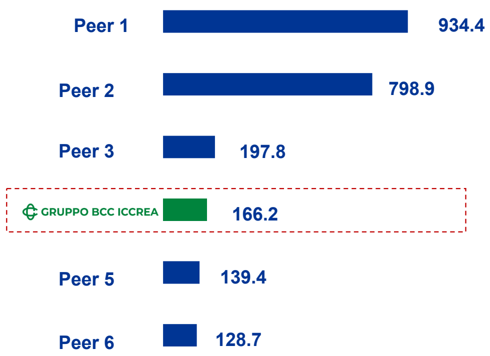
Key indicators

2,415 branches	**22,416** employees	**896 thousand** shareholders	**€15.2 billion** own funds	**€92.8* billion*** loans to customers	**€123.5 billion** direct funding from customers

*Second largest banking group by number of branches in Italy (#)***



*Fourth largest banking group by total assets (€/bn)***

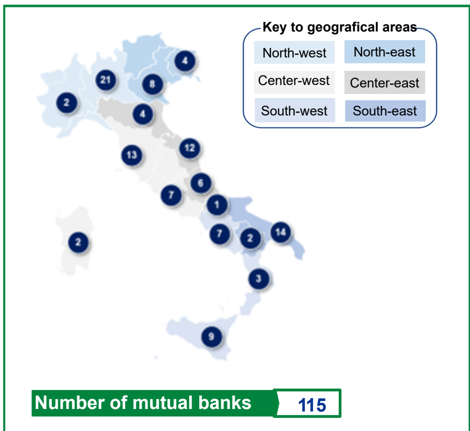


* Gross loans to customers

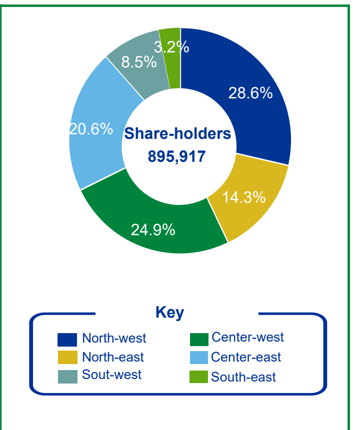
** Source infoprovider: figures at June 30, 2024

DISTINGUISHING FEATURES OF THE ICBG: GEOGRAPHICAL POSITIONING

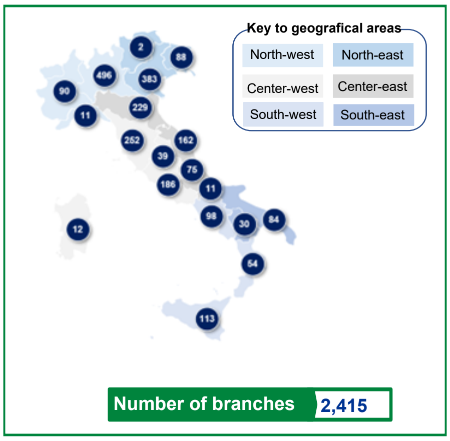
Mutual banks



Number of shareholders

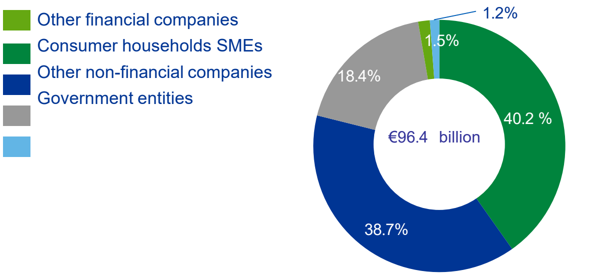


Branches

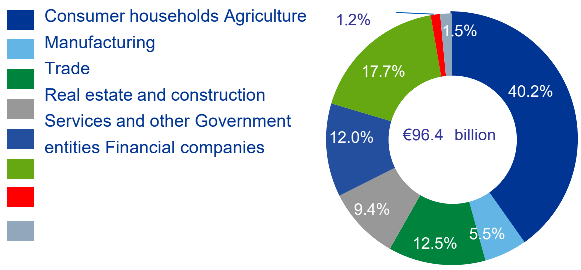


BREAKDOWN OF CUSTOMER BASE

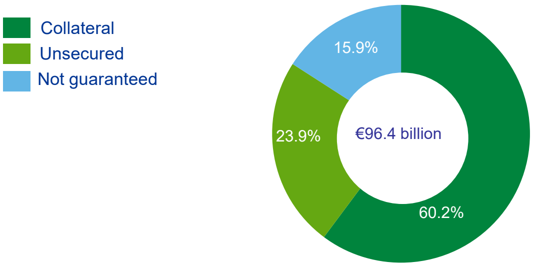
Type of counterparty



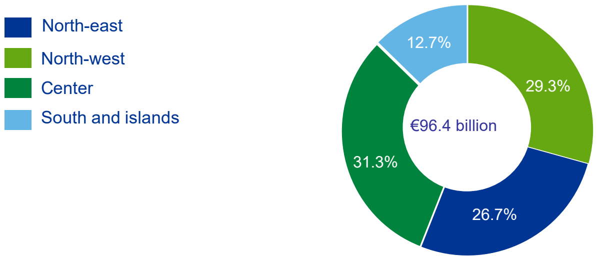
Economic activity of counterparty



Type of guarantee

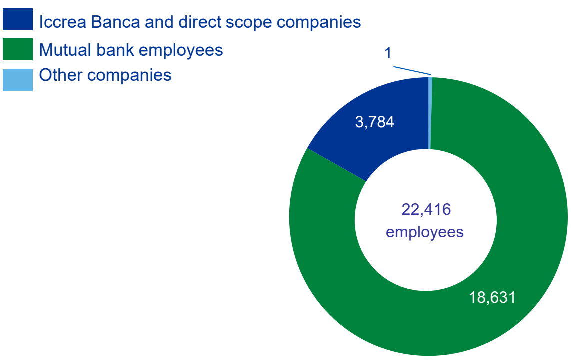


Distribution of customers by geographical areas

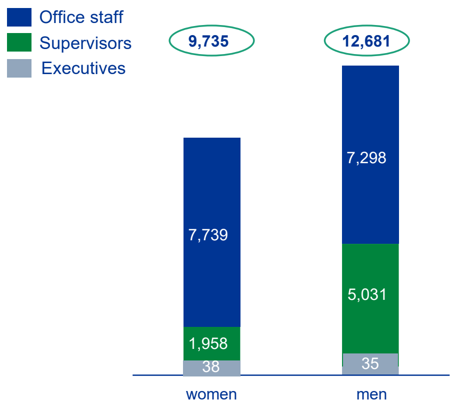


BREAKDOWN OF GROUP EMPLOYEES

Distribution of ICBG employees



Breakdown of ICBG employees by category



MAIN INDICATORS AT JUNE 30, 2024, DECEMBER 31, 2023 AND JUNE 30, 2023

PERFORMANCE INDICATORS [1] (amounts in thousands of euros)	30/06/2024	31/12/2023	30/06/2023
STRUCTURAL RATIOS			
Net loans to customers measured at amortized cost /total assets	56.0%	52.1%	53.3%
Direct funding from customers/total liabilities	74.3%	68.9%	68.8%
Equity (including profit/loss) /total liabilities	8.9%	8.0%	7.5%
Loan to deposit ratio	67.6%	67.4%	71.0%
Net loans to ordinary customers measured at amortized cost /direct funding from ordinary customers [2]	71.8%	74.2%	76.2%
PROFITABILITY RATIOS			
ROE (Net profit)/ net equity including profit for the period)	7.2%	13.4%	6.3%
ROTE [Net profit/net tangible equity (equity including profit – intangible assets]	7.2%	13.5%	6.4%
ROA (Net profit/total assets)	0.6%	1.1%	0.5%
Cost/income ratio	52.7%	55.4%	57.7%
Personnel expenses/gross income	33.8%	34.0%	34.5%
Net interest income/gross income	73.7%	73.3%	72.2%
Net fee and commission income /gross income	22.8%	24.1%	24.9%
Net interest income/Number of employees at end-period	98.2	183.2	87.4
Net fee and commission income/Number of employees at end-period	30.4	60.3	30.1
Gross income/Number of employees at end-period	133.3	250.1	121.1
RISK RATIOS			
Gross impaired loans/gross loans measured at amortized cost [3]	3.6%	3.8%	4.4%
Gross impaired loans to customers/gross loans to customers measured at amortized cost[4]	3.7%	3.9%	4.5%
Net impaired loans to customers/net loans to customers measured at amortized cost[5]	1.0%	1.1%	1.4%
Net Stage 2 loans to customers measured at amortized cost/net performing loans to customers measured at amortized cost	8.9%	9.5%	7.3%
Net bad loans/net loans to customers measured at amortized cost	0.1%	0.2%	0.2%
Net UTP loans/net loans to customers measured at amortized cost	0.7%	0.7%	0.9%
Net writedowns/(writebacks) for credit risk/net loans to customers measured at amortized cost	0.2%	0.4%	0.2%
Writedowns of impaired loans/gross loans to customers measured at amortized cost	72.8%	72.2%	69.3%
Writedowns of bad loans/gross bad loans	87.7%	87.3%	84.2%
Writedowns of UTP loans/gross UTP loans	70.1%	69.6%	66.6%
Texas ratio	29.7%	32.9%	27.3%
CAPITAL RATIOS - phased-in			
Common Equity Tier 1 ratio	22.7%	21.1%	19.9%
Tier 1 ratio	22.7%	21.1%	19.9%
Total capital ratio	23.8%	22.2%	21.1%
Total own funds	15,213,951	14,302,353	13,231,919
of which: Tier 1 capital after filters and deductions	*14,516,494*	*13,602,312*	*12,527,434*
Risk-weighted assets (RWA)	63,882,227	64,392,102	62,854,154
CAPITAL RATIOS - fully loaded			
Common Equity Tier 1 ratio	22.7%	21.0%	19.8%
Tier 1 ratio	22.7%	21.1%	19.8%
Total capital ratio	23.8%	22.1%	21.0%
LEVARAGE RATIO			
Phased-in Tier 1/Total assets	8.4%	7.7%	7.2%
Fully loaded Tier 1/Total assets	8.4%	7.6%	7.2%

[1] For an explanation of how the performance indicators are calculated, please see Annex 2 – Alternative Performance Indicators.

2 Lending to and funding from customers calculated net of exposures with institutional counterparties.

[3] Calculated based on the EBA definition including exposures to banks.

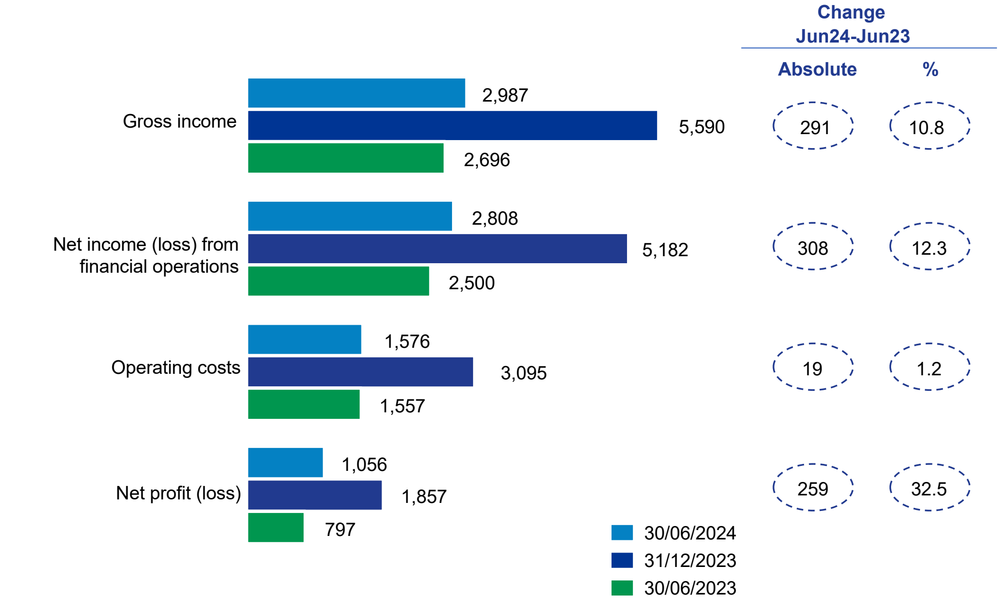
[4]Excluding transactions with institutional counterparties, at June 30, 2024 the ratio was 3.9%, unchanged with respect to December 31, 2023 and June 30, 2023.

[5] Excluding transactions with institutional counterparties, at June 30, 2024 the ratio was 1.1%, unchanged with respect to December 31, 2023 and June 30, 2023.

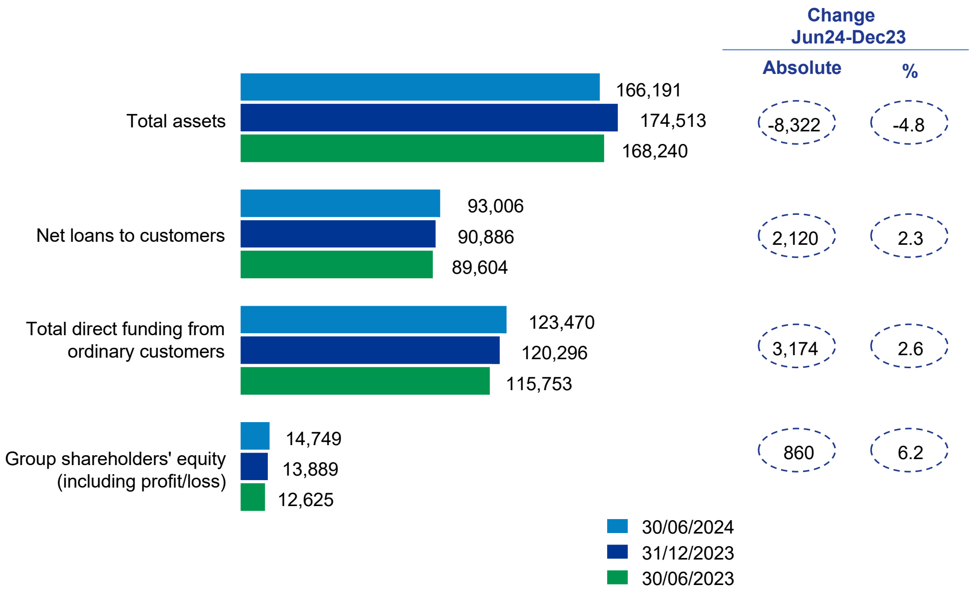
LIQUIDITY RATIOS	30/06/2024	31/12/2023	30/06/2023
LCR	263.2%	265.3%	257.0%
NSFR	160.5%	157.4%	148.0%
Encumbered asset ratio	18.1%	23.9%	24.4%

INCOME STATEMENT, BALANCE SHEET, OPERATIONAL AND STRUCTURAL DATA	30/06/2024	31/12/2023	30/06/2023
Profit/(loss) for the period	1,055,962	1,857,606	796,584
Profit/(loss) attributable to the Group	1,055,962	1,856,369	795,355
Gross income	2,987,251	5,589,733	2,696,840
Operating expenses	1,575,754	3,095,479	1,556,582
Net loans to customers measured at amortized cost	93,005,885	90,886,258	89,604,052
of which: Net bad loans	*128,833*	*137,731*	*214,193*
of which: Net UTP loans	*651,844*	*680,629*	*825,364*
Net non-performing loans	970,588	1,012,863	1,287,368
Total direct funding from ordinary customers	123,470,492	120,295,833	115,753,482
Equity pertaining to the Group (including profit/loss)	14,748,754	13,888,890	12,625,082
Intangible assets	152,383	174,591	157,399
Total consolidated assets	166,191,248	174,512,644	168,240,437
Number of branches	2,415	2,419	2,437
Number of Group banks	119	120	121
Number of affiliated mutual banks	115	116	117
Number of employees at end-period	22,416	22,347	22,276

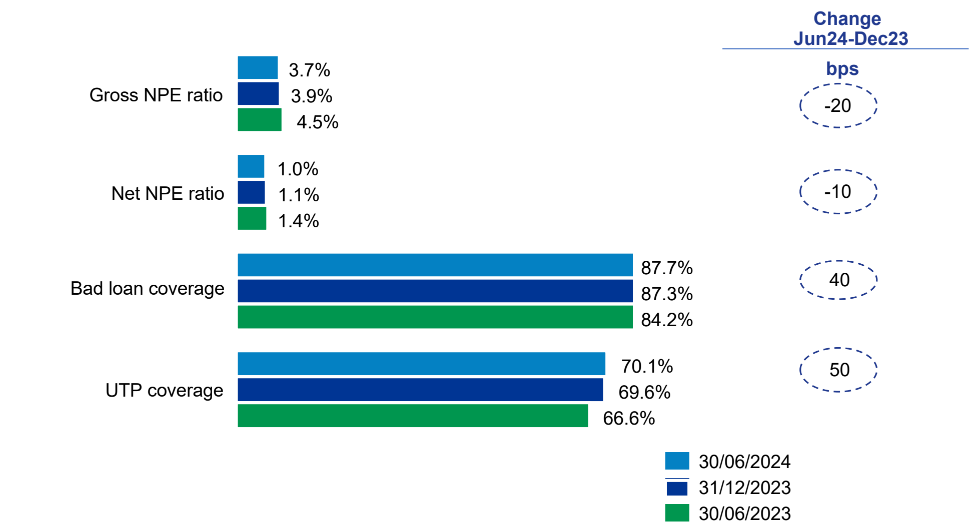
Developments in key performance figure (milions of euros)



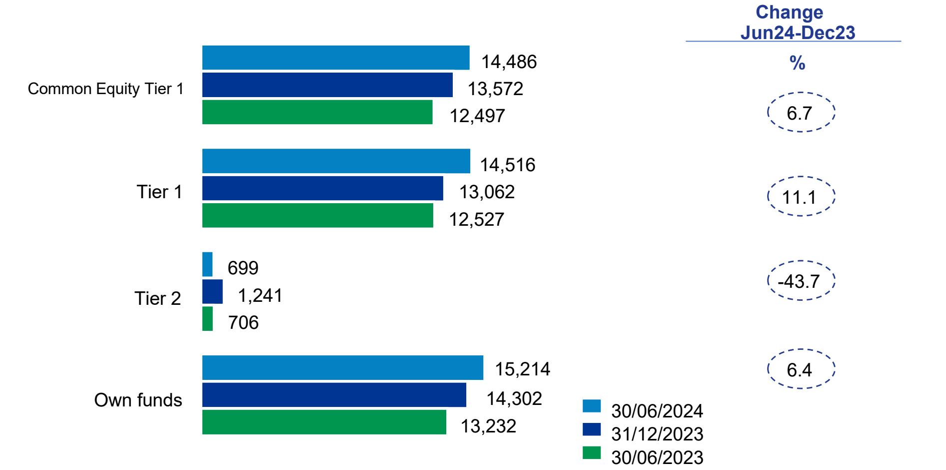
Key balance-sheet figures (millions of euros)



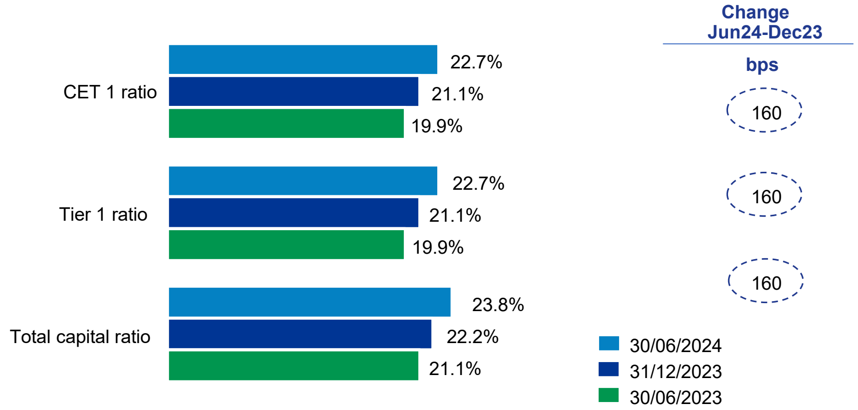
Key risk indicators (%)



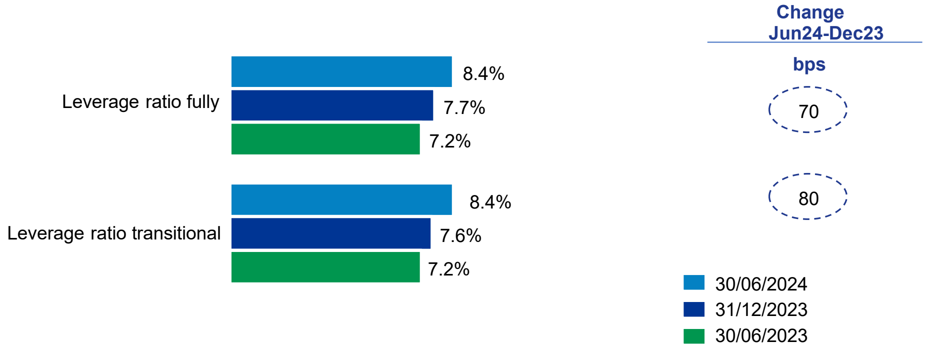
Composition of capital (millions of euro)



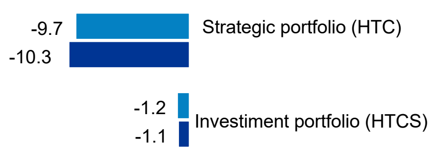
Capital ratios (%)



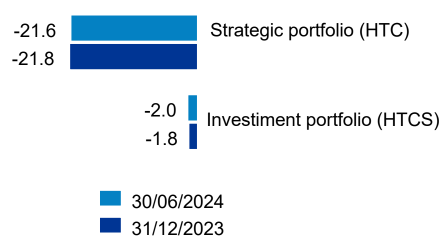
Leverage ratios (%)



Sensitivity interest rate risk (millions of euros)



Sensitivity credit risk (millions of euros)



2. THE ECONOMIC ENVIRONMENT

The international and Italian macroeconomic environment

The international environment

Now behind us: inflationary surge … With the end of 2023 and the beginning of 2024, the post-pandemic recovery of the main economies has been completed, a faster rebound than had occurred after previous crises, such as that in 2008. However, the cost of this speed, accentuated by a variety of supply shocks, has been inflation, which returned to double digits at its peak in mid-2022 and which continues to produce its inflationary effects, in many countries remaining at levels above central bank targets.

… and restrictive monetary policies. The surge in prices prompted a strong reaction from central banks, channeled through policy rate hikes not seen since the 1980s. Throughout 2023, this restrictive monetary orientation was expected to give rise to recessions that ultimately did not materialize, despite military conflict that, after Ukraine and Russia, also enveloped the Middle East in the last quarter of 2023, with major implications for commercial marine traffic in the Suez Canal. In the United States, the risk of a sharp slowdown in the economy has been subsiding quarter by quarter. In China, 2023 performance was in line with the government's target, despite the enormous problems faced by the real estate sector. Only the euro area, which however paid a relatively much higher price for the energy crisis triggered by the Russia-Ukraine war, experienced substantial stagnation of GDP during 2023.

2024 began with stable world growth but inflation remains a persistent issue, despite the gradual decline observed during 2023. The first half of 2024 saw global growth stabilize, with a modest deceleration of the US economy, a better-than-expected recovery in Europe and the maintenance of the pace of Chinese GDP growth in line with the government target.

Inflation. The slowdown in the pace of the decline in inflation in the early months of 2024, accompanied by sustained growth in employment in the United States and contractual wages in Europe, have raised some concerns among the central banks. They have thus postponed the start of an expansionary shift in policy, especially compared with the expectations that had been generated at the beginning of 2023, prompting many central banks of the emerging economies to pause their action as well. This has occurred with the notable exception of China and Japan. The former is committed to focusing its efforts on combating the crisis in the real estate sector and its widespread negative impact on the entire economic system, which has been transmitted through induced effects and household confidence and, in the absence of inflation, has acted with a succession of expansionary measures on interest rates and the supply of liquidity. By contrast, Japan, having "finally" reached its desired inflation rate of 2% in a manner deemed sufficiently stable, is trying to begin the process of dismantling the ultra-expansionary monetary policy of recent years, while avoiding excessively hasty steps that could cause the public debt problem to burst into the open.

In the **United States**, growth has also contributed to the Fed's caution. Throughout the first half of 2024, GDP maintained an average growth rate of 3% year-on-year, thanks above all to household consumption, which recouped the purchasing power eroded by inflation. Strong labor market conditions have helped wage growth outpace inflation, passing through to household disposable income. In the summer, however, signs of a weakening of the labor market emerged, later confirmed by rapidly declining leading indicators (PMI), which shifted the Federal Reserve's focus from the slow decline of inflation to the risk of sharp increases in unemployment in the event of a delayed start to the reduction of policy rates in September, as announced by Powell in Jackson Hole at the end of August. Political developments are also increasing uncertainty looking forward, since the outcome of the presidential elections is virtually unpredictable and the trade and industrial policies espoused by the two candidates appear to differ considerably. All this points to a slowdown in the rest of 2024 for investment and economic activity as a whole, which will be manifested as annual average GDP growth, especially in 2025, of less than 2%.

China's economy continues to suffer from its real estate crisis. Despite repeated economic policy interventions, the signs coming from this sector continue to underscore the negative impacts on investment and the financial difficulties of many industry companies. The problems in the real estate industry have undermined the confidence of households and firms and therefore weakened domestic demand, as reflected not only in the modest growth of retail sales but also the persistence of barely perceptible inflation, which is just above zero. Economic policy measures, which are largely based on public sector support for investment, as in the past, have not able to boost the confidence of households and (private) businesses, a necessary step to revive economic growth. Private investment in technology barely offset the fall in real estate investment, while the dynamism of the automotive sector has flagged, with serious difficulties arising even in the electric automobile segment. The most recent indicators continue to record very modest production, sales and investment performance in historical terms, while the PMI for manufacturing expectations has been signaling contraction for months. At the same time, the problem of debt, especially for local governments, has become increasingly significant and restrictive. All this suggests a further slowdown in growth to around 4% in the absence of economic policies capable of imparting a strong boost to private consumption.

Among the large global areas, **Europe's** performance was relatively weaker in the first part of 2024 (0.7% average GDP growth year-on-year), despite some uncertain signs of acceleration after stagnation in 2023. The slower-than-expected decline in inflation, unlike developments in the United States, penalized households, which have not fully recouped the purchasing power eroded by the increase in prices owing to slower wage growth. The labor market has remained solid, however, leaving room for the possibility that, as inflation continues to subside, household confidence will improve and consumer spending will increase. Although inflation decreased further over the summer months, the ECB's caution has been prompted by the possibility that contractual wage increases, which have at least mitigated domestic price increases in all euro-area countries, could slow the decline towards its 2% target. Among the factors that are penalizing Europe the most compared with the United States is uncertainty about the strength of the global recovery, but above all the possible constraints on trade with the rest of the world connected with geopolitical rather than economic factors. This reflects both the greater openness of the economy (which would penalize exports) and the greater dependence on the rest of the world for a series of products that are critical for the development of sectors on the technological frontier. In this context, it is therefore not surprising that the **German** economy has continued to show weakness, and there are no expectations for significant improvement in the short term. While the acceleration of GDP in the first quarter of this year (0.2% on the previous quarter, 0.3% for the euro area) might have suggested the possibility of recovery for the German economy as well, the quarter-on-quarter contraction in the second three months (-0.1%, 0.3% for the euro area) has dampened this optimism. Looking ahead, the further deterioration of household and business confidence in the summer months and the growing weakness of the government after the elections in the eastern Laender will also have an adverse impact. Going forward, the gradual easing of credit conditions combined with the restoration of the rules on European fiscal governance, which for many countries means little or no room for new fiscal support for domestic economic activity, will play a role in containing average annual GDP growth below 1%.

Overall, growth in the major areas will weaken compared with 2023, putting downward tensions on the prices of the main raw materials, those used in industry and energy products. For many commodities, it is essentially the lack of demand from the Chinese real estate sector that is holding back prices, especially metals connected with construction, while the electric automobile crisis is adversely impacting the price of lithium and cobalt used in batteries. As for energy products, despite a number of small shocks on the supply side, in recent weeks concerns about prospective global growth seem to dominate the markets, causing oil prices to fall by almost 20% compared with September 2023 after a period of fluctuations during the year linked to the variability of growth forecasts and actions on the supply side by OPEC.

The Italian economy

GDP growth in the second quarter of 2024. Istat's recent release of data for the second quarter of 2024 confirms the preliminary estimate of quarterly GDP growth of 0.2% (0.9% on an annual basis), a slight slowdown compared with the 0.3% registered in the first quarter. The growth already acquired for 2024, i.e. the growth that would be achieved in the event of no expansion in the third and fourth quarters, would be 0.6%. The quarterly increase in GDP is the result of the positive contribution of 0.5 percentage points from domestic demand, offset by the negative contribution of 0.3 points from net exports, reflecting a larger reduction in exports than in imports. The most significant contribution of domestic demand, equal to 0.4 percentage points, came from inventory building, while the remaining 0.1 points came from the increase in household spending and gross fixed investment, reduced by the decrease in public expenditure.

All in all, this represented a positive picture for **Italian domestic demand** despite the presence of numerous negative factors, such as the sharp loss of household purchasing power, high interest rates and the end of the 110% Superbonus building incentive scheme. The picture is however clouded by the inventory building figures, if these are interpreted as reflecting involuntary accumulation by companies that expected stronger demand than actually occurred. It should be borne in mind that in the first quarter the decrease in inventory building made a decidedly large contribution to the overall GDP growth figure, equal to 0.8 percentage points.

The figures for the second quarter show modest growth in **household spending**, with an increase of 0.2% on the previous period (-0.2% on an annual basis). As in the first quarter, the expansion continues to be driven by durable goods, albeit slowing sharply (from 2% to 0.5%). After two quarters of significant declines, consumption of services showed signs of recovery (1.3%), while semi-durables returned to positive territory after a prolonged period of contraction. These dynamics of consumption were in line with expectations, confirming the weakness connected with the earlier loss of unrecovered purchasing power against the background of a recomposition of expenditure from non-essential goods to services. Disposable income, for which data is only available up to the first quarter, registered a particularly large quarterly increase (3.3% in real terms), one that had not been seen since the beginning of the 2000s, apart from the third quarter of 2020, which was impacted by the pandemic. This figure largely reflected the payment of salary arrears to public sector employees and will accordingly probably show a decline in the second quarter. The propensity to save increased to 9.5% in the first quarter of 2024, up from 7% at the end of 2023.

In the second quarter, **investment in residential construction** fell again due to the end of the Superbonus building incentive scheme. This negative development was more than offset by the strong growth in other construction investment, reflecting the expenditure financed by under the NRRP. After a decline in the first quarter, **investment in capital goods (net of intangible assets)** resumed modest growth. Greater legislative clarity on tax relief related to Transition 5.0 may have encouraged companies not to postpone investment plans, as had instead happened in the early months of the year, when firms were expecting more generous incentives, in line with those of Industry 4.0.

The fall in **total exports** was driven for the second consecutive quarter by merchandise exports, while services, which include foreign tourism in Italy, increased. Unlike domestic demand, these developments reflect weakness associated with the slowdown in world trade, primarily the difficulties of the German economy, Italy's main destination market. **Imports** are also decreasing, in this case involving not only goods but also services. The fall in merchandise imports has been accompanied for some time by a reduction in import penetration, as given by the ratio between imports and aggregate demand. Contributing to this has been the slowdown in capital goods investment and exports, which are the demand items containing the largest proportion of imported intermediate goods. Nevertheless, although the evidence is currently very limited, these dynamics could represent the initial signs of relocalization.

Inflation. The fall in prices in the first stage of distribution is being transmitted along downstream supply chains, with intensities and speeds that differ among between countries but with a clear common trend. After the peaks registered in the second half of 2022, consumer price inflation, as measured by harmonized indices, declined progressively during 2023 before stabilizing in the early months of 2024. Italy, which with 12.6% inflation in the autumn of 2022 holds the record among the major countries, is now experiencing a stronger period of disinflation, due to differences in the timing of energy price developments. According to provisional data for August, consumer inflation in Italy fell marginally compared with July, slipping from 1.3% to 1.1%, mainly due to a larger decline in energy prices (-6.1%, from -4.0%), despite the upward pressures recorded in the regulated energy sector. Core inflation, which was slowly declining, increased in response to a sharp increase in airfares, which have been pushed upwards by demand.

Employment. The exceptional expansion of employment that has so far characterized the Italian economy has been sustained by private services and, to a lesser extent by public services. Construction has played the leading role, while the contribution of industry has been limited. Another feature of developments in the Italian labor market is the increase in hours worked per capita: last year, the number of persons in employment and hours worked increased by 1.8% and 2.3% respectively, running counter the experience in other European countries (see Spain, for example), where the average number of hours worked per capita is declining due to an increase in part-time work and positions in sectors structurally characterized by less-than-full hourly employment (seasonal or occasional work). The fact that the increase in employment in Italy has been driven by permanent employment, compared with a decline in fixed-term employment, and by a contraction in self-employment, which is still below pre-pandemic levels, can be interpreted as a reflection of the growing difficulty in finding labor. Here too, the trend is common to the large European countries, with businesses continuing to cite the shortage of labor as one of the major obstacles to increasing production. The most recent employment data show that in May-July the number of persons in employment continued to increase, led by permanent payroll employees.

In the short term, it is likely that the Italian economy will increasingly suffer the consequences of end of the Superbonus building incentive scheme, mitigated in part by the resumption of employment displaced in recent years by supply bottlenecks in the construction sector and in part by investment under the NRRP. On the household consumption front, the issue is the reaction of households to the loss of purchasing power, only partly offset by wage increases. This factor will keep spending growth particularly slow this year. Under these conditions, and assuming that no new energy price strains arise, growth is forecast at just under 1% for both 2024 and 2025.

The performance of the financial markets in 2024

After terminating the phase of increasing policy rates in 2023 – the Fed in July and the ECB in September – with inflation declining faster than expected, markets have gradually discounted a postponement of the timing of initial rate cuts. Since the end of last year, the markets have changed their views swiftly, initially advancing expectations for the start of the reduction to the early months of 2024 in both in the United States and the euro area. With new data on inflation (which in some months began to rise again) and the indications of the central banks themselves, markets then shifted their expectations for the initial rate cut to the summer and have scaled down their forecasts for the strength of the expansion. In the end, the ECB actually lowered rates in June and September 2024, in line with expectations, and any uncertainty now concerns the timing of its next moves. By contrast, in the United States the lack of further progress in the early months of the year on the reduction of inflation towards the 2% target made it more likely that rates would remain "higher for longer": the markets therefore reduced the number of cuts expected for this year, postponing their forecasts for an initial reduction to the closing months of 2024. The recent better performance of inflation, which fell to below 3%, then contributed to consolidating expectations for an intervention in September.

At the end of 2023, the downward revision of inflation expectations and the expectations of an imminent and marked drop in policy rates were reflected in a sharp drop in 10-year government rates, with the Bund closing the year at around 2% and Treasuries just under 4%. Ten-year rates then started to rise again during the early months of 2024, reflecting the adjustment of market expectations for a phase of a more expansionary monetary stance, which was perceived as more cautious compared with the view at the beginning of the year. Rates then fell again in the middle of the year: Treasuries stood at around 4.40% at the end of June, while the Bund was below 2.50%, the latter influenced by the increase in demand for German securities after the European elections in June.

The BTP-Bund spread, which closed 2023 at around 150bp for 10-year paper, fell further during this year, reaching 120bp, thanks in part to a greater improvement in liquidity conditions for Italian securities than that observed for German bonds. The spread then began to widen again in the spring, but did not exceed 150bp even when geopolitical tensions worsened or in the run up to the presentation of the Economic and Financial Document (EFD). There was a general widening of spreads against the Bund after the European elections on June 9, in which far-right parties posted gains that, in France, prompted President Macron to immediately call new national elections. The increase in the BTP-Bund spread was limited however, not exceeding 160bp. The rise for the OAT-Bund differential was larger, reaching around 80bp, greater that that seen in 2017 when, on the occasion of the presidential elections, the risk of an exit from the EU (dubbed "Frexit") evoked by extremists on both sides had increased. Spreads against the Bund had already narrowed after the first round of French elections, but remained relatively high for France pending developments in the formation of a new government.

In the early months of 2024 equity indices continued the rise experienced in the final months of last year, sustained by the dissipation of the risks of recession and despite the rise in rates on government securities. The rise in stock prices was supported in particular by a further improvement in risk appetite, which reached very high levels. Equity markets then went through a more uncertain period in the second quarter, buffeted by geopolitical tensions in the Middle East - with the military escalation between Iran and Israel - and by fears that US policy rates could remain high for longer. The publication of better-than-expected macroeconomic data, which confirmed the resilience of the main economies, and a resumption of the decline in US inflation, nevertheless provided support to stock prices, with US equities closing the first half of the year up 14%. The tensions that emerged following the European elections of June 9 contributed to dampening the performance of euro-area equities, which were significantly impacted by the increase in risk premiums, especially in France: the index for the area as a whole rose by just over 3% in the first half of the year, while the Italian market outperformed the average (around 7%).

Developments in the Italian credit system

The reduction in lending has continued in 2024, although the contraction had been less marked than last year. The demand for credit from households and firms contracted, reflecting the use of accumulated liquidity to cope with the increase in lending rates. In addition, businesses have also made extensive use of the bond market and increased the share of financing raised from non-bank intermediaries. On the supply side, the credit standards reported in Bank of Italy surveys[6] remained stable for both sectors, with the exception of consumer credit, which showed a slight restriction in the latest survey. Overall, at mid-2024, **bank lending had decreased less than at the beginning of the year** (from -2.4% in March to -1.6% in June 2024, excluding loans to central counterparties and net of the effect of settlements and securitizations). Lending to firms remains the most penalized component, as it has been contracting for almost two years now (-3.4% in June 2024, from -4% at the end of 2023, net of the effect of settlements and securitizations). Lending to households, which has been decreasing since the third quarter of 2023, continued

[6] Bank Lending Survey, July 2024 – Banca d'Italia.

to follow this trend in the first six months of 2024 (-1% through June 2024), affected by the weakness of the real estate sector and persistently high interest rates, especially for mortgage loans for house purchases. The consumer credit component is the only segment that is still expanding (+4.2% in June 2024), driven by the recovery in personal loans and the stability of lending for the purchase of automobiles, in line with the positive trend in durables consumption. In the final part of 2024, despite a weak economy, the decline in inflation and a more accommodative monetary policy in the second half of the year will enable the stabilization of lending to households (+0.4% adjusted for the disposal of impaired loans) and limit the contraction in lending to non-financial companies (-0.3%), which will continue to rely on self-financing and, in the case of larger enterprises, funding on the capital market. In 2025-2026, increasing purchasing power and gains on financial markets will strengthen the economic situation of households, stimulating credit growth (+1.7% on average each year), thanks in part to the decline in interest rates on loans. Lending to firms will also return to moderate growth (+0.4% on average each year), boosted by lower interest rates and the incentives available under the Transition 5.0 program. By contrast, construction investment will be penalized by the end of the Superbonus incentive scheme, especially in the residential segment.

In the first three months of 2024, **risk indicators** increased compared with the end of 2023, reflecting an increase in transfers of impaired loans to non-performing status. The **rate of credit deterioration**, although still low (1.2% on an annualized basis, 13 basis points higher than in 2023), worsened more sharply for both consumer and producer households (+26 basis points compared with 2023).

For the remainder of the year, it is reasonable to expect a carryover impact on credit riskiness, due not only to the end of extraordinary support for households and firms and the start of a fiscal policy stance with less expansionary scope and to interest rates that while decreasing remain high. This deterioration will be more significant for firms, which are affected by the performance of the construction sector, while households will benefit from the recovery of disposable income in real terms and an increase in fixed-rate borrowing. Default rates will remain low, however, thanks to the greater attention paid to lending criteria and more selective demand for credit, which have created a cohort of higher quality borrowers, making the increase in default rates less pronounced than it would have been in the past. Credit risk is then expected to gradually decline as from 2025. The high level of rates will weigh more heavily on lending to firms, which is mostly at variable rates. In this environment, the system-wide NPE ratio[7] (net of lending connected with Cassa Depositi e Prestiti operations) should grow modestly, going from 3.4% in 2023 to 3.8% in 2024 (3.4% in June 2024), thanks in part to portfolio disposals that will limit the impact of the deterioration in asset quality.

On the **funding** side, the first six months of 2024 saw a slowdown in the recomposition of direct bank funding from more liquid components to forms with longer maturities by households and firms in an environment still characterized by uncertainty about future economic conditions. More specifically, current accounts, which retained a high opportunity cost compared with less liquid alternatives, decreased until May (-3.7% from -8% at the end of 2023), partly reflecting competition from government securities, and then remained stable in June. Conversely, fixed-term deposits continued to expand until June, rising by over 30%, in line with the increase in their remuneration. In the second half of the year, households are expected to continue to reallocate their liquidity towards longer-term forms of savings, attracted by attractive rates of return (over 3%) despite the expected decline in money market rates. Overall, direct bank funding should remain unchanged at the end of 2024, as the decline in current accounts will be less pronounced and partially offset by the growth in other deposits and bonds. In the following two years, direct funding will remain stable (with an average annual increase of 0.5% in 2025-2026), reflecting a reduction in current account funding (an average of -3% in 2025-2026) offset by an increase in fixed-term deposits (an average of 13% in 2025-2026) and bond funding (an average of 7% in the three-year period). The recomposition of funding towards longer-term instruments will also be supported by regulatory requirements to maintain adequate stable funding indicators once all TLTRO liquidity has been repaid. The banking product offer will therefore focus on attracting new customers, offering attractive remuneration and maturities in order to bring the funding structure closer to a more "traditional" model.

In the first half of 2024, the profitability of the main European banks continued to improve, thanks to generalized growth in all revenue components. The profitability gap between Italian and European banks widened, with the former recording an annualized ROE of more than 15%, compared with 9% for the European banks, reflecting stronger growth in net interest income and a contraction in loan impairment losses. Listed significant Italian banks with a traditional business model posted a profit of more than €13 billion, up 20% compared with the €11 billion reported in the first half of 2023. **Net interest income** continued to be the main driver of growth, thanks to the widening of commercial spreads - despite a slowdown in the second quarter - and the contributions of treasury investments and hedging strategies. **Net fee and commission income** also contributed to profit growth, supported in particular by fees for management, intermediation and advisory activities. Net impairment losses on loans decreased slightly, with the **annualized cost of risk** decreasing from 35 to 32 basis points and credit quality remaining substantially unchanged (with the gross NPE ratio stable at 2.7%). The fully loaded **CET1 ratio** increased by over 20 basis points

[7] The indicators include CDP lending but exclude interbank lending and lending to central banks.

compared with the end of 2023, reaching 15.1% thanks to the contribution of first-half earnings, only partly offset by profit distribution policies (dividends and share buybacks). The reduction in RWAs continued through capital management transactions (mainly securitizations of performing loans).

After the strong growth in net interest income in 2023, the **traditional profitability of the banking system will continue to increase throughout 2024** thanks to the persistently wide interest rate spread. This will enable the preservation of good overall profitability, cushioning the worsening of risk and keeping the ROE above 10%. The spread will narrow again starting from 2025, leading to a decline in net interest income that will penalize profit formation. Despite the greater contribution of net fee and commission income and the reduction in operating expenses, ROE will therefore fall below 9% in 2025 and stand at around 7% in 2026.

EU measures

During 2024, the prolonged crisis that had opened with the Russian invasion of Ukraine gradually normalized. With this, a period of **policy normalization** began, which also involved the interventions of the European Commission. The exemptions from the rules governing State aid are thus being eliminated, while maintaining a focus on supporting the energy transition.

The “Temporary Crisis and Transition Framework for State aid measures to support the economy following Russia’s aggression against Ukraine” was adopted on March 9, 2023, is still in force, albeit weakened. Between the end of 2023 and June 2024, a number of sections were eliminated, in particular those relating to aid to offset high energy prices and to support liquidity with guarantees and subsidized loans. However, the sections governing interventions to accelerate the green transition and reduce dependence on fossil fuels, in line with the RePowerEU plan, remain in force until the end of 2025, while the scope for granting limited aid in the agriculture and fisheries sectors has been extended for another six months (with an amendment adopted on May 2, 2024).

The current framework permits the following forms of aid:

1. aid of limited amounts solely for firms operating in the primary agricultural sector and the fisheries and aquaculture sector permitted until December 31, 2024. The aid ceilings are unchanged at €280 thousand for the agricultural sector and €335 thousand for the fishery and aquaculture sector;
2. aid to accelerate the rollout of renewable energy and energy storage, permitted until December 31, 2025: this includes direct grants, repayable advances, loans, guarantees or tax advantages, including tax credits, to encourage investments in energy production from renewable sources; investments in electricity or thermal energy storage; investments in the storage of renewable hydrogen, biofuels, bioliquids and biogas;
3. aid for the decarbonization of industrial production processes through electrification and/or the use of renewable and electrolytic hydrogen fulfilling certain conditions and for energy efficiency measures, permitted until December 31, 2025: this includes direct grants, repayable advances, loans, guarantees or tax advantages, including tax credits, which lead to a substantial reduction (40%) in greenhouse gas emissions from industrial activities that currently rely on fossil fuels as an energy source or feedstock or a substantial reduction in energy consumption (20%) associated with industrial activities and processes;
4. aid for an additional reduction of electricity consumption, permitted until December 31, 2025, as part of a competitive bidding process, which includes incentives for current reductions in electricity consumption to ensure consistency with the objectives of gas reduction, if certain cumulative conditions are fulfilled;
5. aid to accelerate investments in sectors strategic for the transition towards a net-zero economy, again permitted until December 31, 2025. This includes support for private investments to address the gap in productive investment in strategic sectors, namely batteries, solar panels, wind turbines, heat pumps, electrolyzers and carbon capture and storage equipment, including the extraction of raw materials and the production of key components necessary for these processes.

The European Commission also intervened in the continuation of the RePoweEU plan[8] with a view to further reducing Russian gas imports, accelerating industrial decarbonization and the introduction of renewable energy, and investing in energy infrastructure and interconnections.

The timeline envisages:

- the entry into force on November 20, 2023 of the EU Renewable Energy Directive, amended to increase the binding EU renewable energy target from 36% to a minimum of 42.5% by 2030, while seeking to reach 45%. The share of renewable energy in the EU would thus almost double compared with the current level.

[8] Please see previous financial reports for more information.

Governments have 18 months to transpose the directive into national legislation, and a shorter deadline (July 2024) to issue rules to simplify authorization procedures;

- the expansion of the AggregateEU mechanism for the joint purchase of gas under the EU Energy Platform. After 5 short-term tenders (113 companies, 43 billion cubic meters of gas), the first medium-term tender was held in February 2024, with the possibility of applying for multiple 6-month periods, from April 2024 to October 2029 (19 companies, 97.4 billion cubic meters of gas);
- the adoption of a formal recommendation, on March 25, 2024, to extend by one year the request for Member States to reduce gas consumption: in the period April 1, 2024-March 31, 2025 the reduction should be at least 15% compared with average consumption in April 1, 2017-March 31, 2022.

Main measures taken in Italy to support the economy and bank lending

As for Europe, **2024 is also a year of transition for Italy's fiscal policy**. Most of the exceptional measures introduced to contain the adverse impact of the long years of crisis are expiring, beginning with the Superbonus building upgrade incentive scheme, and European fiscal rules are returning into force, with the consequent need to plan the return of the deficit and debt to pre-crisis levels. Between June and July, the Commission and the European Council published their assessments of countries' compliance with the Stability Pact, opening an excessive deficit procedure for seven countries, including Italy. Looking ahead, therefore, the scope for expansionary policies is very limited and will have to be combined with controls over expenditure. By September 20, the Government will present its first national medium-term fiscal-structural plan, indicating the public finance objectives and the main investments and reforms that will be implemented over the next seven years, consistent with the obligation to improve the public accounts.

The **budget package approved with the Budget Act** at the end of 2023 was slightly expansionary, providing for an increase in the deficit of 0.7 percentage points of GDP but only for 2024, while keeping the impact on 2025 and 2026 neutral. **The expansionary impulse is focused on households**: the reduction of social contributions charged to employees with incomes up to €35 thousand was extended to the end of 2024 (representing overall relief of €11 billion), while a total exemption was introduced for working mothers for 2024-2026 and a reduction in IRPEF (personal income tax) was introduced for 2024 only with the revision of the rates and deductions (€4.3 billion). In addition, resources were appropriated for the renewal of public employment contracts and for social support measures for the most vulnerable households. The **measures in favor of firms** are of lesser importance, including €1.8 billion in funding for the tax credit for investment in the Southern Italy special economic zone, €100 million in refinancing for 2024 of the "Nuova Sabatini" mechanism for investments in capital goods by micro, small and medium-sized enterprises, and the authorization for SACE SpA to issue - until December 31, 2029 - guarantees for infrastructure and industrial investments (the latter relating to energy transition processes and the circular economy, sustainable mobility, industrial, technological and digital innovation of companies). Similarly, SACE's "Green Guarantee" has been extended to 2024. A more restrictive measures, however, was the abolition of the ACE (Allowance for Corporate Equity).

The implementation of the NRRP is proceeding in accordance with the deadlines agreed at the European level. With the disbursement of the fifth installment on August 6, 2024, Italy has received approximately €113 billion: €44.67 billion in grants and €68.79 billion in loans, thanks to the over 200 milestones and objectives achieved. The European Commission is now evaluating the Government's request for the payment of the sixth installment of €8.5 billion relating to 37 milestones for the first half of 2024. The results achieved so far have mainly concerned reforms and the adoption of administrative and legislative measures preparatory to the actual implementation of investment projects, which will instead have a central role in the second part of the plan. The procedural progress delineated in the data contained in the fifth report to Parliament (submitted by the Government on July 30, 2024) demonstrates that as at June 30, 2024, interventions worth some €165 billion have been activated, 85% of the plan total, with expenditure of about €51 billion. Assessments by the Bank of Italy indicate that at the end of 2023, tender notices for approximately two-thirds of the resources allocated had been published and that construction for almost half of the works financed or co-financed under the NRRP has begun.

Accordingly, in the coming years the expansionary impulse of public programs will essentially be channeled through the implementation of these works, which mainly but not exclusively concern investments in public works. One major measure is the **Transition 5.0** plan, which became operational with the opening of a dedicated platform by the Energy System Operator (GSE) on August 7. Established under Mission 7 of the NRRP, the plan grants a tax credit to firms that make new investments in production facilities located in Italy, as part of innovation projects that reduce energy consumption. The projects must be implemented from January 1, 2024 and completed by December 31, 2025, with an overall maximum limit of eligible costs of €50 million per year per firm. Available resources total €6.3 billion.

Monetary policy measures adopted by the ECB in 2024

At its meetings of January, March and April 2024, the Governing Council decided to maintain the interest rates on main refinancing operations, the marginal lending facility and the deposit facility with the central bank at 4.5%, 4.75% and 4%, respectively, emphasizing that policy rates would remain at sufficiently restrictive levels as long as necessary.

On March 13, the ECB announced its new operational framework, which envisages the reduction, starting from September 18, of the spread between the rate on the main refinancing operations (MROs) and the rate on the deposit facility from 50 to 15 basis points, while the spread between the rate on the marginal lending facility and that on MROs will remain at 25 basis points. As explained by the ECB, the narrower spread between the MRO rate and the deposit facility rate will encourage the use of the main refinancing operations and enable short-term money market rates to evolve in the vicinity of the deposit rate, as has been the case for many years due to the excess liquidity generated by unconventional monetary policies.

At its meeting of June 6, the Governing Council decided to lower the three key interest rates by 25 basis points: the interest rates on main refinancing operations, the marginal lending facility and the deposit facility with the central bank were cut to 4.25%, 4.50% and 3.75% respectively. At the same time, due to strong domestic price pressures from rising wages, the ECB revised its headline and core inflation forecasts for 2024 and 2025 upwards, reiterating that future interest rate decisions will be data-dependent. The ECB also confirmed that from July it will no longer reinvest all principal repayments on maturing securities, reducing the portfolio by €7.5 billion per month on average. Reinvestments are expected to be discontinued at the end of the year.

At its meeting of July 18, the Governing Council left the rates on main refinancing operations, the marginal lending facility and the deposit facility unchanged at 4.25%, 4.50% and 3.75% respectively. At a press conference, President Lagarde said that the question of the September interest rate decision was “wide open”. According to the statement, the incoming information broadly supports the Governing Council’s previous assessment of the medium-term inflation outlook. Services inflation is elevated and headline inflation is likely to remain above target well into next year.

As widely expected and priced in by markets, at its meeting of September 12, the ECB Governing Council cut the deposit facility rate by 25 basis points to 3.50% from 3.75%. The September macroeconomic projections confirmed that headline inflation will hit the 2% target in the fourth quarter of 2025, as had already been indicated in the June projections.

3. THE ICCREA COOPERATIVE BANKING GROUP: DISTINGUISHING CHARACTERISTICS, GEOGRAPHICAL DISTRIBUTION, STRUCTURAL ARRANGEMENTS, SPECIFIC NATURE OF THE AFFILIATED MUTUTAL BANKS AND THEIR MISSION

The Iccrea Cooperative Banking Group has its legal foundation in the Cohesion Contract (pursuant to Article 37-bis of the Consolidated Banking Act) between the Parent Company, Iccrea Banca (the central body), and the affiliated mutual banks (affiliated banks), through which the latter have granted the Parent Company powers of management and coordination, exercised on a proportionate basis and as a function of the relative health of the affiliated banks, with the aim of preserving the stability of the Group and its members and promoting the cooperative spirit and mutualistic function of the mutual banks and the Group.

The Cohesion Contract calls for the joint and several guarantee of all obligations assumed by the Parent Company and by the affiliated banks in observance of the principles of prudence applicable to banking groups and to the individual affiliated banks as a further necessary factor. This cross-guarantee is governed by contract with the effect of qualifying the liabilities of the Parent Company and of the affiliated banks as joint and several obligations of all those who accept the agreement. The guarantee also calls for intercompany financial support mechanisms under which the members of the group provide mutual support to ensure solvency and liquidity and avoid, where necessary, undergoing the resolution procedures of Legislative Decree 180/2015 or the compulsory liquidation procedures of Article 80 et seq. of the Consolidated Banking Act.

Any necessary support (capital or liquidity) provided to the affiliated banks in order to ensure the solvency and liquidity of the individual participants in the scheme are carried out by the Parent Company, drawing on the financial resources made available by the participants under the provisions of the Guarantee Agreement. Support actions may include: i) capitalization measures making use of the Ex Ante Share of the readily available funds (RAFs); and ii) liquidity support measures, using the Ex Post Quota of the RAFs.

The RAFs are composed of an amount established ex ante and an amount that can be called up by the Parent Company when needed (the Ex Post Quota). The guarantee obligation assumed by each participating entity is commensurate with their risk-weighted assets and kept within the limits of any capital in excess of their individual capital requirements, without prejudice to compliance with said requirements.

Capitalization interventions implemented are allocated on a pro-rata basis to each participant. The intervention shares attributed to each participant shall be:

- recognized by the participant as an indirect loan in the form of an instrument eligible for computation in the issuer's own funds;
- deducted, from a prudential point of view, from the component of own funds consistent with the type of intervention implemented for the mutual bank involved.

In view of the foregoing, the Iccrea Cooperative Banking Group is a group of entities affiliated with a central body pursuant to Article 10 of Regulation (EU) no. 575/2013 (the CRR), with the simultaneous presence of a mutual guarantee system.

At least once a year, the Parent Company conducts stress tests of the participants in the scheme, aimed at determining the readily available funds and consequently adjusting the shares of the affiliated banks based on the greater or lesser amount already provided. The outcome of these stress tests is used to quantify the total amount of readily available funds and, consequently, the guarantee obligations of the affiliated banks. It also serves to calibrate the thresholds of the early warning system.

Structure of the Banking Group

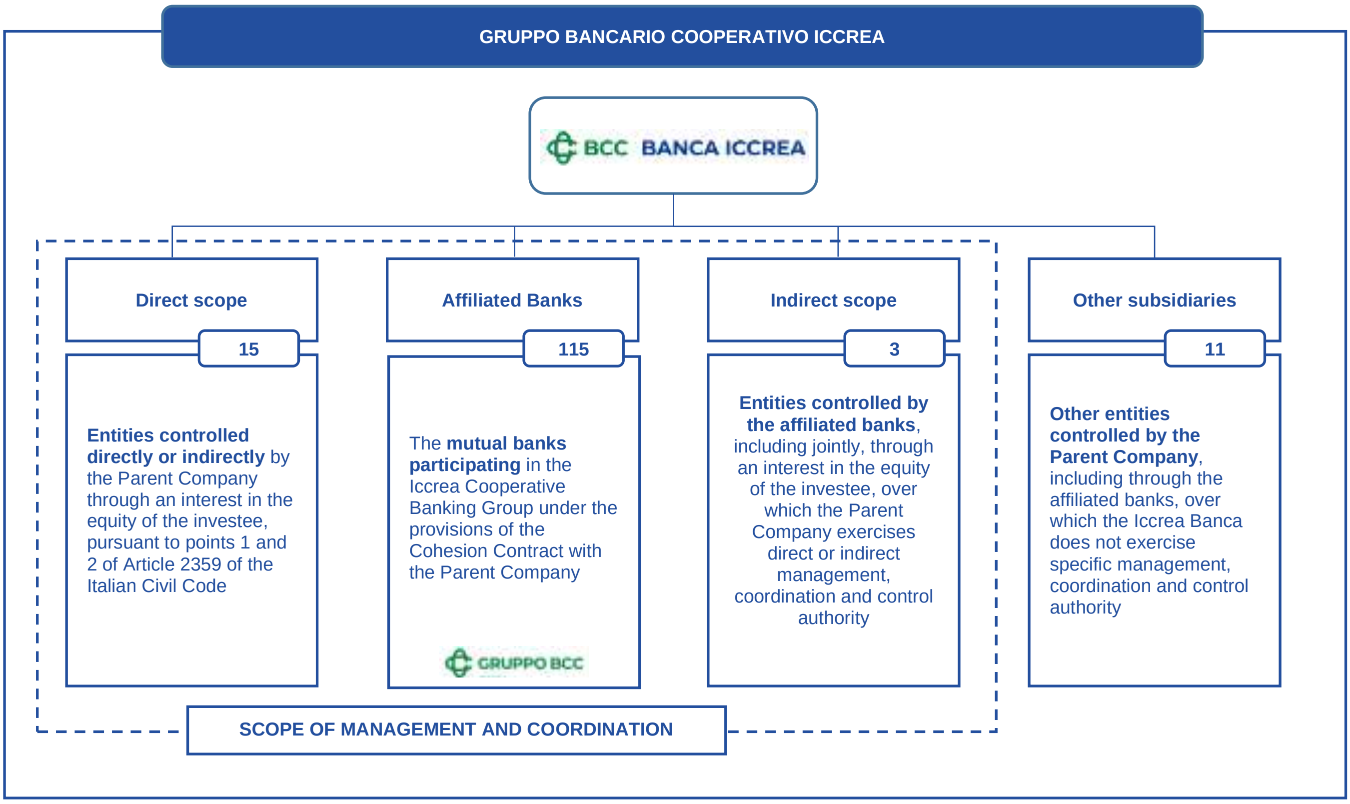
As summarized in the following chart, at June 30, 2024, the Group is structured as follows:

- the Parent Company, Iccrea Banca SpA, which plays a management and coordination role for the Group and for interacting with regulatory and supervisory authorities;
  - the companies subject to the management and coordination of the Parent Company, which include:
  - the affiliated banks, participating in the Group in virtue of the Cohesion Contract signed with the Parent Company;
  - subsidiaries held, directly or indirectly, by the Parent Company in accordance with points 1 and 2 of Article 2359 of the Italian Civil Code, over which the Parent Company exercises management, coordination and

control powers (by convention, these companies are said to fall within the "direct scope" of management and coordination);

- companies controlled by affiliated banks, separately or jointly, by way of equity investments, over which the Parent Company directly or indirectly exercises management, coordination and control authority in light of their instrumental roles within the ICBG (by convention, these companies are said to fall within the "indirect scope" of management and control);
- other subsidiaries of the Parent Company, held directly or through the affiliated banks, over which Iccrea Banca does not exercise specific management, coordination, or control authority.

Organizational structure of the Parent Company



The organizational structure of the Parent Company, Iccrea Banca, is based on the operating model and the strategic-operational activities required by the relevant legislation and the Cohesion Contract, which can be summarized in the macro-areas of: (i) management, coordination, policy and control; (ii) provision of services to affiliated banks and direct scope companies; and (iii) performing the activities of the Parent Company.

The Parent Company's organization features a hierarchical structure. The first-level units report either to the Board of Directors (in the case of corporate control functions) or to the General Manager and mainly include organizational units that perform complementary/synergistic activities with related functional and operational traits and/or that belong to the same technical or operational area, thereby ensuring performance of the duties necessary in order to carry out the activities of the Parent Company and coordinate the decisions and operations of the units below them.

At June 30, 2024 the Parent Company's organizational structure envisages:

- second- and third-level corporate control functions, reporting directly to the Board of Directors, structured into the following organizational areas: Chief Audit Executive (CAE) area, Chief Risk Officer (CRO) area, Chief Compliance Officer (CCO) area, comprising the associated Data Protection Officer function, and the Chief AML Officer (CAMLO) area. The corporate control functions are completely centralized and operate on an outsourcing basis for all Group companies (affiliated banks and companies within the direct scope for which a corporate control function is envisaged). Each function had its own territorial structure through which it performs the control activities on behalf of the affiliated banks on an outsourcing basis.

- Organizational units/areas reporting to top management:
  - Chief Financial Officer area (CFO area);
  - Lending and Investee area;
  - Chief Operating Officer area (COO area);
  - Chief Business Officer area (CBO area);
  - Chief Information Officer area (CIO area), functionally connected to the Group company dedicated to information systems;
  - Institutional Communications unit;
  - TM Staff unit.

Group personnel

Total Iccrea Cooperative Banking Group personnel at June 30, 2024 numbered 22,416 (21,954.4 FTE[9]), broken down as follows:

Scope	Number of employees at June 2024	FTE at June 2024
Mutual bank employees	18,631	18,204
Iccrea Banca and direct scope companies	3,784	3,749
Other companies	1	1
Total	**22,416**	**21,954**

Developments in hiring and terminations within the Iccrea Cooperative Banking Group in the first half of 2024 produced a net increase of 69 employees at June 30, 2024 (608 new hires compared with 539 terminations; of these, 47 involved intragroup transfers).

The composition of the workforce by category and gender at June 30, 2024, is reported in the following table:

Position	Men	Women	Total
Senior management	352	38	390
Middle management	5,031	1,958	6,989
Office staff	7,298	7,739	15,037
Total	**12,681**	**9,735**	**22,416**
of which:			
On open-ended contracts	12,446	9,473	21,919
On fixed-term contracts	235	262	497

The Parent Company's workforce showed a net increase of 22 in 2024: 76 new hires, of which 8 intragroup, and 54 departures, of which 14 intragroup.

Remuneration and incentive policies

In compliance with the applicable "Provisions governing remuneration and incentive policies and practices in banks and banking groups", the Parent Company has adopted a Group policy on remuneration and incentive systems consistent with the characteristics of the Group and all its components, taking due account of the cooperative nature that distinguishes it and the mutualistic purposes of the affiliated banks, in order to achieve the uniform and proportionate application of the applicable provisions and ensure compliance with requirements.

Also in compliance with the provisions of Regulation (EU) 2019/2088 on transparency regarding sustainability in the financial sector, the policies adopted in 2024 take account of sustainability issues, which have been given substance in a series of ESG objectives and indicators incorporated in the incentive system of the Parent Company and the companies within the direct scope and, where applicable, the incentive systems of the affiliated banks.

With these policies, Group companies and banks seek to:

[9] Full Time Equivalent (considers the effective % of part-time work).

- ensure the coherence of the values of the mutual banking industry, a corporate culture based on strong roots in local territories, the overall corporate governance and control structure of the Group; promote the pursuit of long-term financial and non-financial strategies, objectives and results (including sustainability) in line with the general framework of governance and risk management policies and with the established liquidity and capitalization requirements;
- ensure a constant balance between the fixed and variable components of remuneration to enable compliance with capital requirements and limit excessive risk taking;
- ensure the adoption of ex-ante and ex-post risk correction mechanisms (malus and claw back systems) with a view to penalizing improper or fraudulent behavior by staff in respect of customers, the Bank and/or the Group;
- guarantee the gender neutrality of personnel and, therefore, ensure that personnel receive equal remuneration for performing the same activities, including equal conditions for recognition and payment of such remuneration.

The annual Group Remuneration and Incentive Policies report was approved by the Ordinary Shareholders' Meeting of the Parent Company – acting on a proposal of the Board of Directors - on May 16, 2024 and is available on the Parent Company's website.

The Group's asset management company, BCC Risparmio&Previdenza, prepares its own Remuneration and Incentive Policies report, in compliance with specific sector regulations, in accordance with the Group Remuneration and Incentive Policy.

With regard to the affiliated banks, in order to ensure the uniformity of application of the principles on which the Group's Remuneration and Incentive Policies report is founded, a standard has been prepared that those banks were able to use in support of their adoption of remuneration policies and incentive models consistent with the Group policies and in compliance with the applicable regulations and the principle of proportionality.

In 2024, instructions were developed for the identification of material risk takers (MRTS) - based on Delegated Regulation 2021/923 - relevant persons and credit intermediaries, disclosure requirements pursuant to Art. 450 of the CRR, methods for calculating the bonus pool, and the collection of information necessary for consolidated reporting/disclosure (EBA and Pillar III).

Industrial relations

On July 9, 2024, Federcasse and the national trade union secretariats signed an agreement for the renewal of the national collective bargaining agreement for the executives and staff of the professional areas of the mutual banks, expiring on December 31, 2025.

The main provisions of the renewal include the following:

- salary increases that will lead to a structural increase in costs (including social security charges) for personnel classified as executives and professionals of about €166 million. The estimated increase in costs for 2024 (including social security charges) is equal to about €44 million for the Group;
- a one-off payment, disbursed in July, to those who were in service on July 9, 2024. The overall cost of the one-off payment for the Group (including social security charges, equal to about €31 million) was fully recognized in profit or loss for the period;
- a commitment to renegotiate the Rules of the Fund for Cooperative Credit Employment (FOCC),[10] to establish the Bilateral Industry Body (EnBiCC) necessary for the operation of the Fund, and to amend the Rules of the Industry Solidarity Fund.[11]

[10] The FOCC was established in 2024 to finance new hires (young people, women, the unemployed, etc.) and the provision of certain benefits for workers (supplementation of the allowance for reduced working hours for under the Cassa Integrazione, extraordinary mobility and other such mechanisms). The aim is to modify the benefit systems, eliminating benefits for workers and introducing others to finance financing training and generational turnover (financing part of the reduction in working hours for personnel close to retirement who decide to reduce their working hours in exchange for hiring new employees).

[11] The Solidarity Fund is inteded to support employment: early retirement benefits, financing training, reduction of working hours under the Cassa Integrazione and emergency benefits following collective layoffs. The proposed amendments seek to increase the maximum Cassa Integrazione benefits and enable the payment of full contributions in the event of recourse to generational turnover.

Planned/activated terminations

In the first half of 2024, agreements were formalized for access to the extraordinary benefits of the Industry Solidarity Fund involving BCC Calabria Ulteriore, BCC Mediocrati, Emilbanca, Credito Romagnolo, ChiantiBanca, Banco Fiorentino, BCC Versilia, BCC Pescia, Banca Alta Toscana, BCC delle Madonie, Banca del Piceno, BCC Magna Grecia and BCC Terre Venete. The agreements involved a group of about 157 personnel.

Distinctive features of the mutual banks

Under Italian law, mutual credit activities enjoy dual constitutional recognition. As part of the wider cooperative movement, it is protected by Article 45, which recognizes "the social function of cooperation of a mutual and non-speculative nature", while in its function of intermediation of savings and credit, it falls within the particular duty that Article 47 assigns to the Italian state to encourage and safeguard savings in all its forms and to regulate, coordinate and control the exercise of credit activities.

In addition to a business model based on this relationship, the difference between the mutual banks and their more traditional brethren is explicated in the Consolidated Banking Act (Articles 33 et seq. of the Consolidated Banking Act, with significant amendments introduced with the Reform Law 49/2016, which introduced the rules governing cooperative banking groups).

More specifically, primary legislation (Articles 33-37 of the Consolidated Banking Act, as amended by the legislation governing cooperative banking groups) requires the following of mutual banks: (i) that they be established as limited-liability, joint-stock cooperatives (*società cooperativa per azioni a responsabilità limitata*); (ii) that they have no fewer than 500 shareholders; (iii) that their shareholders be residents of or have operations, on an ongoing basis, in the community in which the bank operates; (iv) that every shareholder have one vote, regardless of the number of shares held; (v) that no shareholder may own shares with a total nominal value of greater than €100,000; and (vi) at least 70% of annual net profits be allocated to the legal reserve (3% of annual net profits is allocated to mutualistic funds for the promotion and development of cooperation efforts).

The vocation of service to local communities is also expressed in secondary legislation issued by the Bank of Italy (Bank of Italy Circular no. 285, Part III, Chapter 5), which, in implementation of Article 35(2) of the Consolidated Banking Act, states that no less than 95% of all business shall be conducted within the bank's territory, and at least 50% of this business shall be in favor of shareholders, such that the funding of the bank shall, in essence, go to supporting and financing the economic growth of the traditional area of operations. The aforementioned rules for the preservation of mutuality and localism were confirmed by the reform of the sector, whose objective – as underscored by the Bank of Italy - was solely to "remove the regulatory and operational constraints typical of entities established as cooperatives - which could have hindered rapid recapitalization, including through access to the capital market, in case of need - and the related diseconomies associated with the small size of such entities" (Circular no. 285, Part Three, Chapter 5, Section 1, sub-section 1).

In line with their nature as mutual banks, the affiliated banks pursue the objective of maximizing their social utility in the conduct of their business.

Consistent with the mission of this banking approach, the distribution policies applied have always been characterized by their focus on strengthening capital well beyond the already stringent regulatory requirements and the clear prevalence charitable and mutualistic purposes in the total amount of distributions. At December 31, 2023, the policies applied by the affiliated mutual banks envisaged the allocation of more than 90% of the aggregate net profit of over €1.7 billion to reserves. Overall, the volume of distributions to third parties for charitable, mutualistic and cooperative support purposes amounted to about €145 million (out of a total of about €161 million in distributions).

The branch network and strategic positioning of the Group's retail banks

At June 30, 2024 the Group had 115 affiliated mutual banks[12],distributed in almost all regions of the country, with the exception of Valle d'Aosta, Trentino Alto Adige, Liguria and Umbria (although the Group does have branches in the latter three regions).

The Group has 2,415 branches. More than 56% of branches are located in the Italian regions of Lombardy, Veneto, Tuscany and Emilia-Romagna for a nationwide branch market share of 12.1%.

In the first half of the year, the affiliated bank branch network saw the closure of 28 branches, offset by the opening

[12] During the first half of 2024, the number of affiliated mutual banks declined from 116 to 115 as a result of the merger in February 2024 BCC Patavina into BCC di Verona e Vicenza, which led to the creation of Banca Veneta Credito Cooperativo.

of new branches in locations with greater potential for business development. The result of these changes was a net decrease of 4 branches compared with December 2023.

Number of branches per region and associated market share

The Group has at least one branch in 1,678 of the 4,599 Italian municipalities served by banks (36.53% of the total). In 359 of these municipalities (21.4% of the total), the Group's branches are the only banking presence, consistent with the mutual banks' community-centric mission. Lombardy is the region in which the Group is present in the most municipalities (389), while Marche boasts the largest share of municipalities with a banking presence with a Group branch (64.2%).

Region	Municipalities with banking services	with ICBG branch	(%)	in which ICBG is only bank	(%)
Abruzzo	119	56	47.1%	12	21.4%
Basilicata	69	29	42.0%	11	37.9%
Calabria	108	50	46.3%	24	48.0%
Campania	253	82	32.4%	34	41.5%
Emilia-Romagna	304	121	39.8%	8	6.6%
Friuli-Venezia Giulia	147	62	42.2%	11	17.7%
Lazio	187	94	50.3%	16	17.0%
Liguria	105	11	10.5%	1	9.1%
Lombardy	968	389	40.2%	104	26.7%
Marche	151	97	64.2%	22	22.7%
Molise	24	10	41.7%	5	50.0%
Piedmont	437	64	14.6%	11	17.2%
Puglia	194	69	35.6%	5	7.2%
Sardinia	255	11	4.3%	0	0.0%
Sicily	244	98	40.2%	34	34.7%
Tuscany	247	143	57.9%	5	3.5%
Trentino-Alto Adige/Südtirol	243	2	0.8%	0	0.0%
Umbria	63	23	36.5%	3	13.0%
Veneto	457	267	58.4%	53	19.9%
Valle d'Aosta/Vallée d'Aoste	24	0	0.0%	0	0.0%
Total	**4,599**	**1,678**	**36.5%**	**359**	**21.4%**

Source: based on Bank of Italy data as at June 30, 2024

With regard to competitive pressure, about 40% of the municipalities in which the Group is present have at most one branch of another bank, while 34.8% of municipalities have more than three bank competitors.

No. of other banks present in the municipalities in which ICBG has a presence	0	1	2	3	more than 3	Total
No. Municipalities	359	315	241	179	584	**1,678**
% of the total	21.4%	18.8%	14.4%	10.7%	34.8%	**100.00%**

Source: based on Bank of Italy data as at June 30, 2024

Strategic positioning of the Group and distribution of employees

The Group banks have a total market share of lending to resident customers (performing loans to consumer households and firms, net of repurchase agreements and Monetary Financial Institutions) of 6.3%, with a value of about €77.4 billion, broken down similarly between loans to consumer households (47%) and to firms (53%).

By region, the Group has its largest market share, about 15%, of loans to customers in the Marche, followed by Abruzzo, Basilicata, Veneto, Friuli-Venezia Giulia, Tuscany and Veneto with around 10%.

Region	Market share of lending to households and firms	Market share of lending to consumer households	Market share of lending to firms	Market share of customer deposits (consumer households and firms)
Abruzzo	10.75%	9,47%	12.02%	9.38%
Basilicata	10.51%	6,37%	14.84%	6.79%
Calabria	6.12%	4,08%	9.60%	4.73%
Campania	3.14%	1,83%	4.74%	2.94%
Emilia Romagna	7.35%	9,20%	6.04%	7.04%
Friuli-Venezia Giulia	10.69%	12,52%	9.02%	10.03%
Lazio	6.77%	7.95%	5.54%	5.73%
Liguria	1.62%	1.31%	2.00%	1.32%
Lombardy	5.14%	5.37%	4.99%	6.32%
Marche	15.13%	14.62%	15.57%	15.19%
Molise	6.05%	4.31%	8.25%	2.89%
Piedmont	4.33%	3.91%	4.73%	4.24%
Puglia	5.08%	3.72%	7.08%	4.51%
Sardinia	2.37%	0.88%	4.77%	1.95%
Sicily	3.60%	2.52%	5.47%	4.69%
Tuscany	9.48%	9.21%	9.75%	11.07%
Trentino-Alto Adige	0.56%	0.14%	0.78%	0.32%
Umbria	4.54%	3.78%	5.16%	5.53%
Valle d’Aosta/Vallée d’Aoste	0.39%	0.35%	0.41%	0.21%
Veneto	10.16%	11.22%	9.31%	10.66%
ITALY	**6.25%**	**6.30%**	**6.21%**	**6.42%**

Source: based on supervisory and Bank of Italy data as at June 30, 2024. Loans to customers and customer deposits have been allocated on the basis of customer residence.

With regard to deposits by resident customers, market share is at 6.4%, equal to an amount of about €105.6 billion, of which €66 billion attributable to consumer households. Customer deposits (consumer households and firms) are also led by Marche, in which the Group has a 15.2% market share, followed by Tuscany, Veneto and Friuli-Venezia Giulia.

Ownership structure of the Group’s retail banks

In terms of ownership structure, the number of shareholders at June 2024 totaled about 896 thousand, an increase of more 11 thousand on December 31, 2023 (+1.3%). The northern and central areas account for 43% and 45%, respectively, covering together 88% of the total shareholder base. The Nord-west area made the largest contribution to the growth in the number of shareholders, with a gain of 3,275 in first half of 2024.

Geographical area	No. Shareholders 30/06/24	(%)	No. Shareholders 31/12/23	(%)	Delta 30/06/24 – 31/12/23
North-west	255,907	28.56%	252,632	28.56%	3,275
North-east	128,225	14.31%	126,143	14.26%	2,082
Center-west	223,267	24.92%	220,631	24.94%	2,636
Center-east	184,157	20.56%	181,617	20.53%	2,540
South-west	76,158	8.50%	75,668	8.55%	490
South-east	28,203	3.15%	27,813	3.14%	390
Total	**895,917**	**100.00%**	884,504	**100.00%**	**11,413**

4. DEVELOPMENTS IN GROUP OPERATIONS

The following provides an overview of the main balance sheet and income statement figures of the Iccrea Cooperative Banking Group as at June 30, 2024. To enable a more immediate understanding of the Group's balance sheet and income statement, the following tables are presented in more summary form than those provided for in Circular no. 262/05 of the Bank of Italy.

BALANCE SHEET

Consolidated assets

€/thousands	30/06/2024	31/12/2023
Cash and cash equivalents	1,561,729	4,956,422
Financial assets measured at fair value through profit or loss	1,444,579	1,494,234
Financial assets measured at fair value through other comprehensive income	7,603,530	7,693,412
Financial assets measured at amortized cost	145,472,627	145,480,602
a) due from banks	1,389,652	2,656,221
b) loans to customers	93,005,885	90,886,258
c) securities	51,077,089	51,938,123
Hedging derivatives and value adjustments of macro-hedged financial assets	413,273	313,430
Equity investments	323,200	239,807
Property, plant and equipment	2,381,492	2,441,827
Intangible assets	152,383	174,591
Tax assets	1,221,208	1,346,472
Non-current assets and disposal groups held for sale	43,559	4,593,316
Other assets	5,573,668	5,778,531
Total assets	**166,191,248**	**174,512,644**

The consolidated assets of the Iccrea Cooperative Banking Group totaled €166.2 billion, down €8.3 billion on December 31, 2023.

Financial assets measured at fair value through profit or loss, in the amount of €1.4 billion, include financial assets held for trading in the amount of €199 million (which mainly includes derivatives and securities held for trading), financial assets designated as at fair value in the amount of €324 million (represented by instruments in which liquidity from the Guarantee Scheme is invested), and other financial assets mandatorily measured at fair value in the amount of €922 million (mainly in units of collective investment undertakings - CIUs, policies and postal bonds).

The table below shows these three portfolios and their related fair values.

€/thousands	L1	L2	L3	Total 30/06/2024
Financial assets held for trading	114,349	84,385	236	198,970
Debt securities	112,447	11	13	112,470
Equity securities	1,205	-	-	1,206
Units in collective investment undertakings	418	5,223	114	5,755
Financial derivatives	279	79,151	109	79,539
Financial assets designated as at fair value	322,706	-	1,147	323,853
Debt securities	322,706	-	-	322,706
Financing	-	-	1,147	1,147
Financial assets mandatorily measured at fair value	42,675	510,122	368,959	921,756
Debt securities	4,128	22,956	2,288	29,373
Equity securities	34,530	30,732	7,569	72,830
Units in collective investment undertakings	4,018	72,347	330,890	407,254
Financing		384,087	28,212	412,299
Financial assets measured at fair value through profit or loss	**479,731**	**594,507**	**370,342**	**1,444,579**

The portfolio of financial assets measured at fair value through other comprehensive income amounted to €7.6 billion, down €90 million on December 31, 2023, and is mainly represented by government securities held in accordance with the HTCS business model. The aggregate also includes minority interests in the amount of €508 million, which are measured at fair value through other comprehensive income without recycling to profit or loss.

€/thousands	L1	L2	L3	Total 30/06/2024	Total 31/12/2023
Debt securities	6,970,916	123,826	10	7,094,752	7,189,061
Equity securities	33,454	422,210	53,114	508,778	504,351
Financial assets measured at fair value through other comprehensive income	**7,004,370**	**546,036**	**53,124**	**7,603,530**	**7,693,412**

Financial assets measured at amortized cost amounted to €145.5 billion, of which more than 65% is in loans with the remainder in debt securities. These assets can be categorized by their relative level of risk as shown below.

€/thousands	Gross value		Total writedowns		Net value
	Stages 1 and 2	Stage 3	Stages 1 and 2	Stage 3	Total 30/06/2024
Financing	94,200,828	3,566,918	(775,879)	(2,596,330)	94,395,537
Loans to banks [13]	1,396,402	-	(6,751)	-	1,389,651
Loans to customers[13]	92,804,426	3,566,918	(769,128)	(2,596,330)	93,005,886
Debt securities	51,178,711	1,532	(101,723)	(1,430)	51,077,089
Total financial assets measured at amortized cost	**145,379,539**	**3,568,450**	**(877,602)**	**(2,597,761)**	**145,472,627**

More specifically, net loans to customers totaled about €93 billion, €92 billion of which performing and about €1 billion related to impaired positions. Of this total, more than 80% was in medium and long-term financing (both loans and leases).

€/thousands	Total 30/06/2024	% share	Total 31/12/2023	% share
Current accounts	6,062,741	6.5%	6,383,748	7.0%
Repurchase agreements	3,471,630	3.7%	874,600	1.0%
Medium/long-term loans	69,360,946	74.6%	69,458,911	76.4%
Credit cards, personal loans and salary-backed loans	2,560,028	2.8%	2,389,285	2.6%
Lease financing	3,521,409	3.8%	3,618,216	4.0%
Factoring	652,084	0.7%	814,586	0.9%
Other lending	7,377,047	7.9%	7,346,912	8.1%
Financial assets measured at amortized cost – Loans to customers	**93,005,885**	**100.0%**	**90,886,258**	**100.0%**

Gross impaired loans, which have continued to decrease in recent years thanks to robust de-risking efforts pursued in coordination with the Parent Company, came to about €3.6 billion, or 3.6% of total gross lending (3.7% of loans to customers alone[14]). Net impaired loans amounted to about €1 billion, equal to 1% of net lending (1% when considering only ordinary customers[15]). The ratios of net bad loans and net unlikely-to-pay positions to total net lending came to 0.1% and 0.7% respectively (0.1% and 0.7% when considering only ordinary customers).

As shown in the table below, efforts to improve the Group's risk profile can also be seen in the more prudent assessment policies, which have resulted in an increase in the coverage of NPEs to 72.8% in 2023, an increase compared with the end of the previous year.

Type of exposure	Gross exposure	Writedowns	Net exposure	Coverage 30/06/2024	Coverage 31/12/2023
Bad loans	1,049,378	(920,545)	128,833	87.7%	87.3%
Unlikely-to-pay positions	2,177,464	(1,525,620)	651,844	70.1%	69.6%
Impaired past-due positions	340,076	(150,165)	189,911	44.2%	40.5%
Impaired exposures to customers at year end	**3,566,918**	**(2,596,330)**	**970,588**	**72.8%**	**72.2%**

[13] Source: based on consolidated Finrep data.

[14] Excluding transactions with institutional counterparties (mainly repurchase agreements and deposits with the Clearing & Guarantee Fund for a total of €4.4 billion), the NPE ratio came to 3.9%.

[15] Excluding transactions with institutional counterparties (mainly repurchase agreements and deposits with the Clearing & Guarantee Fund for a total of €4.4 billion), the NPE ratio came to 1.1%.

The particular business model of the affiliated banks, which account for the largest component of assets and of total loans to customers, is reflected, above all, in the type of counterparty. Total loans disbursed, a gross amount of €96.4 billion, have mainly gone to households and small and medium-sized enterprises (SMEs), which accounted for 40.2% and 38.7% of total lending, respectively. As shown in the table below, these segments feature a lower NPE ratio than for the corporate segment, thereby confirming the ability to better discriminate and manage credit relationships with households and SMEs, which have always been the core customer base of mutual banks.

Type of counterparty	Gross value	Ratio to total loans and advances	Performing loans and advances		Non-performing loans and advances	
			Ratio to total	Ratio to total performing	Ratio to total	Ratio to total NPE
Ordinary customers	**95,250,237**	**98.8%**	**96.2%**	**98.8%**	**3.8%**	**100.0%**
Consumer households	38,745,999	40.2%	97.6%	40.8%	2.4%	25.7%
Small and medium-sized enterprises	37,340,911	38.7%	95.3%	38.3%	4.7%	49.1%
- Producer households	6,421,076	6.7%	94.3%	6.5%	5.7%	10.2%
- Micro-businesses, associations and other organizations	6,645,950	6.9%	94.4%	6.8%	5.6%	10.4%
- Other SMEs	24,273,886	25.2%	95.8%	25.1%	4.2%	28.5%
Other non-financial companies	17,732,079	18.4%	95.0%	18.2%	5.0%	24.8%
Other financial companies	1,431,248	1.5%	99.1%	1.5%	0.9%	0.4%
Government entities	**1,121,107**	**1.2%**	**99.9%**	**1.2%**	**0.1%**	**0.0%**
Total loans to customers at amortized cost	**96,371,344**	**100.0%**	**96.3%**	**100.0%**	**3.7%**	**100.0%**

In terms of geographical distribution, the Group's exposures are mainly concentrated in northern Italy (56%), where there has been a lower level of credit risk, and in central Italy (31%).

Geographical area	Gross value	Ratio to total loans and advances	Performing loans and advances		Non-performing loans and advances	
			Ratio to total	Ratio to total performing	NPE Ratio	Ratio to total NPE
North-east	28,219,621	29.3%	28.4%	29.5%	3.2%	24.0%
North-west	25,702,408	26.7%	25.7%	26.8%	3.6%	24.5%
Center	30,188,869	31.3%	30.0%	31.2%	4.4%	35.5%
South and islands	12,260,445	12.7%	12.1%	12.6%	4.9%	15.9%
Total loans to customers at amortized cost	**96,371,344**	**100.0%**	**96.3%**	**100.0%**	**3.7%**	**100.0%**

In terms of the economic segment of customers, in addition to consumer households, the segments that saw the greatest lending were services, manufacturing, real estate and construction (which has the highest level of NPEs), and trade.

Economic segment of borrowers	Gross value	Ratio to total loans and advances	Performing loans and advances		Non-performing loans and advances	
			Ratio to total	Ratio to total performing	NPE Ratio	Ratio to total NPE
Consumer households	38,745,999	40.2%	97.6%	40.8%	2.4%	25.7%
Primary sector	5,328,650	5.5%	96.3%	5.5%	3.7%	5.4%
Manufacturing	12,062,879	12.5%	95.9%	12.5%	4.1%	13.8%
Trade	9,089,474	9.4%	94.7%	9.3%	5.3%	13.5%
Real estate and construction	11,566,387	12.0%	92.4%	11.5%	7.6%	24.6%
Services and other	17,025,602	17.7%	96.5%	17.7%	3.5%	16.6%
Government entities	1,121,107	1.2%	99.9%	1.2%	0.1%	0.0%
Financial companies	1,431,248	1.5%	99.1%	1.5%	0.9%	0.4%
Total loans to customers at amortized cost	**96,371,344**	**100.0%**	**96.3%**	**100.0%**	**3.7%**	**100.0%**

The particular model of mutual banking, featuring a prevalence of medium and long-term lending to households and small businesses, is responsible for the high rate of collateral-backed lending (about 59%). More specifically, about 60.3% of all impaired lending is backed by collateral, and this figure is to be interpreted in conjunction with the high level of NPE coverage, which testifies to the prudent approach to assessing the recoverability of credit.

Type of guarantee	Gross value	Ratio to total loans and advances	Performing loans and advances		Non-performing loans and advances	
			Ratio to total	Ratio to total performing	NPE Ratio	Ratio to total NPE
Collateral	56,869,409	59.0%	96.2%	59.0%	3.8%	60.3%
Unsecured guarantees	21,853,131	22.7%	95.4%	22.5%	4.6%	27.9%
Not guaranteed	17,648,804	18.3%	97.6%	18.6%	2.4%	11.9%
Total loans to customers at amortized cost	**96,371,344**	**100.0%**	**96.3%**	**100.0%**	**3.7%**	**100.0%**

With regard to financial assets measured at amortized cost, amounts due from banks amounted to approximately €1.4 billion and include €1 billion in respect of the reserve requirement with central banks, a decrease of €0.9 billion on the end of the previous year.

€/thousands	Stages 1 and 2	Stage 3	Total 30/06/2024	% share	Total 31/12/2023	% share
Due from central banks – reserve requirement	1,015,857	-	1,015,857	73.1%	1,947,030	73.3%
Loans to banks - financing	373,795	-	373,795	26.9%	709,190	26.7%
Financial assets measured at amortized cost – Loans to banks	**1,389,652**	**-**	**1,389,652**	**100.0%**	**2,656,221**	**100.0%**

Finally, debt securities measured at amortized cost (held under the HTC business model), largely represented by Italian government securities, totaled €51.1 billion, down €0.9 billion on December 31, 2023.

Among assets: (i) equity investments (€323.2 million) represent interests in associates, the most significant of which are the investments in Numia Group SpA (€197.1 million), BCC Vita (€87.2 million), Pitagora SpA (€11.4 million) and BCC Assicurazioni (€9.5 million); (ii) property, plant and equipment, totaling €2.4 billion, which mainly includes property used in operations (€1.8 billion) as well as properties contributed to consolidated real estate investment funds in the amount of €0.4 billion; (iii) intangible assets (€152.4 million) mainly include software and user licenses (€121 million), goodwill recognized on initial consolidation of a number of controlling interests (€15.6 million) and, to a lesser extent, goodwill recognized among assets of the affiliated banks for the acquisition of bank branches (€3.1 million) prior to creation of the Cooperative Banking Group; (iv) tax assets totaling about €1.2 billion including current taxes of about €0.3 billion and deferred tax assets of about €0.9 billion, the latter of which includes about €0.6 billion referring to Law 214/2011; (v) assets held for sale (€43.6 million), which mainly include the assets of the subsidiary Sigest BCC, which is expected to be sold to a non-Group purchaser by the end of the second half of the year. At December 31, 2023, them item reported the assets of BCC Vita And BCC Assicurazioni, which were consolidated from September 2023 and deconsolidated in the first half of 2024 following the sale of 51% of those interests; and (vi) other assets of about €5.6 billion, which among other things include tax credits of about €3.6 billion.

Consolidated liabilities

€/thousands	30/06/2024	31/12/2023
Financial liabilities measured at amortized cost	147,647,504	152,795,976
a) due to banks	10,102,578	17,922,680
b) due to customers	122,991,257	122,522,919
c) securities issued	14,553,669	12,350,376
Financial liabilities held for trading	85,435	111,588
Hedging derivatives and value adjustments of macro-hedged financial liabilities (+/-)	158,163	219,917
Tax liabilities	100,003	71,537
Liabilities associated with assets held for sale	1,438	4,320,959
Other liabilities	2,593,149	2,315,340
Post-employment benefits	201,502	215,977
Provisions for risks and charges	655,300	572,459
Equity	13,692,792	12,032,522
Profit/(loss) for the period	1,055,962	1,856,369
Total liabilities and equity	**166,191,248**	**174,512,644**

Total consolidated liabilities and equity amounted to around €166.2 billion, down about €8.3 billion on December 31, 2023.

More specifically, financial liabilities measured at amortized cost include direct funding from ordinary customers (securities issued, amounts due to customers, the latter net of institutional fundraising of €14.1 billion) totaling €123.5 billion, an increase on the end of 2023, attributable to an increase in increase in time deposits (+€1 billion) and new issues of securities (+€2.2 billion).

€/thousands	30/06/2024	31/12/2023
Due to customers	108,916,823	107,945,457
Current accounts and demand deposits	101,629,680	101,641,888
Time deposits	6,228,101	5,202,421
Other amounts due	1,059,042	1,101,147
Outstanding securities	14,553,669	12,350,376
Bonds	8,126,494	6,543,286
Other securities	6,427,175	5,807,090
Financial liabilities measured at amortized cost – Direct funding from ordinary customers	**123,470,492**	**120,295,833**

Amounts due to ordinary customers came to €108.9 billion, down €1 billion on the end of 2023. Of the total, 89% is represented by funding from consumer households and SMEs.

€/thousands	30/06/2024		31/12/2023	
	Total	Ratio to total	Total	Ratio to total
Ordinary customers	**107,513,603**	**98.7%**	**105,125,942**	**98.1%**
Consumer households	62,339,875	57.2%	56,589,859	60.3%
Small and medium-sized enterprises	35,191,782	32.3%	28,759,994	29.8%
- Producer households	6,272,636	5.8%	5,338,819	5.6%
- Micro-businesses, associations and other organizations	7,012,385	6.4%	5,909,421	6.0%
- Other SMEs	21,906,761	20.1%	17,511,755	18.2%
- Other non-financial companies	8,639,358	7.9%	16,769,062	5.0%
- Other financial companies	1,342,588	1.2%	3,007,027	3.1%
Government entities	**1,403,219**	**1.3%**	**2,819,514**	**1.9%**
Deposits and current accounts at amortized cost	**108,916,823**	**100.0%**	**107,945,457**	**100.0%**

The remainder of financial liabilities measured at amortized cost comprises funding from institutional customers (€24.2 billion) and includes: (i) €10.5 billion in repurchase agreements, almost entirely with the Clearing & Guarantee Fund; (ii) €10.1 billion in amounts due to banks, of which €8.1 billion in operations with the ECB (notably TLTROs) and €2 billion in other amounts due to non-Group banks.

Amounts due to banks, of which 80% is represented by exposures to central banks, decreased by €7.8 billion. Those exposures contracted by €8.1 billion in connection with partial repayment of TLTRO funding during the period.

€/thousands	30/06/2024	31/12/2023
Loans to customers	14,074,435	14,577,463
Repos	10,520,020	12,079,638
Other	3,554,415	2,497,824
Due to banks	10,102,578	17,922,680
Due to central banks	8,092,109	16,204,661
Due to banks	2,010,469	1,718,019
Current accounts and demand deposits	1,248,912	998,151
Time deposits	17,883	40,235
Loans and repurchase agreements	615,995	602,559
Other	127,679	77,074
Financial liabilities measured at amortized cost – Funding from institutional customers	**24,177,013**	**32,500,143**

Other main liabilities include the following: (i) financial liabilities held for trading, in the amount of €85.4 million, which include the negative fair value of trading derivatives; (ii) tax liabilities totaling €100 million, including €24.9 million in deferred tax liabilities on temporarily non-taxable revenues; (iii) liabilities held for sale (€1.5 million), which include the liabilities of the subsidiary Sigest, which will be sold to a non-Group purchaser. At December 31, 2023, the item was mainly accounted for by the liabilities of BCC Vita and BCC Assicurazioni, which were deconsolidated during the first half of 2024 following the sale of 51% of those investments; (iv) other liabilities of about €2.6 billion; (v) post-employment benefits for the Group totaling €201.5 million and (vi) provisions for risks and charges of €655.3 million, which includes provisions for credit risk in the amount of about €303 million against commitments to disburse funds and financial guarantees issued.

Consolidated equity

Consolidated equity totaled €14.7 billion. Share capital includes the capital of the Parent Company, amounting to €1.4 billion, and the capital of the mutual banks, which, together with the Parent Company, constitute a single consolidating entity. Treasury shares mainly represent the capital of Iccrea Banca held by the affiliated banks consolidated in application of Article 1072 of Law 145/2018.

Reserves totaled €12.5 billion and mainly included legal reserves of €13.3 billion – accumulated as a result of robust use of self-funding by the affiliated banks in relation to the aforementioned obligation for the capitalization of at least 70% of earnings – and a negative IFRS 9 FTA reserve of €1.6 billion.

€/thousands	30/06/2024	31/12/2023
Share capital	2,295,122	2,290,202
Equity instruments	30,139	30,139
Share premium reserve	153,509	152,967
Treasury shares	(1,383,958)	(1,382,888)
Valuation reserves	100,213	47,360
Reserves	12,497,767	10,894,741
Profit for the period	1,055,962	1,856,369
Equity attributable to shareholders of the Parent Company	**14,748,754**	**13,888,890**
Non-controlling interests (+/-)	-	-
Total equity	**14,748,754**	**13,888,890**

INCOME STATEMENT

Consolidated income statement

€/thousands	30/06/2024	30/06/2023
Net interest income	**2,200,744**	**1,947,843**
Net fee and commission income	**680,970**	**671,612**
Dividends, net gain/(loss) on trading activities, net gain/(loss) on hedging and net gain/(loss) on assets and liabilities at FVTPL	53,102	37,663
Net gain (loss) on disposals	52,435	39,722
Gross income	**2,987,251**	**2,696,840**
Net writedowns/writebacks for credit risk	(173,930)	(194,538)
- Financial assets measured at amortized cost – Loans to customers	*(172,635)*	*(194,329)*
Gains/losses from contract modifications without cancellations	(4,936)	(2,691)
Net income/(loss) from financial operations	**2,808,385**	**2,499,612**
Administrative expenses	(1,613,086)	(1,597,080)
a) personnel expenses	(1,010,078)	(930,657)
b) other administrative expenses	(603,008)	(666,423)
Depreciation, amortization and provisions	(141,089)	(122,613)
- of which provisions for guarantees issued	*6,129*	*(2,808)*
Other operating income/expense	178,421	163,111
Operating expenses	**(1,575,754)**	**(1,556,582)**
Profit/(loss) from equity investments	6,620	9,834
Net gain/(loss) from fair value measurement of property, plant and equipment and intangible assets	64	(7,538)
Profit/(loss) from disposal of investments	(415)	(141)
Profit/(loss) before tax on continuing operations	**1,238,900**	**945,184**
Income tax expense from continuing operations	(212,480)	(148,600)
Profit/(loss) after tax on discontinued operations	29,542	-
Profit/(loss) for the period	**1,055,962**	**796,584**
Net profit/(loss) attributable to non-controlling interests	-	1,228
Net profit/(loss) attributable to shareholders of the Parent Company	**1,055,962**	**795,356**

The Group ended the first half of 2024 with net profit of more than €1 billion, up €260.6 million on the same period of the previous year.

More specifically, net interest income came to €2.2 billion, the net result of interest income of €3.5 billion (including €2.3 billion on loans to customers and €0.8 billion on debt securities) and interest expense of about €1.3 billion, mainly related to amounts due to customers and outstanding securities recognized among financial liabilities and measured at amortized cost).

The increase in net interest income (+€253 million compared with June 2023) is mainly attributable to: (i) an increase in interest income on loans to customers (+€403 million, mainly reflecting the increase in interest rates); (ii) an increase in interest income on debt securities (+€81 million), substantially connected with the increase in interest rates); (iii) an increase in positive differentials connected with hedging derivatives on hedged financial instruments (+€139 million); (iv) an increase in interest accrued on tax credits resulting from tax incentive measures contained in government programs (+€33 million); (v) a decrease in negative interest on TLTRO financing (+€56 million); (vi) an increase in interest expense on customer funding (-€385 million), reflecting an increase in interest rates and (vii) an increase in interest expense on bonds issued (-€90 million).

Interest and similar income

€/thousands	Debt securities	Loans	Other transactions	Total 30/06/2024	Total 30/06/2023
Financial assets measured at fair value through profit or loss	9,361	1,170	-	10,531	8,408
Financial assets measured at fair value through other comprehensive income	91,070	-	-	91,070	79,405
Financial assets measured at amortized cost	699,332	2,423,556	-	3,122,888	2,641,920
- of which due from banks	*31,232*	*75,872*	*X*	*107,104*	*82,268*
- of which loans to customers	*668,100*	*2,347,684*	*X*	*3,015,784*	*2,559,652*
Hedge derivatives	-	-	128,245	128,245	(13,005)
Other assets	-	-	122,621	122,621	89,431
Financial liabilities	-	-	195	195	3,420
Interest and similar income	**799,764**	**2,424,727**	**251,060**	**3,475,551**	**2,809,580**

Interest and similar expense

€/thousands	Payables	Securities	Other transactions	Total 30/06/2024	Total 30/06/2023
Financial liabilities measured at amortized cost	(1,060,867)	(203,240)	-	(1,264,106)	(849,001)
- of which due to central banks	*(259,578)*	*X*	*X*	*(259,578)*	*(315,858)*
- of which due to banks	*(30,460)*	*X*	*X*	*(30,460)*	*(34,684)*
- of which due to customers	*(770,828)*	*X*	*X*	*(770,828)*	*(385,017)*
- of which securities issued	*X*	*(203,240)*	*X*	*(203,240)*	*(113,441)*
Financial liabilities held for trading	-	-	-	-	(8)
Other liabilities and provisions	-	-	(1,863)	(1,863)	(1,458)
Hedge derivatives	-	-	(3,028)	(3,028)	(366)
Financial assets	-	-	(5,809)	(5,809)	(10,904)
Interest and similar expense	**(1,060,867)**	**(203,240)**	**(10,700)**	**(1,274,807)**	**(861,737)**

Net fee and commission income amounted to €681 million in the first half of 2024, slightly up on the same period of 2023. The figure includes fee and commission income of about €821 million (mainly relating to commissions for collection and payment services, the management of current accounts and distribution of third-party services) net of fee and commission expense of €140 million.

Fee and commission income

€/thousands	30/06/2024	30/06/2023
Guarantees issued	12,616	12,725
Management, intermediation and advisory services	83,213	79,277
Management of current accounts	277,694	276,392
Other collection and payment services	256,971	241,773
Distribution of third-party services	146,056	138,030
Other services	44,451	49,577
Fee and commission income	**821,001**	**797,774**

Fee and commission expense

€/thousands	30/06/2024	30/06/2023
Guarantees received	(1,259)	(1,513)
Management and intermediation services	(5,906)	(4,707)
Collection and payment services	(119,118)	(105,725)
Other services	(13,748)	(14,216)
Fee and commission expense	**(140,031)**	**(126,162)**

The net gain on disposals came to €52.4 million, mainly reflecting the assignment of loans by Group banks in the amount of €34.4 million (an increase on the €25.1 million registered in the same period of 2023) and the sale of debt securities classified at amortized cost and assets measured at fair value through other comprehensive income (totaling a net €18.2 million, up about €4 million on June 2023).

Net writedowns for credit risk amounted to €173.9 million, a slight decrease compared with the same period of the previous year, reflecting the robust monitoring of impaired positions implemented by the Group since its establishment, with a coverage ratio of 72.8%.

Operating expenses amounted to about €1.6 billion, a slight increase on the same period of 2023 (+€19 million), the net effect of : (i) an increase of €79.4 million in personnel expenses, reflecting in part the renewal of the national collective bargaining agreement; (ii) a decrease of €63.4 million in other administrative expenses, mainly related to the reduction in contributions to the BRRD, the National Resolution Fund for bank crises and the DGF following the achievement of the funding ceilings for contributions to these funds.

Profit from equity investments amounted to €6.6 million. It includes the financial effect of the equity measurement of investments in associates as well as the recognition of the earn-out connected with the sale of the investment in BCC Pay (now Numia SpA) to FSI during 2022 (€0.8 million).

The net profit from discontinued operations amounted to €29.5 million, essentially reporting the gain on the sale during the period of 51% of the insurance companies BCC Vita and BCC Assicurazioni, whose assets and liabilities at December 31, 2023 had been classified as held for sale in application of IFRS 5.

CONSOLIDATED OWN FUNDS AND CAPITAL ADEQUACY

Own funds

The following table offers a breakdown of own funds at June 30, 2024, which amounted to about €15.21 billion.

Capital and capital ratios - €/thousands	30/06/2024	31/12/2023
Share capital	2,295,122	2,290,202
Share premium reserve	153,509	152,967
Treasury shares and repurchase commitments	(1,409,984)	(1,401,693)
Reserves	12,753,763	11,150,748
Profit/(Loss) for the period	976,725	1,675,495
Other comprehensive income	(155,782)	(208,647)
Transitional provisions – IFRS 9	18,108	58,193
Goodwill (net of related tax effects)	(21,808)	(42,114)
Intangible assets (net of related tax effects)	(92,844)	(82,117)
Other deductions	(22,340)	(23,495)
Prudential filters	(8,113)	2,633
Common Equity Tier 1 (CET 1)	**14,486,355**	**13,572,173**
Additional Tier 1 (AT1)	30,139	30,139
Tier 1 (T1)	**14,516,494**	**13,602,312**
Eligible subordinated loans	697,456	700,041
Tier 2 (T2)	**697,456**	**700,041**
Total Own Funds (TC)	**15,213,951**	**14,302,353**

In light of the special accounting rules applicable[16] and the obligation under Article 38 of the Consolidated Banking Act for the affiliated banks to allocate at least 70% of annual earnings to reserves, own funds mainly include reserves (€12.7 billion), in addition to share capital (mainly composed of the shareholder contributions of the affiliated banks and the associated share premiums). Group capital in the amount of about €2.3 billion decreases to about €855 million after elimination of the capital of the Parent Company held by the affiliated banks (reported under treasury shares).

CET1 at June 30, 2024, which represents 95.2% of total capital, increases with respect to December 2023 by a total of about €914 million (+6%), reflecting the algebraic sum of developments in a number of its main components, and specifically: (i) calculated net profit for the period – as per authorization of the ECB received on August 8, 2024 – totaling €977 million; (ii) the decrease in the IFRS 9 phase-in, due to the reduction from 50% to 25% of the quick-fix changes (total reduction of about €40 million); and (iii) an increase in the FVOCI reserve, equal to -€156 million (+€53 million compared with December 2022).

Additional Tier 1 capital did not change, while the change in Tier 2 (a reduction of about €2.6 million) was marginal, attributable to the supervisory amortization of subordinated instruments.

Capital adequacy

Following the preliminary discussions undertaken in the second half of 2023, the supervisory authorities, with a notice received on November 30, 2022, informed the Parent Company of the results of the SREP decision, which establishes the prudential requirements to be met at the consolidated level with effect from January 1, 2024 (consisting of own funds requirements and qualitative requirements). With this decision, which replaces the previous SREP decision, the supervisory authorities established the following own funds requirements to be met for 2024:

- an additional Pillar 2 own funds requirement (P2R) of 2.53% (of which 3 bps for the NPE P2R, which is subject to reduction within the year upon the occurrence of certain conditions), of which a minimum of 56.25% to be held in the form of primary Tier 1 capital (Common Equity Tier 1, CET1) and 75% in the form of Tier 1 capital;
- a Pillar 2 capital guidance (P2G) equal to 1.25%, consisting entirely of CET1, held in addition to the Overall Capital Requirement (OCR).

As with the previous decisions, the SREP decision did not impose own funds requirements to be met on an individual

[16] Under Article 38, point 2 bis of Legislative Decree 136 of August 18, 2015, concerning bank financial statements, which establishes that in the case of the cooperative banking groups referred to in Article 37-bis of Legislative Decree 385 of September 1, 1993, the Parent Company and the mutual banks affiliated with it under the provisions of the Cohesion Contract represent a single consolidating entity.

As with the previous decisions, the SREP decision did not impose own funds requirements to be met on an individual basis by the Group's affiliated banks.

On November 21, 2023 the Parent Company received the decision from the Bank of Italy which for 2024 designates the Iccrea Cooperative Banking Group as an Other Systemically Important Institution (O-SII) authorized in Italy. Following the analyses performed for the purposes of calibrating the O-SII buffer, the Bank of Italy for the first time assigned the Group an O-SII requirement of 0.125% for 2024.

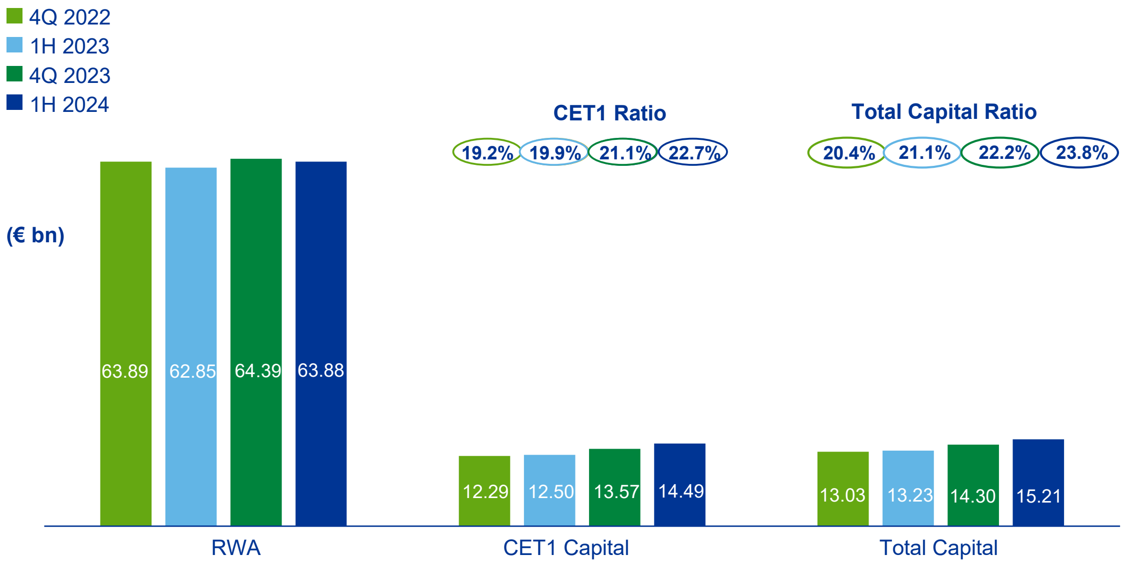
Given the above, for 2024 the Iccrea Cooperative Banking Group is therefore required to comply with:

- a Total SREP Capital Requirement (TSCR) of 10.53%;
- an Overall Capital Requirement (OCR) of 13.155%;
- Target requirements (including P2G) equal to 14.405%.

On April 26, 2024, the Bank of Italy notified its decision to apply to all banks authorized in Italy a capital buffer for systemic risk (Systemic Risk Buffer, SyRB) of 1% of weighted exposures for credit and counterparty risk in respect of Italian residents, as provided for under Article 133 of Directive EU/2019/878 (CRD5). This requirement, applicable at both consolidated and individual level, shall be achieved gradually by establishing a reserve, entirely covered by Common Equity Tier 1 Capital, equal to 0.5% of the exposures (as previously mentioned) by December 31, 2024 and the remaining 0.5% by June 30, 2025.

With the dynamics in own funds noted above, RWAs decreased by 0.8% compared with the end of 2023 (€63.88 billion, compared with €64.39 billion at the end of December 2023).

The CET1 ratio at June 30, 2024, came to 22.7%, while the TC ratio came to 23.8%. As shown in the figure below, both of these ratios registered an increase compared with December 2023 (21.1% and 22.2%, respectively).



Minimum Requirement of Eligible Liabilities (MREL)

The "MREL" (Minimum Requirement of Eligible Liabilities) represents the minimum requirement for own funds and eligible liabilities with a view to ensuring the proper functioning of the bail-in mechanism and guaranteeing the continuity of critical economic functions during and after a possible crisis

In March 2024, Iccrea Banca, as the Group Resolution Entity, received the decision of the Single Resolution Board on the determination of the minimum requirement of own funds and eligible liabilities (MREL - Minimum Requirement of Eligible Liabilities), including the subordination requirement, defined in terms of total risk exposure (RWAs) and a metric of the total leverage exposure (LRE) to be achieved on a consolidated basis by the Resolution Group.

The final mandatory level of the MREL on a consolidated basis (with which the Parent Company is compliant), to be met by January 1, 2026, is equal to 25.855% of RWAs (including the combined buffer requirement of 2.625% of RWAs at June 30, 2024) and 6.47% of the LRE. The intermediate subordination requirement, to be met on a consolidated basis starting from January 1, 2022, is equal to 20.695% of RWAs (including the combined buffer requirement of 2.625% of RWAs at June 30, 2024) and 6.35% of the LRE.

With regard to the subordination requirement on a consolidated basis (with which the Parent Company is compliant), the final mandatory target, to be met by January 1, 2026, is equal to 18.205% of RWAs (including the combined buffer requirement of 2.625% of RWAs at June 30, 2024) and 6.47% of the LRE. The intermediate subordination requirement, to be met on a consolidated basis starting from January 1, 2022, is equal to 16.125% of RWAs (including the combined buffer requirement of 2.625% of RWAs at June 30, 2024) and 6.35% of the LRE.

In order to comply with these requirements, the general-hybrid approach adopted by the Single Resolution Board requires consideration of the following elements:

- own funds at Group level calculated in accordance with the provisions of the CRR (Capital Requirements Regulation - Regulation (EU) no. 575/2013 as updated);
- liabilities eligible for the MREL and the subordination requirement issued by the Parent Company (as the Group Resolution Entity) with a residual maturity greater than one year.

At the reference date of June 30, 2024, the Group had, with respect to:

- the mandatory intermediate MREL on a consolidated basis, a surplus of about €5,032 million in terms of RWAs (+7.88% of consolidated RWAs) and a surplus of about €7,247 million in terms of the LRE (+4.18% of the consolidated LRE);
- the mandatory intermediate subordination requirement on a consolidated basis, a surplus of about €4,963 million in terms of RWAs (+7.77% of consolidated RWAs) and a surplus of about €4,258 million in terms of the LRE (+2.48% of the consolidated LRE).

5. THE GROUP'S STRATEGIC LINES OF BUSINESS

CONSOLIDATED BANKS AND OTHER COMPANIES

The ICBG's product and service delivery model is based on an organizational structure (defined internally for operational purposes) that is divided into the following strategic lines of business, chosen on the basis of factors that management considers in making its operational and strategic decisions and consistent with IFRS 8's disclosure requirements. A specific segment has been retained for the mutual banks based on their unique qualities, in line with the sector regulations that distinguish and preserve the nature of cooperative banking.

The following tables show the main operational areas and the result of the individual business areas in which the Group operates.

	CORPORATE	INSTITUTIONAL	RETAIL	MUTUAL BANKS	INTERSEGMENT TRANSACTIONS	TOTAL
Financial assets	364,222	15,343,962	55,497	51,032,364	(5,538,633)	61,257,412
Due from banks	72,264	22,735,672	2,327	9,338,258	(30,758,869)	1,389,652
Due from customers	4,634,867	10,111,717	1,736,997	79,198,559	(2,676,255)	93,005,885
Funding from banks	4,264,168	27,521,769	1,724,524	19,515,067	(42,922,949)	10,102,578
Funding from customers	311,600	14,434,624	629	108,377,795	(133,390)	122,991,257
Securities and other financial liabilities	58,413	8,450,305	2,549	10,390,768	(4,104,711)	14,797,324

	CORPORATE	INSTITUTIONAL	RETAIL	MUTUAL BANKS	INTERSEGMENT TRANSACTIONS	TOTAL
Net interest income	55,080	139,266	34,679	2,026,076	(54,358)	2,200,744
Net fee and commission income	4,993	37,251	42,455	612,891	(16,620)	680,970
Other financial expense and income	1,150	23,717	11	40,444	40,215	105,538
Gross income	**61,223**	**200,234**	**77,146**	**2,679,412**	**(30,763)**	**2,987,251**
Net value adjustments	10,921	(12,596)	2,258	(179,449)	(0)	(178,866)
Net gains/(losses) from financial operations	**72,143**	**187,638**	**79,403**	**2,499,963**	**(30,763)**	**2,808,385**
Operating expenses	(34,791)	(118,866)	(31,967)	(1,354,666)	(35,464)	(1,575,754)
Other costs and revenues	-	8,319	-	(976)	(1,074)	6,269
Profit/(loss) before tax on continuing operations	**37,352**	**77,091**	**47,436**	**1,144,320**	**(67,300)**	**1,238,900**
Income tax expense from continuing operations	(12,691)	(5,291)	(15,414)	(177,922)	(1,161)	(212,480)
Profit/(loss) for the period	**24,661**	**71,800**	**32,022**	**966,398**	**(68,461)**	**1,026,420**
Profit/(loss) after tax on discontinued operations		29,542				29,542
Profit/(loss) after tax on discontinued operations	**24,661**	**101,342**	**32,022**	**966,398**	**(68,461)**	**1,055,962**
Profit/(loss) attributable to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**
Profit/(loss) attributable to shareholders of the Parent Company	**24,661**	**101,342**	**32,022**	**966,398**	**(68,461)**	**1,055,962**

INSTITUTIONAL BUSINESS AREA

This area includes the companies that provide products and services directly to the affiliated banks and their customers. The wide range of solutions available includes financial services, payment systems, securities administration, credit collection services, Web services, facility management, real estate services, and IT and back-office services, as well as logistical, administrative and infrastructure support. The main Group companies engaged in this area are Iccrea Banca – which as Parent Company carries out the management, coordination and control activities provided for under applicable law and the Cohesion Contract – BCC Sistemi Informatici, BCC Solutions, Sinergia, BCC POS and other minor companies.

	INSTITUTIONAL									
€/thousands	Iccrea Banca		BCC Sistemi Informatici		BCC SINERGIA		BCC POS		Other (*)	
	30/06/2024	31/12/2023	30/06/2024	31/12/2023	30/06/2024	31/12/2023	30/06/2024	31/12/2023	30/06/2024	31/12/2023
Cash and cash equivalents	1,465,239	4,759,314	3,872	525	27,982	19,935	9,829	7,462	18,289	16,501
Financial assets measured at fair value through profit or loss	2,016,520	1,977,687	-	-	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income	1,131,776	1,224,308	8	8	4	4	-	-	-	-
Financial assets measured at amortized cost	46,185,179	48,502,908	-	-	3,133	3,102	-	-	-	5
a) due from banks	22,732,634	28,273,822	-	-	3,038	3,007	-	-	-	-
b) loans to customers	10,242,256	7,558,420	-	-	95	95	-	-	-	5
c) securities	13,210,290	12,670,666	-	-	-	-	-	-	-	-
Hedging derivatives and value adjustments of macro-hedged financial assets	226,370	162,418	-	-	-	-	-	-	-	-
Equity investments	1,397,545	1,372,145	-	-	-	-	-	-	-	-
Property, plant and equipment	89,657	90,770	29,642	35,055	20,903	17,987	10,883	10,085	56,828	56,943
Intangible assets	110	247	117,697	117,335	1,327	1,774	459	409	398	564
Tax assets	55,949	51,136	4,226	4,240	2,702	2,365	687	241	2,534	4,250
Non-current assets and disposal groups held for sale	-	142,678	-	-	-	537	-	-	-	-
Other assets	957,324	835,607	156,150	120,920	71,741	85,858	4,980	4,359	11,830	12,977
Total assets	**53,525,670**	**59,119,218**	**311,596**	**278,083**	**127,792**	**131,563**	**26,838**	**22,557**	**89,879**	**91,240**

	INSTITUTIONAL									
€/thousands	Iccrea Banca		BCC Sistemi Informatici		BCC SINERGIA		BCC POS		Other (*)	
	30/06/2024	31/12/2023	30/06/2024	31/12/2023	30/06/2024	31/12/2023	30/06/2024	31/12/2023	30/06/2024	31/12/2023
Financial liabilities measured at amortized cost	48,968,191	54,800,756	90,424	74,163	51,868	56,902	600	663	26,480	26,725
a) due to banks	27,507,979	34,677,583	84,891	66,804	36,144	44,749	-	-	26,480	26,725
b) due to customers	14,428,655	14,926,307	5,533	7,360	15,724	12,152	600	663	-	-
c) securities issued	7,031,557	5,196,867	-	-	-	-	-	-	-	-
Financial liabilities held for trading	1,098,535	1,048,214	-	-	-	-	-	-	-	-
Financial liabilities designated as at fair value	381,361	387,148	-	-	-	-	-	-	-	-
Hedging derivatives and value adjustments of macro-hedged financial liabilities (+/-)	48,398	88,523	-	-	-	-	-	-	-	-
Liabilities associated with disposal groups held for sale	-	-	202	707	433	-	-	-	109	195
Tax liabilities	33,323	20,028	-	-	-	58	1,741	3,364	31	232
Other liabilities	517,269	377,668	101,099	85,627	44,419	57,080	11,473	9,304	9,950	10,994
Post-employment benefits	11,644	12,216	3,095	3,237	2,938	2,996	481	503	745	809
Provisions for risks and charges	144,759	155,567	4,043	4,065	2,433	2,433	-	-	1,649	1,629
Equity	2,236,737	2,141,180	110,361	104,891	12,099	6,233	8,723	750	50,662	54,324
Profit/(loss) for the period (+/-)	85,454	87,920	2,372	5,393	13,603	5,862	3,820	7,973	253	(3,666)
Total liabilities and equity	53,525,670	**59,119,218**	**311,596**	**278,083**	**127,792**	**131,563**	**26,838**	**22,557**	**89,879**	**91,240**

(*) "Other" includes BCC Servizi Assicurativi, BCC Gestione Crediti and BCC Beni Immobili.

€/thousands	INSTITUTIONAL									
	Iccrea Banca		BCC Sistemi Informatici		BCC SINERGIA		BCC POS		Other (*)	
	30/06/2024	30/06/2023	30/06/2024	30/06/2023	30/06/2024	30/06/2023	30/06/2024	30/06/2023	30/06/2024	30/06/2023
Net interest income	92,831	37,444	417	554	313	(487)	90	439	(163)	2,765
Net fee and commission income	33,277	30,717	(1)	(1)	(13)	(8)	-	-	3,949	4,766
Dividends	59,939	121,848	-	-	-	-	-	-	-	-
Net gain/(loss) on trading	9,695	10,027	-	2	-	-	-	-	-	-
Net gain/(loss) on hedging	1,660	778	-	-	-	-	-	-	-	-
Net gain/(loss) on disposals	11,092	14,009	-	-	-	-	-	-	-	-
Net gain/(loss) on financial assets and liabilities at FVTPL	(2,070)	(4,264)	-	-	-	-	-	-	-	-
Gross income	**206,424**	**210,558**	**416**	**555**	**299**	**(494)**	**90**	**439**	**3,787**	**7,530**
Net writedowns/writebacks for credit risk	(12,596)	(19,736)					-	-	-	-
Net gains/(losses) from financial operations	**193,827**	**190,822**	**416**	**555**	**299**	**(494)**	**90**	**439**	**3,787**	**7,530**
Administrative expenses	(231,415)	(234,500)	(131,106)	(118,184)	(68,051)	(67,282)	(1,876)	(1,625)	(8,784)	(9,950)
a) personnel expenses	(115,536)	(108,828)	(25,765)	(22,637)	(29,598)	(28,092)	(998)	(789)	(4,355)	(4,098)
b) other administrative expenses	(115,879)	(125,672)	(105,342)	(95,547)	(38,453)	(39,190)	(878)	(836)	(4,429)	(5,853)
Depreciation, amortization and provisions	(23,611)	(3,054)	(24,283)	(23,371)	(3,639)	(7,889)	(2,428)	(1,138)	(859)	(871)
Other operating expenses/income	122,648	100,731	158,473	148,671	76,960	79,968	9,555	4,879	6,354	5,099
Operating expenses	**(132,377)**	**(136,823)**	**3,084**	**7,116**	**5,270**	**4,797**	**5,251**	**2,117**	**(3,290)**	**(5,723)**
Profit/(loss) from equity investments	43,122	5,103	-	-	-	-	-	-	-	-
Profit/(loss) from disposal of investments	-	-	-	-	(1)	1	-	-	-	-
Net gain/(loss) from FV measurement of property, plant and equipment and intangible assets	-	-	-	-	-	-	-	-	-	-
Impairment of goodwill	-	-	-	-	-	-	-	-	-	-
Profit/(loss) before tax on continuing operations	**104,572**	**59,102**	**3,499**	**7,670**	**5,568**	**4,304**	**5,342**	**2,556**	**497**	**1,808**
Income tax expense from continuing operations	(19,119)	14,011	(1,127)	(2,279)	(1,829)	(1,275)	(1,521)	(264)	(244)	(126)
Profit/(loss) on discontinued operations after tax	-	-	-	-	9,863	-	-	-	-	-
Profit/(loss) for the period	**85,454**	**73,113**	**2,372**	**5,391**	**13,603**	**3,029**	**3,820**	**2,292**	**253**	**1,682**

* "Other" includes BCC Gestione Crediti, BCC Servizi Assicurativi, BCC Beni Immobili and Sigest.

ICCREA BANCA SPA

Within the Group, Iccrea Banca performs the duties and responsibilities in respect of the affiliated banks relating to strategic and operational oversight, coordination and control and interacts with supervisory and regulatory authorities. The traditional role of the second-level bank, which, in supporting the operations of the affiliated banks, provides products, services and advisory services to help them meet the needs of their shareholders, customers, households and the development of local communities, is supplemented by the addition of duties connected with the responsibilities of our role and performing the activities need to ensure the consistency of the Group's strategic policy, operational governance, risk management, pursuit of industrial and operational synergies to achieve ever-improving levels of operational efficiency and effectiveness, and the development of production and distribution models.

Financial services

In the financial services area, the Parent Company supports the affiliated banks with a variety of activities associated with investment services, including trading in equities and bonds, accessing over-the-counter (OTC) markets for unlisted securities, order execution and transmission services both for transactions connected with the management of the proprietary portfolio and for the provision of investment services to their retail and/or professional customers. In this context, it provides guidance and investment strategies; ii) assumes the role of central counterparty in the liquidity management system; iii) performs capital and money-market activities and hedging; iv) and offers a delegated risk management service to enhance the efficiency of the arrangements and techniques adopted to manage the risk profiles associated with the finance book of the affiliated banks.

With specific regard to liquidity management, in the first half of 2024 the collateralized funding operations of the Group banks still largely focused on the ECB's long-term auctions. Funding with the ECB in the first half of 2024 decreased by about €8 billion, reaching around €7.723 billion at June 30, 2024. The Treasury made early repayments both in the March 2024 window, of €5.3 billion, and the June 2024 window, of €2.75 billion.

Collateralized funding activity on the market was mainly conducted through repos on government securities channeled through the central counterparty Clearing & Guarantee Fund. At June 30, 2024, the stock of repos on the market was equal to about €10.6 billion, compared with reverse repos of about €3.4 billion (for a net balance of about €7.2 billion). In the context of diversification of funding sources, funding operations with less liquid collateral (senior GACS and self-securitizations) were also reactivated: at June 30, transactions under contract amounted to about €500 million (of which €400 million value dated after June 30, 2024).

The Group Treasury managed an average balance at the Bank of Italy of about €1.1 billion, having regular recourse to the deposit facility at the Bank of Italy (with an average balance of about €3.1 billion). The closing balance on the central bank account at June 30, 2024 was €1.1 billion and that on the deposit facility was €615 million.

With regard to deposits and investment accounts held by the mutual banks with the Parent Company, fixed-term deposits amounted to about €4.1 billion at June 30, 2024, while the "tiering" account (a current account with a maturity of more than one year) had a balance of about €2.1 billion (from March 2024, the tiering account was extended to all Group mutual banks). In addition, from March 2024, a second investment account in addition to the tiering account was introduced for the mutual banks, the Monetary Deposit Account, calculated as 1% of the stable deposits held by the mutual banks for LCR purposes at December 31, 2023, which, at June 30, 2024, amounted to about €600 million.

With regard to the main events impacting liquidity management, as noted earlier monetary easing began at the ECB Steering Committee meeting of June 2024, with a 0.25 point cut in key rates that is expected to continue in the coming months. In March 2024, the ECB also announced a change in the operational framework of the ECB rate corridor, defining a spread of 0.15 points between the deposit facility and the MRO rate starting from September 2024. In this environment, the Treasury continued to optimize the cost of funding along the curve, conducting repo transactions in addition to ordinary short-term funding operations, including transactions with maturities greater than one year, in order to manage liquidity indicators and transactions requested by the mutual banks.

Activity continued with the MEF, both in the secured segment, where there is an ordinary exchange of securities for liquidity, and in the unsecured segment, where the Group is the authorized counterparty to receive liquidity at short-term maturities on the money market and transactions with values of between €0.5 and 2 billion were carried out.

With regard to forex operations, at June 30, 2024, 60,833 contracts had been negotiated, with a total volume of about €5.283 billion, More specifically, about €3.365 billion (€1.589 billion in swap operations, €1.776 billion in spot transactions and €137 million in outright transactions) were transacted on behalf of the mutual banks. Proprietary trading involved transactions totaling €1.781 billion, mainly in the form of spot transactions.

Bond market funding operations for MREL purposes included the issue, effective February 5, 2024 of a Senior

Preferred Social bond (XS2758880798) in the amount of €500 million with a maturity of 6 years and early redemption possible after 5 years. The issues received orders from about 300 institutional investors. The transaction - which is part of the process of meeting MREL requirements - was carried out under the €5 billion EMTN program and the Green, Social and Sustainability Bond Framework adopted in October 2021, in line with the Green and Social Bond Principles issued by ICMA (International Capital Market Association). The bond was the third social bond issued by Iccrea Banca and the proceeds will be used to finance SMEs operating in economically disadvantaged areas, young entrepreneurs and female entrepreneurship.

Covered bond issues are detailed in the following section “The covered bond program”, in the discussion of significant events in the period.

At June 30, 2024, the amount of outstanding bonds of Iccrea Banca totaled €6.94 billion, with a weighted average residual life of 4.87 years, broken down as follows:

- senior preferred securities of €2.99 billion with a weighted average residual life of 3.19 years;
- senior not preferred securities of €0.05 billion with a weighted average residual life of 2.70 years;
- subordinated Tier 2 securities of €0.70 billion with a weighted average residual life of 6.33 years;
- covered bonds of €3.20 billion with a weighted average residual life of 6.16 years.

With regard to Italian government securities, within market making operations on the Vorvel platform, the first half of 2024 saw the listing of 142 securities with a total volume handled of about €4.6 billion, an increase of 71% on the same period of the previous year. Trading continued on the MOT market of Borsa Italiana, with total volumes handled of about €3.5 billion in the first six months of 2024. Trading on the MTS, BondVision and Bloomberg platforms reserved for institutional investors came to €22.9 billion. As part of market making operations for eurobonds, 413 eurobonds were listed on the Vorvel market, 274 eurobonds on the EuroTLX market and 173 eurobonds on ExtraMOT and MOT. Total volumes traded on these markets came to about €908 million.

Execution activities on national and foreign financial markets on behalf of the affiliated banks in the first half of 2024 were characterized by a decline in overall volumes (-3.3%) compared with the first half of 2023. With a total transacted value of €10.6 billion in the period, the Italian equity sector recorded a volume of €2.3 billion, an increase of 5.70% on the first half of 2023. Foreign equities recorded volumes of €309 million, an increase of 15.29% compared with the same period of 2023. Operations in the bond segment posted a transacted volume of €4.5 billion, a decrease of 19%. In addition, financial instruments totaling €3.5 billion were placed in the first half, of which €3.2 billion in Italian government securities.

The Group mutual banks carried out derivatives transactions to hedge the interest rate risk of their mortgage portfolios in the nominal amount of about €343 million in the first six months of 2024, an increase of about 58% on the same period of the previous year.

In managing their securities portfolio, the mutual banks transacted interest rate and inflation risk hedges in the notional amount of around €461 million and cash flow hedges on CCTs in the notional amount of about €56 million. During the period, mutual banks conducted unwinding operations (the early termination of outstanding swaps) with a nominal value of about €232 million.

As regards transactions in derivatives with BCC Leasing, new and unwinding transactions were closed with a total notional amount of about €124 million.

Transactions on the proprietary financial portfolios focused primarily on the banking book, with trading book operations were modest.

At June 30, 2024, the size of the financial portfolio on the Parent Company’s banking book was about €11.4 billion, an increase of 0.2% compared with the same period of 2023. The portfolio is diversified as follows: €9.8 billion (86% of the total) is represented by Italian sovereign bonds; €0.94 billion (8% of the total) by “financial” bonds; €0.31 billion (3% of the total) by European sovereign bonds; €0.14 billion (1% of the total) by supranational bonds; €0.2 billion by corporate bonds (2% of the total); and the remainder is invested in equities and funds. Overall, the financial portfolio consists of 81% variable-rate items, 3% inflation-linked items and 16% fixed-rate items (with an average duration of 3.2 years).

The HTC business model covers 91% of the financial portfolio, whose securities have an average residual duration of 6.8 years, classified on the basis of the fair value policy as 97% L1, 2% L2 and 1% L3. At June 30, 2024, the remaining 9% of the financial portfolio allocated to the HTCS category included securities with an average residual maturity of 3.8 years, classified, again on the basis of the fair value policy, as 98.3% L1 and 1.7% L2.

The financial portfolio also gradually accumulated a position in ESG financial instruments, which at June 30, 2024, amounted to about €0.59 billion or 5.1% of the overall total of the portfolio under management.

With regard to the management and mitigation of the financial risks of the portfolios, new hedging and unwinding operations were conducted with a total notional amount of about €1.9 billion, a slight decline compared with the previous year.

The trading book in the first half of 2024 registered bond trading activities (cash and listed derivatives) totaling €2.2 billion, with an average daily VAR of €146 thousand. The activity was mainly accounted for by Italy (48%), the United States (22%), Germany (18%) and supranational issues (5%). Compared with the same period of 2023, these operations contracted by 50%.

In equities segment, in the first half of 2024 the value of securities traded was €27.5 million, while the value of transactions in listed derivatives was equal to €248 million, with an average daily VAR of €67 thousand. Trading volumes recorded a decrease of 41.70% compared with the same period of 2023.

The trading portfolio in OTC derivatives on interest rates and inflation rates saw transactions in contracts with a total notional amount of about €343 million, with an average daily VAR of about €60 thousand.

Lending to firms

Our lending activities include the services offered to corporate clients of the affiliated banks (including through the companies within the direct scope that operate in specific specialist areas, such as leasing and factoring. These operations are discussed in the section on the "corporate" segment). These services include the structuring of financing to support productive investments and provide working capital. In addition to specific lending activities, our product range also comprises advisory services to support international trade and internationalization for firms, as well as advisory services for incentive programs and the management of interest rate risk.

In the first half of the year, lending activities - other than that associated with lease and factoring operations – saw the grant of new loans totaling €334 million, of which €140 million attributable to industrial lending, €78 million to structured finance, €61 million to the agro-industry segment and €55 million to the foreign sector.

Among the specialist skills enhancing the Group's offering, our lease and industrial lending operations are flanked by structured finance and business advisory activities in support of M&A operations, notably for generational transition transactions, and investments for the environmental transition, both in the renewable energy sector and in the circular economy. Other areas of operation include the public-private partnership sector, where direct support for the construction of local infrastructure such as nursing homes, schools and sports facilities continues.

Special attention should also be paid to the agro-industry sector, which, thanks in part to the use of the dedicated funding granted by Cassa Depositi e Prestiti, will be involved from the second half of the year in the co-financing activity of the "Supply Chain and District Contracts" initiative, a strategic measure for the development of the sector, which sees Iccrea Banca active both as a lending bank (under a contract with the CDP) and as an authorized bank (under a contract with the Ministry of Agricultural Policies, Food Sovereignty and Forests).

The volumes of business in the "international lending " segment to support international investment and trade were stable, while advisory activities grew significantly (+200% in fee and commission income), notably in internationalization operations supported by Simest incentives. This more than proportionately offset the decline in transactions backed by SACE guarantees, which were penalized by delays in the introduction of the new Futuro and Green agreements. Furthermore, in April, new agreements were signed for the development of exports with IC&Partners (an advisory firm specializing in tax, legal and administrative assistance in over 40 countries) and Webidoo (a tech digital company specializing in digital transformation and digital marketing). These agreements will make it possible to provide new digital tools to the business customers of the mutual banks for sales and penetration of foreign markets.

Growth was also registered in international "transactional activities" (cross-border payments, letters of credit and international guarantees), despite the slowdown in the expansion of international trade and the spread of global geopolitical tensions. Another area posting growth was correspondent banking, which saw the forging of over 100 new bilateral relationships with foreign banks, demonstrating the increased importance that the Group is gaining at the international level, confirmed by the increase (+28%) in the number of customers who have used the "trade" services we have made available.

Another sector experiencing significant activity was incentive programs, which were enriched and strengthened with new initiatives to enhance our support of business customers in navigating the measures introduced with the NRRP.

The initiatives under the main incentive programs we have traditionally supported included the following:

- as part of the “Nuova Sabatini” mechanism for investments in capital goods, in the first half of 2024, 985 new applications were approved (+83%), corresponding to about €207 million in investment;
- with regard to Industry Contracts, following the first ministerial approvals of the investment programs presented in the 5th Call, the executive projects for 10 Industry Contracts were processed, involving 118 firms with total investment value of around €370 million. The portfolio under management (4th and 5th Calls) consists of 36 Industry Contracts, representing about 30% of the national market, with the involvement of over 500 beneficiary firms with investments of about €1 billion.
- as regards the MCC Service, despite the termination of a much of the emergency legislation (the temporary framework), the use of the Guarantee Fund by the mutual banks on behalf of their customers is substantially stable. The advisory service managed 5,198 guarantee applications (+5%) with a total loan value of €978 million (-6%), of which about €650 million guaranteed by MCC.

Additional initiatives connected with the new incentive measures introduced under the NRRP involved:

- the launch of partnerships with advisory firms, including BIT, to offer business customers all the technical and administrative support necessary to access the main national and regional incentive programs;
- the introduction of a portal for monitoring all open calls for subsidized financing and the eligibility criteria required for submitting applications in order to match existing calls for tenders with customers;
- an agreement with the CDP to manage the incentive measures related to the Tourism Revolving Fund, which enabled the Group to participate in the 1st Call (July 2023) and the 2nd Call (July 2024);
- the award of a contract to manage a fund of €118 million financed through the EIB Fund of Funds dedicated to tourism, which is in turn financed with NRRP funds;
- the definition of new partnership agreements to support mutual bank customers in accessing incentive programs related to the Transition 5.0 measure.

Other measures include initiatives to support the tourism and environment sector using the dedicated funds financed with resources from Cassa Depositi e Prestiti, totaling €500 million.

Payment systems

The first half of 2024 registered higher transaction volumes than in 2023 (+9% in transactions handled), confirming the overall growth trend in the sector, partly reflecting the substitution of cash with electronic transactions. Segments posting double-digit growth rates included digital payment services (ordinary and instantaneous SEPA credit transfers, direct debit and PagoPA transactions), which more than offset the contraction registered by traditional paper-based products (checks, cashier’s checks, bills, Riba, MAV). The main collections and payments initiatives undertaken in the first half of 2024 included the start of projects for:

- enhancing the efficiency of integrated cash cycle management by adopting the market-leading management application for the benefit of the mutual banks and their customers;
- ensuring compliance with the requirements set by European regulations governing instantaneous SEPA credit transfers;
- receipt on customer interfaces of payment notices transmitted by public entities through PagoPA.

BCC SISTEMI INFORMATICI SPA

The Group's information technology company, overseeing IT infrastructure and applications to support business operations for the Group as a whole. In the first half of 2024, work focused on the implementation of new projects connected with (i) ensuring compliance with operational and legislative developments; (ii) the evolution of system architecture, functionality, digitalization and innovation (e.g. digital banking and customer relationships); (iii) the management and upgrading of core processes (e.g.: the new finance platform, conditions, etc.).

Balance sheet

Given its specific corporate purpose, the company's assets are characterized by the relevance of property, plant and equipment and intangible assets, totaling €147.3 million. Other assets, equal to €156.1 million, include the tax credits purchased from the Parent Company (€54.1 million) and trade receivables (€41.4 million). Cash and cash equivalents and tax assets amounted to €3.9 million and €4.2 million respectively.

Liabilities include amounts due banks of €90.4 million (€56.2 million of which for the loan obtained for the purchase of tax credits from the Parent Company). Other liabilities of €101.1 million mainly regard payables to suppliers of goods and services (€65.3 million). Provisions for risks and charges increased by €3.2 million compared with the previous year.

Income statement

The company closed the period with a profit of €2.3 million (down 54% compared with the corresponding period of the previous year). Administrative expenses amounted to €131.1 million, an increase of €12.9 million compared with the previous year. Personnel expenses (€25.8 million) increased by €3.1 million. Developments in other administrative expenses (+€9.8 million) included an increase in ICT expenses (+€6.4 million) in respect of costs connected with projects from previous years. Other operating expenses/income, equal to €158.5 million, increased by €9.8 million on the corresponding period of the previous year. Revenues from sales and services, which essentially account for the value of the item, grew by €9.2 million, reflecting an increase in the provision of services connected with current activities (+€10.2 million), net of the decline in turnover relating to projects (-€1.0 million).

BCC SINERGIA SPA

Profit for the period, including non-core items, came to €13.6 million.

A comparison with the first half of 2023 shows the substantial stability of revenues (+0.06%) and a slight increase in operating costs (+4.79%). Another notable development was the decrease in depreciation and financial expense following the real estate spin-off. Profit before taxes increased significantly compared with the same period of the previous year (+42.83%). The tax rate is approximately 32.46%.

RETAIL BUSINESS AREA

€/thousands	RETAIL							
	Mutual banks		BCC CreditoConsumo		BCC R&P		Banca Sviluppo	
	30/06/2024	31/12/2023	30/06/2024	31/12/2023	30/06/2024	31/12/2023	30/06/2024	31/12/2023
Cash and cash equivalents	8,786,854	8,755,449	13,231	18,054	59,648	51,651	12,118	19,198
Financial assets measured at fair value through profit or loss	1,166,850	1,186,848	-	-	10,288	10,249	38	98
Financial assets measured at fair value through other comprehensive income	7,937,602	7,917,319	-	-	3	3	687	639
Financial assets measured at amortized cost	128,739,051	129,756,365	1,622,302	1,432,021	60,132	49,837	101,374	106,288
a) due from banks	9,343,449	8,935,514	41	42	982	299	1,304	2,272
b) loans to customers	79,198,559	79,668,263	1,622,260	1,431,979	59,150	49,538	55,589	57,064
c) securities	40,197,043	41,152,588	-	-	-	-	44,482	46,952
Hedging derivatives and value adjustments of macro-hedged financial assets	189,215	171,241	-	-	-	-	-	-
Equity investments	3,046	30,770	-	-	-	-	-	-
Property, plant and equipment	1,804,294	1,828,199	9	16	3,870	3,974	28,521	28,602
Intangible assets	8,960	10,460	516	631	6,601	6,399	-	-
Tax assets	954,341	1,070,534	3,428	4,820	750	802	39,234	41,034
Non-current assets and disposal groups held for sale	39,373	13,300	-	-	-	-	-	-
Other assets	4,639,212	4,904,590	125,042	117,034	31,972	36,367	15,179	16,166
Total assets	**154,268,798**	**155,645,075**	**1,764,529**	**1,572,577**	**173,263**	**159,282**	**197,150**	**212,024**

€/thousands	RETAIL							
	Mutual banks		BCC CreditoConsumo		BCC R&P		Banca Sviluppo	
	30/06/2024	31/12/2023	30/06/2024	31/12/2023	30/06/2024	31/12/2023	30/06/2024	31/12/2023
Financial liabilities measured at amortized cost	138,073,021	140,237,723	1,566,164	1,406,688	91,649	90,746	69,888	65,236
a) due to banks	19,527,920	23,536,175	1,565,622	1,406,060	91,585	90,671	67,316	62,715
b) due to customers	108,377,795	107,355,522	542	628	65	75	22	24
c) securities issued	10,167,306	9,346,026	-	-	-	-	2,549	2,497
Financial liabilities held for trading	64	110	-	-	-	-	-	-
Financial liabilities designated as at fair value	-	-	-	-	-	-	-	-
Hedging derivatives and value adjustments of macro-hedged financial liabilities	118,138	161,954	-	-	-	-	-	-
Tax liabilities	61,891	46,291	409	491	1,015	20	28	27
Liabilities associated with disposal groups held for sale	-	-	-	-	-	-	-	-
Other liabilities	1,464,599	1,504,427	24,226	37,237	24,843	24,572	4,472	22,560
Post-employment benefits	180,512	193,919	242	252	213	239	-	44
Provisions for risks and charges	554,137	486,817	182	190	800	752	4,627	5,264
Equity	12,852,319	11,376,060	152,732	90,585	42,954	25,913	118,925	121,812
Profit/(loss) for the period (+/-)	964,116	1,637,773	20,573	37,134	11,788	17,039	(790)	(2,919)
Total liabilities and equity	**154,268,798**	**155,645,075**	**1,764,529**	**1,572,577**	**173,263**	**159,282**	**197,150**	**212,024**

€/thousands	RETAIL							
	Mutual banks		BCC CreditoConsumo		BCC R&P		Banca Sviluppo	
	30/06/2024	30/06/2023	30/06/2024	30/06/2023	30/06/2024	30/06/2023	30/06/2024	30/06/2023
Net interest income	1,996,646	1,798,572	32,749	29,583	1,427	1,081	396	86
Net fee and commission income	612,896	617,131	5,995	5,511	36,454	27,178	6	(5)
Dividends	10,159	11,113	-	-	94	11	-	-
Net gain/(loss) on trading activities	15,591	7,104	-	-	-	-	-	-
Net gain/(loss) on hedging	(1,614)	(688)	-	-	-	-	-	-
Net gain/(loss) on disposals or repurchases	41,291	28,508	-	-	-	-	-	-
Net gain/(loss) on assets and liabilities at FVTPL	10,324	(6,742)	-		(40)	21	(43)	(49)
Gross income	**2,685,294**	**2,454,999**	**38,745**	**35,094**	**37,935**	**28,292**	**359**	**32**
Net writedowns/writebacks for credit risk	(179,449)	(190,808)	2,194	(5,055)	-	-	63	(679)
Net gains/(losses) from financial operations	**2,505,845**	**2,264,192**	**40,939**	**30,039**	**37,935**	**28,292**	**423**	**(646)**
Administrative expenses	(1,450,145)	(1,423,096)	(11,794)	(10,726)	(20,174)	(16,002)	(1,473)	(2,070)
a) personnel expenses	(817,183)	(750,561)	(3,066)	(2,468)	(3,459)	(2,833)	(377)	(680)
b) other administrative expenses	(632,962)	(672,536)	(8,729)	(8,258)	(16,716)	(13,169)	(1,096)	(1,391)
Depreciation, amortization and provisions	(86,345)	(84,962)	(167)	(349)	(1,824)	(711)	3	436
Other operating expenses/income	173,093	133,318	1,674	1,556	1,019	584	189	540
Operating expenses	**(1,363,397)**	**(1,374,740)**	**(10,288)**	**(9,519)**	**(20,980)**	**(16,130)**	**(1,280)**	**(1,095)**
Profit/(loss) from equity investments	-	-	-	-	-	-	-	-
Profit/(loss) from disposal of investments	(410)	(142)	-	-	-	-	-	-
Net gain/(loss) from FV measurement of property, plant and equipment and intangible assets	-	-	-	-	-	-	-	-
Impairment of goodwill	-	-	-	-	-	-	-	-
Profit/(loss) before tax on continuing operations	**1,142,038**	**889,309**	**30,651**	**20,520**	**16,955**	**12,162**	**(858)**	**(1,741)**
Income tax expense from continuing operations	(177,922)	(129,306)	(10,078)	(6,728)	(5,167)	(3,629)	67	439
Profit/(loss) on discontinued operations after tax	-	-	-	-	-	-	-	-
Profit/(loss) for the period	**964,116**	**760,003**	**20,573**	**13,792**	**11,788**	**8,532**	**(790)**	**(1,302)**

AFFILIATED BANKS

The segment includes the affiliated mutual banks that represent the largest portion of the Group's consolidated assets.

The structure of the mutual banks' balance sheets reflects the nature of local banking, characterized by a high level of funding from customers stemming from the historic ties that the mutual banks have with their local areas, with a prevalence of loans to households and small firms and a fairly low ratio of loans to deposits, as well as the investment of excess liquidity primarily in government securities.

What follows is a brief description of the main balance sheet and income statement items of the 115 mutual banks belonging to the Iccrea Cooperative Banking Group as at June 30, 2024, presented in aggregate form and gross of intercompany items.

Balance sheet

Total assets at June 30, 2024 amounted to €154.3 billion, a decrease of €1.4 billion compared with December 31, 2023.

Financial assets measured at amortized cost decreased by about €1 billion to €128.8 billion and consist of:

- loans to customers totaling €79.2 billion (-€0.5 billion compared with the end of 2023), mainly represented by mortgage loans to customers (€66.6 billion), current accounts (€6 billion), other financing (€5.6 billion) and transactions involving credit cards, personal loans and loans repaid by automatic deductions from wages (€1 billion);
- amounts due from banks of €9.3 billion, an increase of €0.4 billion compared with 2023. The item consists of fixed-term deposits (€8.5 billion) and other financing (€0.8 billion);
- debt securities amounting to about €40.2 billion, represented by about €39.1 billion in securities with customers, down about €1 billion, and securities issued by banks in the amount of €1.1 billion (-€0.1 billion on the end of December 2023).

The characteristics of the mutual banks' business model is reflected primarily by the type of customers served. Total loans to mutual bank customers were made largely to consumer households and SMEs (45% and 39.9% of total lending, respectively).

The aggregate NPE ratio stood at 3.8%, while the coverage ratio for impaired loans was 73.1% (72.3% at December 31, 2023).

Counterparties	Ratio to total loans and advances	Performing loans and advances		Non-performing loans and advances		
		Ratio to total loans by counterparty	Percentage of total performing loans of the affiliated banks	Ratio to total loans by counterparty	Ratio to total NPEs of the affiliated banks	Coverage NPE
Ordinary customers	98.8%	96.2%	98.7%	3.8%	100.0%	73.1%
Consumer households	45.0%	97.6%	45.6%	2.4%	28.2%	67.6%
Small and medium-sized enterprises	39.9%	95.4%	39.5%	4.6%	48.0%	72.2%
Producer households	*7.3%*	*94.3%*	*7.1%*	*5.7%*	*11.0%*	68.9%
Micro-enterprises, institutions and associations	*7.4%*	*94.5%*	*7.3%*	*5.5%*	*10.8%*	74.5%
Other SMEs	*25.2%*	*96.1%*	*25.1%*	*3.9%*	*26.1%*	72.7%
Large corporate	13.9%	93.0%	13.5%	7.0%	23.8%	81.5%
Government entities	1.1%	99.8%	1.2%	0.2%	0.0%	47.6%
Central banks, credit institutions and other financial companies	0.1%	99.4%	0.1%	0.6%	0.0%	0.0%
Total	**100.0%**	**96.2%**	**100.0%**	**3.8%**	**100.0%**	**73.1%**

Financial investments totaled about €46.5 billion[17] and consist almost entirely of government securities (especially those issued by the Italian State). Of these, 84% are allocated to the portfolio measured at amortized cost (Hold-to-

[17] The aggregate includes securities measured at amortized cost and financial assets measured at fair value through other comprehensive income and through profit or loss.

Collect business model - HTC) in line with the traditional business model that characterizes these banks, in order to take advantage of the coupon yield and at the same time to not expose its funds to risks associated with volatility. Consistent with the mutualistic aim, the stock of securities allocated to the accounting portfolio measured at fair value through profit or loss is very small.

The portfolio of financial assets measured at fair value through other comprehensive income, represented almost entirely by Italian government securities, amounted to about €7.9 billion, in line with the end of the previous year. Financial assets measured at fair value through profit or loss amounted to €1.2 billion, a decrease of €0.2 billion on 2022, and are almost entirely represented by financial assets mandatorily measured at fair value (which also include receivables in respect of the Parent Company for the Ex-Ante contribution to the Guarantee Scheme) and assets held for trading in the amount of €18 million.

Finally, other relevant items include property, plant and equipment - which amounted to about €1.8 billion and mainly includes land and buildings for use in operations (€1.3 billion) and other capital equipment - while intangible assets amounted to just about €9 million, of which about €3.2 million in goodwill paid on the acquisition of bank branches before the formation of the ICBG.

Strong ties with the territory are also reflected in the composition of liabilities, with a large proportion of direct funding from customers, especially current accounts and demand deposits, and to a lesser extent bonds and certificates of deposit.

Accordingly, liabilities largely consist of financial liabilities measured at amortized cost, which amounted to €138 billion. More specifically:

- amounts due to customers increased by €1 billion compared with the end of 2023 to €108.4 billion, represented mainly by current accounts and demand deposits (€100.7 billion), fixed-term deposits (€6.2 billion) and other financing (€1.5 billion);
- amounts due to banks came to €19.5 billion, mainly attributable to loans obtained through TLTRO operations and refinancing transactions with the Parent Company. The decrease of €4 billion is attributable to deleveraging initiatives undertaken in 2024 (partial repayment of TLTRO funding);
- securities issued came to €10.2 billion, an increase of €0.8 billion due to the issue of new certificates of deposit. Of the total, €3.8 billion are represented by bonds and €6.4 billion by certificates of deposit.

The aggregate equity of the mutual banks amounted to €13.8 billion, an increase of €1.8 billion on the end of 2023, and consists of €1 billion of share capital, with the rest made up of reserves.

Income statement

On aggregate, the mutual banks closed the first half of 2024 with a profit of €964 million, up €204 million on the same period of the previous year.

More specifically, gross income increased by €230.4 million, to €2.7 billion, as a result of:

- an increase in net interest income (+€198 million), due in large part to the increase in interest income on loans to customers (+€255 million, largely due to an increase in interest rates) an increase in positive differences on hedging derivatives (+€76 million), partly offset by a rise in interest expense on funding from customers (-€257 million) and on liabilities issued (-€63 million);
- a decrease of €4.2 million in net fee and commission income;
- an increase of about €12.8 million in gains on disposal, largely reflecting an increase in gains on the disposal of loans by Group banks (+€8.2 million on the same period of the previous year).

In the first half of 2024, writedowns for credit risk amounted to €179.4 million, a slight decrease compared with the same period of the previous year, reflecting the robust monitoring of non-performing positions implemented by the Group since its establishment.

Operating expenses amounted to around €1.4 billion, a slight decrease on the first half of 2023, the net effect of (i) an increase of €66.6 million in personnel expenses, mainly due to the renewal of the national collective bargaining agreement; (ii) a reduction of €39.6 million in other administrative expenses, mainly reflecting the decline in contributions to the BRRD, the National Resolution Fund for bank crises and the DGF following the achievement of the funding ceilings for contributions to these funds, and (iii) an increase of €39.8 million in other operating income.

BCC CREDITOCONSUMO SPA

In the first half of 2024 the company continued to distribute consumer credit products to private customers in the form of general purpose personal loans and, through a distribution agreement with Pitagora SpA, salary/pension-backed loans. The company makes use of the branches of the mutual banks to place these products. For personal loans, the company also employs a direct channel both through the Crediper.it website, to which loan applications can be uploaded directly, and through online comparison sites (Facile.it and Prestitionline.it).

Balance sheet

Financial assets measured at amortized cost amounted to €1,622 million and consisted almost entirely of exposures to customers for consumer credit products.

The table below provides a breakdown of gross loans to customers for consumer credit at June 30, 2024, by credit quality, including an indication of associated loan loss allowance and the coverage percentage.

€/thousands	Gross exposure	Writedowns	Net exposure	% coverage
Performing exposures	**1,636,130,070**	**20,151,672**	**1,615,978,398**	**1.23%**
Impaired past due	9,624,754	5,431,199	4,193,555	56.43%
Unlikely to pay	11,281,104	9,662,717	1,618,387	85.65%
Bad loans	16,495,484	16,037,021	458,463	97.22%
Non-performing exposures	**37,401,342**	**31,130,937**	**6,270,405**	**83.23%**
Total	**1,673,531,412**	**51,282,608**	**1,622,248,804**	**3.06%**

Other assets amounted to €125 million and are mainly composed (€100.6 million) of receivables in respect of the self-securitization vehicle for advance payments to the vehicle itself of installments collected on the assigned portfolio and of tax credits (€9.7 million) purchased from Iccrea Banca. Financial liabilities measured at amortized cost amount to €1,566 million and are mainly represented by intercompany liabilities in respect of funding.

Other liabilities amounted to €24.2 million and include €5.8 million in liabilities for fees and commissions due to the affiliated mutual banks, liabilities in respect of insurance companies for premiums to be paid of €0.6 million, and liabilities in respect of Iccrea Banca connected with the tax consolidation mechanism in the amount of €6.7 million. The remaining €11.1 million mainly consist of liabilities with sundry suppliers (€8.3 million), liabilities in respect of tax authorities, mainly consisting of the provision for virtual stamp duty for 2024 (€0.5 million) and other liabilities (€2.3 million) consisting of amounts due to social security institutions, sundry amounts due to personnel and other liabilities.

Income statement

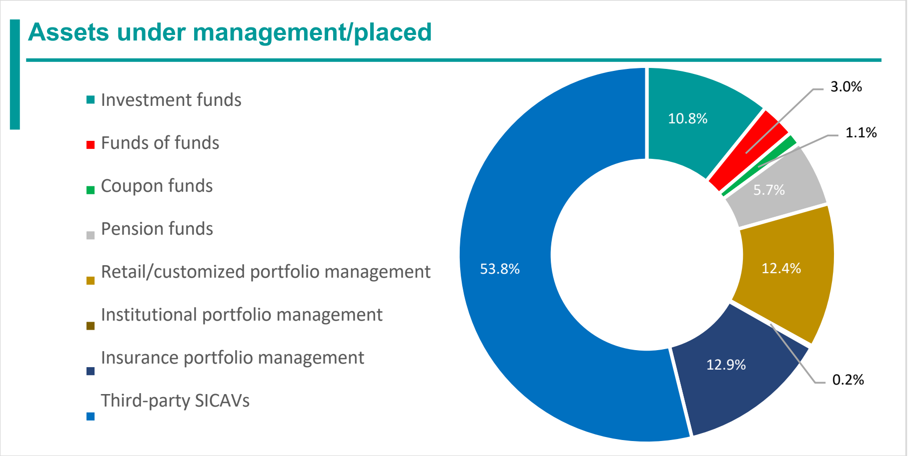
Revenues are represented by interest and similar income in the amount of €46.8 million, fee and commission income from insurance operations and the placement of third-party “salary-backed loan” products in the amount of €14.3 million, gains on writebacks of loan-loss provisions of €2.2 million and other operating income/expenses amounting to €1.7 million. Costs include €14.1 million in interest expense on current accounts and loans, €8.3 million in fees and commissions payable to affiliated mutual banks, €3.0 million in personnel expenses, €8.7 million in other administrative expenses and €0.2 million in depreciation/amortization. Income taxes for the period ended at June 30, 2024 totaled €10.1 million.

The company closed the first half of the year with a net profit of €20.6 million (€13.8 million in the first half of 2023).

BCC RISPARMIO&PREVIDENZA SGRPA

At June 30, 2024, total assets managed or placed by BCC Risparmio & Previdenza amounted to €26.1 billion, an increase of €2.2 billion compared with the end of 2023, the result of net funding of €1.5 billion, buoyed by positive market developments that produced a gain of €0.7 billion.

The chart below shows the weight of each investment product out of total assets under management as at June 30, 2024.



Assets under management

Net funding from investment funds and funds of funds was a positive €514.8 million. Total assets under management at period end came to €3.6 billion. The number of supplementary pension contracts rose to 225,246, an increase of 7.5% on the end of 2023 (when the number of contracts was 209.537). The coupon fund segment recorded net redemptions of €188 million, closing the period with €296 million in assets under management, reflecting in part the merger of the Investiper Cedola Dicembre 2023 fund into the Investiper Valore Obbligazionario Italia 2026 fund in April.

With regard to supplementary pension funds, the company confirmed the positive trend in annual net funding, which amounted to €82.5 million, bringing assets under management to €1.5 billion. The number of investors in pension funds reached 182,932 (+4.5% compared with the end of 2023).

With regard to retail, institutional and insurance portfolio management products, net funding was also positive at a total of €414.1 million (retail €418.4 million, insurance -€4.6 million, institutional €0.3 million), bringing total assets under management to about €6.7 billion at the end of the period. The placement of retail portfolio management products generated a total of 5,386 new accounts, to reach a total of 59,376 accounts at period end.

Assets in placement

Total assets placed at the end of the period amounted to €14 billion, with net funding of €714.4 million.

Income statement

The period closed with pre-tax profit of about €17 million (a net profit of about €11.8 million), an increase of 39.4% or about €4.8 million on the first half of the previous year. The increase is attributable to: (i) an increase of about €9.3 million in net fee and commission income, of which €5 million in performance fees; (ii) a profit on finance operations of about €0.4 million; and (iii) an increase of about €0.5 million in other income. Those increases more than offset the increase in operating expenses to about €21 million, a rise of 30% compared with the same period of the previous year. This reflected an increase in personnel expenses, other administrative expenses and depreciation and amortization, accompanied by the negative effect of the accrual to the reserve for the guaranteed segment of the pension fund, which in the first half of 2023 had made a positive contribution with a reversal to profit or loss due to a decrease between the two periods of about €0.5 million.

BANCA SVILUPPO SPA

Consistent with the Strategic Plan, the objective set for the 2024 financial year is the effective refocus of the Bank's corporate purpose and business on new strategies is under way. Analysis is being conducted of the evolution towards new models to be used in the rationalization of the companies belonging to the Group and for integration into the Parent Company.

With the closure of the Lucrezia Romana branch, the last operational branch of Banca Sviluppo, in December 2023 and the simultaneous transfer of relationships relating to direct and indirect funding and all services excluding financing relationships with another mutual bank, the process of returning the branches to the mutual banks adjacent to the territories in which the Banca Sviluppo network was located can be considered concluded. In 2024, banking activity will be conducted solely through headquarters in Rome, which will also manage the residual mortgage portfolio still held by the bank.

Income statement

The income statement at June 30, 2024 closed with a pre-tax loss of €858 thousand and a net loss of 790 thousand. In general, performance for the period reflected the latest increases in ECB rates, to which the cost of funding and revenues on loans to customers are linked, as well as the Bank's overheads.

CORPORATE BUSINESS AREA

€/thousands	CORPORATE							
	BCC Leasing		BCC Rent&Lease		BCC Factoring		BCC Financing	
	30/06/2024	31/12/2023	30/06/2024	31/12/2023	30/06/2024	31/12/2023	30/06/2024	31/12/2023
Cash and cash equivalents	15,279	5,652	264	746	8,201	4,955	118,195	99,285
Financial assets measured at fair value through profit or loss	76,914	79,248	-	-	-	-	18,755	19,279
Financial assets measured at fair value through other comprehensive income	283	283	-	-	11	11	15,289	32,356
Financial assets measured at amortized cost	3,277,593	3,388,675	511,885	509,266	649,519	805,590	525,712	535,174
a) due from banks	13,230	14,266	873	895	-	-	58,955	59,254
b) loans to customers	3,233,921	3,340,136	511,012	508,371	649,519	805,590	244,694	268,228
c) securities	30,442	34,273	-	-	-	-	222,064	207,692
Hedging derivatives and value adjustments of macro-hedged financial assets	-	-	-	-	-	-	465	133
Equity investments	-	-	-	-	-	-	-	-
Property, plant and equipment	6,352	6,162	343	305	-	4	6,734	6,828
Intangible assets	-	-	182	223	550	659	17	33
Tax assets	119,288	129,902	2,057	2,529	3,407	4,229	34,482	36,722
Non-current assets and disposal groups held for sale	-	-	-	-	-	-	-	-
Other assets	33,479	45,363	8,331	8,698	7,222	9,693	5,268	9,340
Total assets	**3,529,189**	**3,655,284**	**523,063**	**521,767**	**668,909**	**825,140**	**724,916**	**739,149**

€/thousands	CORPORATE							
	BCC Leasing		BCC Rent&Lease		BCC Factoring		BCC Financing	
	30/06/2024	31/12/2023	30/06/2024	31/12/2023	30/06/2024	31/12/2023	30/06/2024	31/12/2023
Financial liabilities measured at amortized cost	2,934,645	3,027,620	458,013	458,763	607,188	762,404	580,455	595,188
a) due to banks	2,911,857	3,001,815	455,366	454,895	602,387	754,135	294,558	291,183
b) due to customers	22,787	25,805	2,647	3,868	4,800	8,268	281,366	299,518
c) securities issued	-	-	-	-	-	-	4,531	4,488
Financial liabilities held for trading	53,727	55,574	-	-	-	-	-	-
Financial liabilities designated as at fair value	-	-	-	-	-	-	-	-
Hedging derivatives and value adjustments of macro-hedged financial liabilities	-	-	-	-	-	-	102	281
Tax liabilities	-	-	575	-	150	74	75	75
Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Other liabilities	59,140	65,886	14,727	19,273	34,801	38,620	15,963	16,899
Post-employment benefits	919	1,106	148	88	363	356	200	213
Provisions for risks and charges	30,889	28,732	870	252	945	1,089	7,347	7,799
Equity	435,361	430,783	43,398	32,921	22,608	19,744	118,818	113,612
Profit/(loss) for the period (+/-)	14,509	45,583	5,333	10,470	2,855	2,853	1,957	5,084
Total liabilities	**3,529,189**	**3,655,284**	**523,063**	**521,767**	**668,909**	**825,140**	**724,916**	**739,149**

€/thousands	CORPORATE							
	BCC Leasing		BCC Rent&Lease		BCC Factoring		BCC Financing	
	30/06/2024	30/06/2023	30/06/2024	30/06/2023	30/06/2024	30/06/2023	30/06/2024	30/06/2023
Net interest income	35,124	39,876	11,528	11,572	5,283	4,079	2,742	3,661
Net fee and commission income	715	1,006	(283)	(255)	2,093	1,685	2,807	2,543
Dividends	-	-	-	-	-	-	430	-
Net gain/(loss) on trading activities	790	599	-	-	6	4	(33)	(45)
Net gain/(loss) on hedging	-	-	-	-	-	-	2	(10)
Net gain/(loss) on disposals or repurchases	239	41	-	-	-	-	8	336
Net gain/(loss) on financial assets and liabilities at FVTPL	82	2,735	-	-	-	-	(375)	(669)
Gross income	**36,950**	**44,257**	**11,245**	**11,316**	**7,382**	**5,768**	**5,581**	**5,816**
Net writedowns/writebacks for credit risk	7,599	16,217	833	(1,040)	1,627	1,076	862	2,798
Net income/(loss) from financial operations	**44,549**	**60,474**	**12,078**	**10,277**	**9,009**	**6,844**	**6,442**	**8,614**
Administrative expenses	(18,871)	(16,477)	(6,784)	(5,989)	(4,763)	(4,061)	(5,359)	(6,065)
a) personnel expenses	(6,496)	(5,223)	(1,859)	(1,589)	(2,139)	(1,919)	(2,607)	(2,814)
b) other administrative expenses	(12,375)	(11,254)	(4,925)	(4,400)	(2,624)	(2,142)	(2,752)	(3,252)
Depreciation, amortization and provisions	(3,075)	(2,605)	(652)	8	(49)	(347)	1,190	1,317
Other operating expenses/income	(214)	(1,383)	3,355	3,263	161	29	270	(425)
Operating expenses	**(22,160)**	**(20,465)**	**(4,082)**	**(2,717)**	**(4,651)**	**(4,380)**	**(3,899)**	**(5,174)**
Profit/(loss) from equity investments	-	-	-	-	-	-	-	-
Profit/(loss) from disposal of investments	-	-	-	-	-	-	-	-
Net gain/(loss) from FV measurement of property, plant, equipment and intangible assets	-	-	-	-	-	-	-	-
Goodwill impairment	-	-	-	-	-	-	-	-
Profit/(loss) before tax on continuing operations	**22,388**	**40,009**	**7,996**	**7,560**	**4,359**	**2,464**	**2,544**	**3,440**
Income tax expense from continuing operations	(7,880)	(13,710)	(2,664)	(2,163)	(1,503)	(864)	(586)	(1,047)
Profit/(loss) after tax on discontinued operations		-	-	-	-	-	-	-
Net profit/(loss) for the period	**14,509**	**26,299**	**5,333**	**5,396**	**2,855**	**1,600**	**1,957**	**2,393**

BCC LEASING SPA

Company operations are focused exclusively on finance leasing.

Balance sheet

New lease lending increased by 14.8% compared with the same period of 2023. New contracts agreed in the period amounted to €377 million, for a total of 1,637 new contracts.

The finance lease market in which BCC Leasing competes (excluding equipment leasing up to €50 thousand and auto leasing) contracted by about 8.2%[18] in value terms and 1.9% in terms of the number of contracts in an environment affected by opposing trends: the real estate segment growth in the value of constructed properties, despite a reduction in the number of contracts, while equipment leasing was heavily penalized (with a decrease of nearly 30% compared with the same period of the previous year) by the lack of clear incentives, while commercial and heavy vehicle leasing benefited from more stringent environmental regulations and a recovery in logistics.

Within this scenario, BCC Leasing expanded its market share from 4.6% at December 31, 2023 to 5.2% at June 30, 2024, in an increasingly competitive environment, characterized by a growing emphasis on price competition, which compresses profit margins. In response, BCC Leasing continued initiatives to optimize its pricing structure, making products more flexible, especially for the size segments that are most affected by competitive pressure. Our careful approach to approving new financing in recent years has also made it possible to significantly lower the cost of risk, thereby maintaining satisfactory profitability on the portfolio.

In the wake of the actions taken, BCC Leasing's lending exceeded forecasts for the first half of 2024, despite interest rates developments not meeting expectations formulated in the planning phase and the delays in defining incentive policies, as well as the further deterioration in global economic tensions, which adversely impacting orders from firms.

The following table provides a breakdown by type of new output in the period, with equipment leasing representing about 48.4% of new output.

Product line	Lease volumes							
	Jun-24		Jun-23		% share		Change	
	Number	Amount	Number	Amount	% Num	% Val	% Num	% Val
Light commercial vehicle leasing	227	13,218	165	8,609	13.9%	3.5%	37.6%	53.5%
Heavy vehicle leasing	483	67,138	311	43,813	29.5%	17.8%	55.3%	53.2%
Equipment	835	182,431	1,030	221,409	51.0%	48.4%	-18.9%	-17.6%
Air and nautical	9	4,816	2	893	0.5%	1.3%	350.0%	439.3%
Public	4	28,388	1	117	0.2%	7.5%	300.0%	24163.2%
Property	79	81,080	45	53,546	4.8%	21.5%	75.6%	51.4%
Total leasing	**1,637**	**377,071**	**1,554**	**328,388**	**100%**	**100%**	**5.3%**	**14.8%**

Of the bank's lending portfolio, totaling €3.3 billion, 90% is represented by non-financial counterparties.

€/thousands	30/06/2024	31/12/2023	% change
Debt securities	**30,442**	**34,273**	**(11.2%)**
b) Other financial companies	30,442	34,273	(11.2%)
Financing to	**3,233,921**	**3,340,136**	**(3.2%)**
a) Government entities	156,992	158,764	(1.1%)
b) Other financial companies	9,649	10,666	(9.5%)
of which: insurance undertakings	691	579	19.3%
c) Non-financial companies	2,952,554	3,050,459	(3.2%)
d) Households	114,726	120,247	(4.6%)
Total	**3,264,363**	**3,374,409**	**(3.3%)**

[18] Based on preliminary Assilea data.

€/thousands	30/06/2024	31/12/2023	% change
Financing	**3,233,921**	**3,340,136**	**(3.2%)**
Lease financing	3,081,670	3,182,916	(3.2%)
Other financing	152,251	157,221	(3.2%)
Debt securities	**30,442**	**34,273**	**(11.2%)**
Other debt securities	30,442	34,273	(11.2%)
Total	**3,264,363**	**3,374,409**	**(3.3%)**

From the point of view of managing the credit risk on the performing portfolio, in light of the benefits deriving from the improvement in macroeconomic conditions, the policy of carefully monitoring and evaluating positions undertaken in previous years has been maintained. Coverage of impaired loans has remained substantially unchanged in application of valuation policies and methodologies based on especially prudent criteria, as well as the application of probabilistic disposal scenarios to a portion of the impaired portfolio.

At June 30, 2024 the coverage ratio for non-performing loans was 71.61%, in line with the 71.58% registered at the end of 2023. The gross NPE ratio was 6.18% (5.89% at December 31, 2023), while the net NPE ratio was 1.86% (1.77% at the end of 2023). The following table provides a comparison of the ratios for the non-performing portfolio with the associated benchmark market ratios provided by Assilea:

	Market*	BCC Leasing 30/06/24
Average coverage ratio for NPE portfolio	61.20%	71.61%
Gross NPE ratio	6.80%	6.18%
Net NPE ratio	2.80%	1.86%

* Assilea figures at March 2024.

Income statement

The bank closed the first half of 2024 with a profit before tax of €22.4 million (€40 million in the first half of 2023). After taxes, net profit stood at €14.5 million (€26.3 million in the first half of 2023).

A breakdown of the main income statement components that contributed to the result for the period indicates:

- interest income of €101 million, an increase of 12% (€90 million in the first half of 2023). Against the increase in interest income was a more than proportionate increase in interest expense, which rose by over 31% to €66 million, compared with €50 million the same period of the previous year. Net interest income therefore declined by 12% (to €35 million, compared with €40 million in the first half of 2023);
- net writedowns/writebacks for credit risk showing net writebacks of €7 million, the combined effect of (i) a decrease in interest-bearing assets and transfers to other status categories; (ii) the closure/sale of non-performing positions, which produced writebacks; and (iii) the effects of recovery activities on non-performing positions;
- administrative expenses amounting to €19 million, an increase of about €2.3 million on June 30, 2023. Personnel expenses amounted to €6.5 million, an increase of about 1.3 million on the same period of the previous year. Other administrative expenses amounted to €12.4 million (€11.3 million in the first half of 2023).
- net provisions for risks and charges increased by a total of €0.3 million (to €2.9 million, compared with €2.6 million in the first half of 2023). Other operating income and expense showed net expenses of €0.2 million, a decrease compared with the first half of the previous year (€1.3 million).

BCC RENT&LEASE SPA

The company operates in the small-ticket lease market.

Developments in the first half of 2024 showed a decrease of 6% in new business (9,920 contracts agreed with a total value of €126.2 million, compared with 10,401 and €134.2 million in the same period of 2023). The following table provides a breakdown of operations in the period compared with the same period of 2023:

Balance sheet

	2024		2023		% change	
	Number	Amount €/thousands	Number	Amount €/thousands	Number	Amount
Equipment vendor						
Operating leases	4,320	37,062	4,049	34,634	6.7%	7.0%
Equipment leasing	1,761	28,720	2,091	33,336	(15.8%)	(13.8%)
Special-purpose financing	3,005	31,986	3,315	34,497	(9.4%)	(7.3%)
Total vendor	**9,086**	**97,768**	**9,455**	**102,467**	**(3.9%)**	**(4.6%)**
Mutual banks						
Light commercial vehicle leasing	483	18,927	470	18,293	2.8%	3.5%
Equipment leasing	261	5,555	359	8,104	(27.3%)	(31.5%)
Heavy vehicle leasing	13	841	28	1,804	(53.6%)	(53.4%)
Total mutual banks	**757**	**25,323**	**857**	**28,201**	**(11.7%)**	**(10.2%)**
Other						
Light commercial vehicle leasing – Agents	67	2,551	71	2,661	(5.6%)	(4.1%)
Heavy vehicle leasing – Agents	10	544	18	904	(44.4%)	(39.9%)
Total other	**77**	**3,095**	**89**	**3,565**	**(13.5%)**	**(13.2%)**
Total	**9,920**	**126,185**	**10,401**	**134,233**	**(4.6%)**	**(6.0%)**

Net lending came to €511 million, an increase on the end of 2023 (€503 million). In terms of risk profile, the company closed the period with a gross NPE ratio of 3.5% (the net NPE ratio came to 1% thanks to a coverage ratio of 71.6%).

Income statement

Profit before tax for the period amounted to €7.9 million (€7.6 million in the same period of 2023). Net profit stood at €5.3 million (€5.4 million for the first six months of 2023).

More specifically, gross income totaled €11.2 million, a slight decrease on the year-earlier period, reflecting the increase in the average cost of funding, which was not fully offset by the increase in interest income. The cost of risk declined (€833 thousand of writebacks, compared with writedowns of more than €1 million in the same period of the previous year).

BCC FACTORING SPA

The interim results show a profit before tax of €4,359 thousand (and a net profit of €2,855 thousand), a figure that was heavily impacted by the growth in net interest income, increased by over 29% compared with the same period of 2023.

Turnover rose by 15% compared with the same period of 2023, easily outpacing the market as a whole, which registered growth of 3.69%. Consequently, commission income posted a more than proportionate increase of 17.8%

Balance sheet

Turnover expanded by 15% compared with the previous year. Reflecting this development, the company's total assets, almost entirely represented by loans to customers, amounted to €649.5 million, an increase on the 500.9 million posted in 2023. The figure is greater than forecasts and in line with the company's normal performance.

Credit quality also improved, with gross impaired loans falling to 1.97% from 2.31% in the same period of 2023.

Income statement

Gross income increased by €1.61 million compared with June 30, 2023, reaching €7.38 million, reflecting a significant increase in net interest income.

Administrative expenses were in line with budget forecasts, increasing compared with the previous year. Personnel expenses rose slightly following new hiring and the bargaining agreement renewal.

The income statement also reflects the positive effect of writebacks for generic credit risk on performing loans. This was attributable to a decrease in loans compared with December 31, 2023, as they display large seasonal variations.

BCC FINANCING SPA

BCC Financing SpA specializes in medium and long-term lending and is also responsible for the lending granted through subsidized financing instruments that the Autonomous Region of Friuli Venezia Giulia (in part under Revolving Funds) and other public entities have made available to businesses. New lending disbursed to businesses in the Friuli Venezia Giulia region in the first half of 2024 totaled €28.8 million (of which €21.3 million with subsidized regional funding).

Balance sheet

At June 30, 2024, total assets came to €725 million, €261 million of which in loans to customers (a decrease of about €26 million from the end of 2023), about €239 million in financial assets, and the remainder in loans to banks (about €59 million) and tax assets (€34million).

Net performing loans came to €243 million, a decrease of 8.43% from the end of 2023. Net impaired exposures also decreased by more than 39% to €1.8 million (from €3 million at December 31, 2023). As a result, the net NPE ratio came to 0.75%, down from 1.13% the previous year, and the gross ratio amounted to 6.2% (6.5% at the end of 2023).

Direct funding from customers came to €161 million, a decrease of 5.6% from the end of 2023.

Income statement

At June 30, 2024, the income statement reported a profit before tax of €2.5 million (€3.4 million at June 30, 2023) and a net profit of €1.9 million.

Gross income came to €5.6 million, a slight decrease on June 2023 (-€0.2 million). The decline reflected a contraction in net interest income, mainly attributable to an increase in interest expense associated with a rise in the cost of funding, partially mitigated by an increase in fee and commission income.

Net writebacks for credit risk, including those on commitments and guarantees issued, which comprise subsidized transactions with government funding, totaled €2.2 million.

Operating expenses decreased sharply (-25%) due to initiatives to contain administrative expenses.

6. DEVELOPMENTS IN PARENT COMPANY OPERATIONS AND THE MAIN ITEMS OF THE BALANCE SHEET AND INCOME STATEMENT

The following provides a summary description of the main items of the Parent Company's balance sheet and income statement at June 30, 2024. In order to permit a more immediate assessment of the items, the balance sheet and income statement schedules shown below are presented in a more summary format than those provided for by Circular 262/05 of the Bank of Italy.

BALANCE SHEET

Assets

€/thousands	30/06/2024	31/12/2023	Change	% change
Cash and cash equivalents	1,465,239	4,759,314	(3,294,075)	(69.2)
Financial assets measured at amortized cost – *Due from banks – Loans and securities*	25,751,889	30,806,297	(5,054,409)	(16.4)
Financial assets measured at amortized cost –*Due from customers – Loans*	10,242,256	7,558,420	2,683,836	35.5
Financial assets measured at amortized cost – *Due from customers – Securities*	10,191,035	10,138,191	52,844	0.5
Financial assets measured at fair value through profit or loss	2,016,520	1,977,687	38,833	2.0
Financial assets measured at fair value through other comprehensive income	1,131,776	1,224,308	(92,532)	(7.6)
Hedging derivatives	227,212	163,309	63,903	39.1
Equity investments	1,397,545	1,514,823	(117,278)	(7.7)
Other assets	957,324	835,607	121,717	14.6
Total interest-bearing assets	**53,380,795**	**58,977,956**	**(5,597,161)**	**(9.5)**
Other non-interest-bearing assets	144,875	141,263	3,612	2.6
Total assets	**53,525,670**	**59,119,218**	**(5,593,548)**	**(9.5)**

At June 30, total assets amounted to €53.5 billion, a decrease from €59.1 billion at the end of December 2023, mainly reflecting the following developments.

Cash and cash equivalents declined by €3.3 billion, essentially reflecting a contraction in overnight deposits with the ECB.

Loans measured at amortized cost decreased by €2.3 billion compared with the end of 2023, resulting from:

- a decrease in amounts due from banks (-€5.1 billion), primarily reflecting the combined impact of: i) a contraction in lending connected with TLTRO operations with the mutual banks (-€6.4 billion). A similar development is recorded for "Financial liabilities measured at amortized cost"; and ii) a decrease in reserve requirements (-€0.9 billion); (iii) an increase in intercompany lending (+€2.3 billion) granted against collateral in the form of refinanceable securities (pool collateral) and loans connected with the Covered Bond Program; and iv) an increase (+€0.5 billion) in holdings of debt securities issued mainly by the mutual banks and subscribed by the Parent Company to meet MREL requirements for the Group), with an analogous change in "Financial liabilities measured at amortized cost";
- an increase in lending to customers (+€2.7 billion), essentially attributable to an increase in lending through repos with the Clearing & Guarantee Fund;

The following table provides a breakdown of amounts due from banks, largely represented by loans to the mutual banks (€20.8 billion), a reduction (-€3.6 billion) on the end of 2023. These loans, secured by securities eligible for refinancing (pool collateral), include about €8.0 billion in operations with the ECB (TLTRO) and about €7.2 billion in other forms of collateralized financing. Loans connected with the Covered Bond Program increased by €3.1 billion.

€/thousands	30/06/2024	31/12/2023	Change	% change
Mutual banks	20,842,346	24,490,718	(3,648,372)	(14.9)
Other credit institutions	4,909,542	6,315,579	(1,406,037)	(22.3)
Due from banks	**25,751,889**	**30,806,297**	**(5,054,409)**	**(16.4)**

Amounts due from other credit institutions include €3.2 billion in intercompany lending (of which about €2.9 billion to BCC Leasing) with the remainder comprising deposits with third parties.

Loans to ordinary customers amounted to €10.2 billion, an increase on the €7.6 billion posted at the end of December 2023. Of the total, €2.8 billion regard intercompany loans. The change in the item is largely attributable to an increase in lending through reverse repos with the Clearing & Guarantee Fund.

The following table provides a breakdown of impaired positions.

€/thousands	30/06/2024			
	Gross exposure	Impairment losses	Net exposure	% coverage
Bad loans	19,238	17,276	1,962	89.8
Unlikely to pay	134,085	86,679	47,406	64.6
Impaired past-due	1,734	614	1,120	35.4
Total 30/06/2024	**155,057**	**104,570**	**50,487**	**67.4**
Total 31/12/2023	**178,531**	**125,795**	**52,736**	**70.5**
Change	**(23,474)**	**(21,225)**	**(2,249)**	**(3.0)**

Financial assets measured at FVTPL (broken down in the table below) - equal to €2.0 billion – are substantially unchanged compared with the end of 2023.

	30/06/2024			
€/thousands	Financial assets held for trading	Financial assets designated as at FV	Other financial assets mandatorily measured at FV	Total
Debt securities	95,415	345,494	19,268	460,178
Equity securities	837	-	56,272	57,108
Units of CIUs	5,551	-	391,694	397,245
Derivatives	1,101,989	-	-	1,101,989
Total 30/06/2024	**1,203,792**	**345,494**	**467,234**	**2,016,520**
Total 31/12/2023	**1,164,658**	**338,401**	**474,629**	**1,977,687**
Change	**39,134**	**7,094**	**(7,395)**	**38,833**

Financial assets measured at fair value through other comprehensive income, which are held under the HTCS business model, decreased by €92.5 million, mainly attributable to bank issues of debt securities (-€86.2 million);

Equity investments declined by €117.3 million, mainly reflecting the combined effect of: i) the sale of 51% of BCC Vita SpA and BCC Assicurazioni SpA (whose carrying amounts had been €132.3 and 10.4 million respectively) as part of the reorganization of the Group's bancassurance operations described in more detail in the section on significant events in the period; (ii) the subscription of a future capital increase in BCC Credito Consumo SpA (+€25.0 million); and iii) the subscription of shares pursuant to Art. 150-ter of the Consolidated Banking Act - as manager of the Guarantee Scheme – in Banca Centropadana (+€0.4 million).

Liabilities

€/thousands	30/06/2024	31/12/2023	Change	% change
Financial liabilities measured at amortized cost – *Due to banks*	27,507,979	34,677,583	(7,169,604)	(20.7)
Financial liabilities measured at amortized cost – *Due to customers*	14,428,655	14,926,307	(497,652)	(3.3)
Financial liabilities measured at amortized cost – *Securities issued*	7,031,557	5,196,867	1,834,690	35.3
Financial liabilities held for trading	1,098,535	1,048,214	50,322	4.8
Financial liabilities designated as at fair value	381,361	387,148	(5,787)	(1.5)
Hedging derivatives	48,398	88,523	(40,125)	(45.3)
Other liabilities	517,269	377,668	139,601	37.0
Total interest-bearing liabilities	**51,013,754**	**56,702,309**	**(5,688,555)**	**(10.0)**
Other non-interest-bearing liabilities	89,726	87,810	1,916	1.0
Equity	2,236,737	2,141,180	95,557	4.5
Profit for the period	85,454	87,920	(2,466)	(2.8)
Total liabilities	**53,525,670**	**59,119,218**	**(5,593,548)**	**(9.5)**

The decrease in liabilities compared with the end of 2023 is mainly attributable to the decrease of €5.7 billion in interest-bearing funding, which was the net effect of the following developments:

- a decrease in amounts due to banks (-€7.2 billion) to about €27.5 billion, due to the combined effect of the decrease in amounts due to central banks (-€8.1 billion) as a consequence of the repayment of TLTRO financing, partially offset by an increase in amounts due to banks, especially in the form of current accounts and deposits (+€0.8 billion);
- a decrease in amounts due to customers (-€0.5 billion), to €14.4 billion, essentially reflecting a decrease in funding through repos with the Clearing & Guarantee Fund (-€1.6 billion), partly offset by unsecured transactions with the Ministry for the Economy and Finance (+€1.0 billion);
- an increase in securities issued (+€1.8 billion) due almost entirely to new issues under the Covered Bond Program.

Amounts due to banks break down as follows:

- €17.5 billion in positions with the affiliated banks mainly in respect of demand and fixed-term deposits (€17.1 billion), of which €1.6 billion in mutual bank deposits to meet the reserve requirement, €2.7 billion in “tiered” deposits and €8.2 billion in amounts held on the daily settlement account;
- €10 billion in amounts due to other credit institutions, largely related to financing from the ECB under TLTRO operations (€8.1 billion).

€/thousands	30/06/2024	31/12/2023	Change	% change
Mutual banks	17,480,509	16,920,694	559,815	3.3
Other credit institutions	10,027,470	17,756,888	(7,729,419)	(43.5)
Due to banks	**27,507,979**	**34,677,583**	**(7,169,604)**	**(20.7)**

Funding with customers amounted to €14.4 billion, a decrease (-€0.5 billion) on December 31, 2023, mainly reflecting a decrease in repurchase transactions with the Clearing & Guarantee Fund (-€1.6 billion), partially offset by transactions with the Ministry for the Economy and Finance (+€1.0 billion).

€/thousands	30/06/2024	31/12/2023	Change	% change
Current accounts and deposits	1,092,886	932,178	160,709	17.2
Financing	12,988,734	13,618,668	(629,933)	(4.6)
Other payables	347,035	375,461	(28,427)	(7.6)
Due to customers	**14,428,655**	**14,926,307**	**(497,652)**	**(3.3)**

Equity

€/thousands	30/06/2024	31/12/2023	Change	% change
1. Capital	1,401,045	1,401,045	-	-
2. Share premium reserve	6,081	6,081	-	-
3. Reserves	776,001	682,588	93,412	13.7
4. Equity instruments	-	-	-	-
5. (Treasury shares)	-	-	-	-
6. Valuation reserves	53,609	51,464	2,145	4.2
Total	**2,236,737**	**2,141,180**	**95,557**	**4.5**

At June 30, 2024 the share capital of Iccrea Banca, represented by 27,125,759 ordinary shares with a par value of €51.65 each, was equal to €1.4 billion, unchanged from December 31, 2023. Equity, excluding profit for the period, amounted to €2.2 billion, an increase of €95.6 million on December 31, 2023. The main changes reflect the allocation of 2023 profit (€87.9 million; of which €8.8 million to the legal reserve and €79.1 million as retained earnings) and an increase in valuation reserves (+€2.1 million).

Income statement

€/thousands	30/06/2024	30/06/2023	Change	% change
Net interest income	**92,831**	**37,444**	**55,387**	**147.9**
Other gains/losses on financial transactions	20,376	20,549	(174)	(0.8)
Dividends	59,939	121,848	(61,908)	(50.8)
Net fee and commission income	**33,277**	**30,717**	**2,560**	**8.3**
Gross income	**206,424**	**210,558**	**(4,135)**	**(2.0)**
Personnel expenses	(115,536)	(108,828)	(6,708)	6.2
Other administrative expenses	(115,879)	(125,672)	9,793	(7.8)
Net adjustments of property, plant and equipment and intangible assets	(3,475)	(985)	(2,490)	252.8
Other operating expenses and income	122,648	100,731	21,918	21.8
Total operating expenses	**(112,242)**	**(134,754)**	**22,513**	**(16.7)**
Gross operating profit	**94,182**	**75,804**	**18,378**	**24.2**
Net provisions for risks and charges	(20,135)	(2,068)	(18,067)	873.4
Net losses/recoveries on impairment of loans and other financial transactions	(12,596)	(19,736)	7,140	(36.2)
Total provisions and adjustments	**(32,731)**	**(21,805)**	**(10,926)**	**50.1**
Profit/(loss) from equity investments	43,122	5,103	38,019	745.0
Profit/(loss) before tax	**104,572**	**59,102**	**45,470**	**76.9**
Income tax expense	(19,119)	14,011	(33,130)	(236.5)
Profit/(loss) for the period	**85,454**	**73,113**	**12,340**	**16.9**

The first half of 2024 closed with a net profit of €85.5 million, compared with a net profit of €73.1 million in the first half of 2023. The main factors that contributed to the result for the period are attributable to:

- a decrease – totaling €4.1 million – in gross income to €206.4 million. The decrease was the product of the following factors:
  - an increase in net interest income (+€55.4 million). More specifically, the period saw: (i) an increase in yields on securities net of the effect of associated hedging derivatives (+€146.1 million, almost all of which are inflation-linked Italian government securities); (ii) higher returns on medium/long-term loans (+€86.9 million); (iii) increased margins from other technical forms of lending, such as loans to mutual banks using pool collateral mechanisms and auctions (+€48.8 million), ECB overnight deposits (+€35.7 million), lending with reverse repos (+€89.8 million); and (iv) other forms of lending (+€9.3 million). These factors were countered by an increase in the cost of: (v) TLTRO transactions (-€39.9 million); (vi) bond funding (-€43.3 million); (vii) unsecured funding with the MEF; (viii) funding with repos (-€94.6 million); (ix) balances on current accounts and other forms of funding (-€145.0 million); and (x) a decline in yields on reserve requirement balances, which no longer bear interest (-€15.7 million);
  - an increase in net fee and commission income (+€2.6 million) to €33.3 million;

- broadly no change in other income/(loss) from financial operations, which amounted to €20.4 million (as detailed in the following table):

€/thousands	30/06/2024	30/06/2023	Change	% change
Net gain (loss) on trading activities	9,695	10,027	(332)	(3.3)
Net gain (loss) on hedging activities	1,660	778	882	113.3
Net gain (loss) on the disposal or repurchase of:	11,092	14,009	(2,917)	(20.8)
a) financial assets measured at amortized cost	*11,196*	*15,356*	*(4,160)*	*(27.1)*
b) financial assets measured at fair value through other comprehensive income	*361*	*(1,348)*	*1,709*	*(126.8)*
c) financial liabilities	*(465)*	*-*	*(465)*	*-*
Net gain (loss) of other financial assets and liabilities measured at fair value through profit or loss	(2,070)	(4,264)	2,194	(51.4)
a) financial assets and liabilities measured at fair value	*(3,326)*	*(1,380)*	*(1,946)*	*141.0*
b) other financial assets mandatorily measured at fair value	*1,256*	*(2,884)*	*4,140*	*(143.5)*
Total Other income/(loss) from financial operations	**20,376**	**20,549**	**(174)**	**(0.8)**

- a decrease in dividends received (-€61.9 million) to €59.9 million for the period, of which €41.0 million from BCC Leasing, €10.6 million from the interest held in the Bank of Italy and €6.3 million from Numia. In the previous period, dividends from companies within the direct scope had amounted to €110.6 million;

- a decrease of €22.5 million in operating expenses to €112.2 million, reflecting:
  - an increase in other operating expenses/income (+21.9 million);
  - an increase in impairment losses (+€2.5 million) on property, plant and equipment following the spin-off of the Lucrezia Romana real estate complex from BCC Sinergia to Iccrea Banca;
  - an increase of €6.7 million in personnel expenses, attributable to the recognition of a one-off €3.1 million charge for the renewal of the national collective bargaining agreement and an increase in personnel;
  - a reduction of €115.9 million in other administrative expenses, reflecting the significant decrease in the BRRD contribution (-€19.9 million), partially offset by an increase in running expenses (+€14.2 million), mainly attributable to advisory, marketing and real estate expenses;
  - an increase of €18.1 million in net provisions for risks and charges, reflecting the recognition of the impact of the deferral of excess of tax credits (+€14.8 million, discussed in more detail in the next section) and the effect of discounting the charge for the exclusive promotion and placement agreement of products of the bancassurance segment with the Group mutual banks (+€3.7 million);
- an increase in the cost of risk (see following table) with the recognition of writedowns of on-balance-sheet and off-balance-sheet exposures of €14.5 million, the effect of provisions for stage 1 and 2 exposures (€5.7 million) and non-performing stage 3 exposures (€8.8 million);

€/thousands	30/06/2024	30/06/2023	Change	% change
A. On-balance sheet exposures				
Stage 1 and 2	(5,509)	8,046	(13,555)	(168.5)
Stage 3	(7,087)	(27,783)	20,696	(74.5)
B. Off-balance sheet exposures				
Stage 1 and 2	(179)	7,996	(8,175)	(102.2)
Stage 3	(1,713)	(1,090)	(623)	57.1
Total	**(14,488)**	**(12,831)**	**(1,657)**	**12.9**

- an increase in gains/losses on equity investments (+€38.0 million) of €43.1 million, reflecting the recognition in profit or loss of the gain on the disposal of 51% of BCC Vita (€7.7 million) and BCC Assicurazioni (€34.6 million). For more information, please see the section on significant events during the period.

7. SIGNIFICANT EVENTS DURING THE PERIOD

Group Business Plan

On March 28, 2024, the Board of Directors of Iccrea Banca approved the Group's 2024-2026 Business Plan. The plan represents an update and a temporal extension of the forecasts of the previous 2023-2025 Plan, aimed at incorporating both the changed macroeconomic conditions and the results achieved in 2023. The extension of the business plan horizon to 2026 keeps the Group's development and growth guidelines unchanged, confirming its evolution towards an even stronger capital situation, with asset quality in line with that of the main banks on the Italian market and sustainable profitability in the medium term buoyed by diversifying the sources of revenue, a sound liquidity position and the maintenance of a strong local and mutual approach in line with the values that inspire cooperative credit.

As regards credit quality, the consolidated business plan targets a gross NPE ratio of 3.3% in 2026 and ECL ≤ 0.5%. Achieving those targets leverages the continuation of initiatives already activated by the Group since its establishment, focused on (i) the improvement of the credit quality of new products; (ii) the efficiency of the monitoring process to contain new defaulted positions; (iii) the reduction of non-performing exposures through monitoring of positions returning to performing status, recoveries of overdrawn positions and the enforcement of guarantees; and (iv) the use of sales for both unlikely-to-pay positions (UTPs) and bad loans.

The plan targets an ROE of 6.8% and a cost/income ratio of 61.5%, even considering the expected reduction in profitability compared to 2023, with net profit stabilizing around €1.2 billion over the plan period.

The macroeconomic environment appears to be normalizing, with an impact on the expected developments in the level of rates. The dynamics forecast for funding and lending items and the yield curve are reflected in developments in net interest income, which is expected to decrease over the course of the plan before stabilizing at around €3.7 billion in 2026. Net fee and commission income should register annual growth of 3.6%, reaching about €1.5 billion in 2026, remaining at around 27% of gross income. The cost of credit is growing, exceeding the levels recorded in 2023. The Plan also factors in the effects of the Cost Strategy initiative, which are expected to lower the cost/income ratio by about 1.2 percentage points by 2025 and leave operating expenses substantially unchanged over the plan period, net of the effect of the renewal of the category's national collective bargaining agreement, noted earlier.

With regard to the capital profile, the Total Capital ratio is projected at 23.8% in 2026. Over the entire plan period, the buffer remains above 100 bp for all requirements and indicators. The liquidity profile remains solid both at short term (an LCR at 213% by 2026) and on a structural basis (an NSFR at 154% by 2026).

Additional guidelines regard:

- digital transformation: the objective of the Group's 2024-2026 Digital Strategy remains that of strengthening the mutual banks' "omnichannel" service approach by developing digital channels to improve customer relations, reduce management costs and increase sales. This new concept of customer proximity is structured into three areas: transactional, relational and distributive, maintaining a close focus on remote sales, customer care services and development of the mobile channel.
- IT: the Group has started a project to support the evolution of the business, including a review of the sourcing model. The review of the sourcing model and the project initiatives launched, which follow the same lines of intervention identified in the previous IT Plan, are designed achieve the Group's transformative objectives in the IT sector.

The process for defining the corporate strategy takes Environmental, Social and Governance (ESG) factors into due consideration, an area which affects all corporate policies and processes. Key ESG issues that will characterize the planning cycle include the following: the expansion of the Group's product catalog with taxonomy-aligned green transition products for individuals and businesses; the introduction of quantitative ESG targets for taxonomy-aligned products for each Group company; the acceleration of the strategy for the engagement (on-boarding) of the mutual banks and, through them, customers with regard to sustainability issues; the start of initial measurement of the social impact produced by the Group through actions (lending, donations, etc.) with a positive social effect. This evolutionary path on the sustainability front is part of the Group's broader action plan (the "ESG – Sustainability Program").

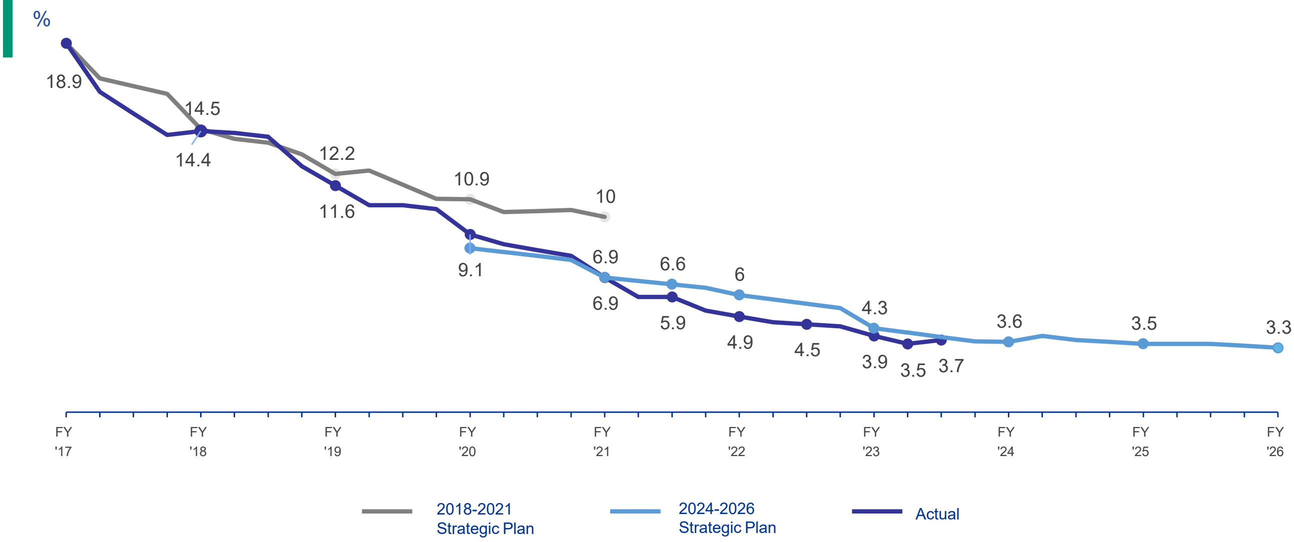
NPE Strategy

Consistent with its derisking strategy to achieve convergence of the consolidated NPE ratio with that of the leading national players, in the first half of 2024 the Group's proactive management of impaired loans - as well as the most vulnerable performing positions - and the significant disposals conducted as at June 30, 2024 led to achievement of a consolidated gross NPE ratio of 3.7%, a reduction compared with the end of 2023 (3.9%). This level is substantially in line with the target set out in the Group's 2024-2026 Business Plan (an NPE ratio target of 3.6% at the end of 2024 and 3.5% at the end of 2025, with an ambition of 3.3% at the end of 2026). Thanks to the always prudent valuation policies, the net ratio stood at around 1%, among the best at the national level and below the system average.

More specifically, in addition to measures to maximize recoveries on impaired positions thanks to the streamlining of the processes for managing litigation and cost-opportunity assessments of out-of-court solutions (especially for bad loans), as well as management actions to foster the cure of impaired positions still displaying signs of life, during the first half of 2024, the "Climb" operation for the disposal of impaired loans - largely UTPs was finalized through a complex competitive process. The loan portfolio involved in the disposal, originated by 72 Group banks (71 mutual banks and Iccrea Banca) acting as assignors, mainly consists of exposures to small and medium-sized enterprises (mainly medium and long-term instalment loans, largely secured by collateral) and households (largely residential mortgages), with a small share of loans secured by government guarantee (MCC), with a total credit claim of €298.2 million. The loans were derecognized with effect from March 31, 2024.

The operation was part of the significant acceleration of the derisking process that the Group has decided to undertake within the broader framework of its strategic objectives, as summarized in the following chart, which shows how in just over 6 years, thanks to the reduction of about €14 billion in the stock of impaired loans, the gross NPE ratio has fallen from around 19% (at the end of 2017) to about 3.7% (at the end of June 2024), achieving the medium-term objectives set out in the Group's NPE Plan ahead of schedule.[19]

NPE Strategy – NPE Ratio



With a view to achieving the risk indicator targets set out in the Group Business Plan by the end of 2024, a new disposal of impaired loans, denominated "Libra", was launched in May (involving a portfolio of NPEs with a total credit claim of about €250 million) through a competitive process involving the main players in the NPE market. The transaction saw the participation of 67 Group banks (66 mutual banks and Iccrea Banca) and was substantially completed in the second half of September with the derecognition of the loans. The estimated positive inertial impact on the pro-forma Group NPE ratio at June 30, 2024 is about 20-30 basis points.

[19] For the years prior to 2019, in which, in view of the establishment of the Group, the Parent Company Iccrea coordinated major derisking transactions as co-arranger, especially through multi-originator securitizations backed by government guarantees (GACS), the figures represent a pro-forma reconstruction of the indicator. The trend of the NPE ratio is compared against the applicable plans (for 2018-2021, reference was made to the activity plan submitted to the ECB with the application for registration of the Group in the associated register provided for in the Consolidated Banking Act).

The Covered Bond Program

During the first half of 2024, three European Covered Bond (Premium) issues were carried out under the Group Covered Bond Program, for a total of €1.45 billion. The issues were conducted in compliance with the new European directive and the national regulations for its implementation.

More specifically, in February 2024, a first public issue was completed in the amount of €500 million with an 8-year maturity. The placement had the following geographical distribution: Italy (31%), United Kingdom and Ireland (20%), Germany and Austria (17%), the Nordic countries (10%), the Iberian countries (9%), France (5%), Asia (3%) and other (5%). In terms of type of investor, 46% was allocated to banks, 41% to funds and 12% to institutions and central banks. Thirteen affiliated mutual banks participated in the operation.

In May, a new covered bond issue was completed with institutional investors in the amount of €750 million with a 10-year maturity. The issue, which was assigned an Aa3 rating (Moody's), pays a fixed rate coupon of 3.50% and matures in June 2034. It had the following geographical distribution: Italy (15%), Germany, Austria and Switzerland (31%), United Kingdom and Ireland (22%), the Nordic countries (14%), the Iberian countries (7%), Benelux (4%), Asia (4%) and France (3%). In terms of type of investor, 45% was allocated to funds, 38% to banks, 11% to institutions and central banks, 3% to insurance companies and pension funds and the remaining 3% to other investors. Seventeen affiliated mutual banks participated in the operation, in addition to the Parent Company.

Finally, in April 2024 an agreement was announced between the European Investment Bank (EIB) and Iccrea Banca that will help mobilize more than €400 million in new financing for small and medium-sized enterprises (SMEs) and mid-caps. The operation was structured with the EIB's full subscription of a private placement of an additional covered bond issued by Iccrea Banca in the amount of €200 million. The Group has undertaken to put up an additional €200 million, bringing the total resources for lending to the real economy to €400 million. The covered bond has a term of seven years and pays a fixed-rate of 3.433%. Eight affiliated mutual banks participated in the operation.

The liquidity generated by these issues was made available to the participating banks.

Environmental, Social and Governance (ESG) and climate change

In order to strengthen its support role in the territories in which it operates through the affiliated mutual banks, since its inception the Group has pursued the objective of promoting sustainable and socially inclusive change in the development models of local communities, also by exerting a positive social impact and with initiatives aimed at ensuring a sustainable environmental and energy transition for the customers of the affiliated banks.

Accordingly, in order to increase the effort to revive the historical identify of cooperative lending, the Group is also pursuing the progressive integration of ESG factors into corporate processes, which includes components focused on the numerous and complex regulatory compliance actions and initiatives of a strategic and support nature for the affiliated banks to develop and accompany their customers along the path of sustainable development.

As regards the regulatory component, the planning program initiated in 2021 and constantly updated is intended to achieve the ongoing compliance of corporate processes with new regulatory requirements and the expectations of the supervisory authorities.

With regard to the strategic component – in view of the growing attention of the market, rating agencies and customers to sustainability issues and the consequent impact on the strategic positioning of companies – in March 2024 the Group approved its 2024-2026 Sustainability Plan, which is integrated into the Group's three-year Business Plan, divided into objectives and targets for environmental, social and governance issues, also expressed at an individual level through specific guidelines for the affiliated mutual banks.

The process undertaken, the constant effort devoted to these issues and the consequent results achieved enabled the Group to obtain, in February 2024 - in addition to the ESG Risk Rating of 14.3 received in 2023 and updated in May 2024 from Morningstar Sustainalytics - an ESG rating of "A" from the MSCI agency (on a scale from CCC to AAA). This important result reflects the Group's close attention to the integration of ESG factors into the strategy, operations and risk management processes, as well as the effective management of sustainability issues.

The ESG – Sustainability program

During the first half of 2024, the numerous activities set out in the overall ESG project program continued, including projects with regulatory ramifications intended to ensure alignment with supervisory expectations for C&E risks and other applicable regulations as well as strategic initiatives designed to guide the strategic positioning of the Group in the ESG space.

With regard to projects with regulatory ramifications, in the first half of 2024:

- the updating the internal framework of rules continued in order to strengthen - in consideration of regulatory developments in this area - the roles and responsibilities of the functions involved in the climate and environmental risk management process, as well as initiatives to evaluate a possible further strengthening of the organizational structure to handle overall ESG issues at the Group level;
- initiatives were undertaken for the progressive evolution - on the basis of market best practices and supervisory expectations - of the current lending framework with a view to enhancing collection of qualitative and quantitative information required by legislation governing the management of climate and environmental risks;
- activities continued to expand information assets for reporting needs at December 31, 2024 and the processing of information for the preparation of upcoming reporting for the CSRD Sustainability Report and Pillar III. With regard to the latter aspect, as also reported in the Consolidated Non-Financial Statement ("CNFS"), the first GAR ("Green Asset Ratio") taxonomy indicator has already been calculated as at December 31, 2023. The results of this initial calculation will be used to develop strategic actions for the next reporting cycle to enable the progressive evolution of the indicator, such as increasing commercial ambitions for taxonomy-aligned products, the consolidation in the product catalogue of financing tools consistent with the rules of the EU taxonomy, and comprehensive transversal actions to raise customer awareness of the sustainable transformation and financial instruments designed to further this purpose;
- the disclosures describing the main negative effects on sustainability factors (Principal Adverse Impacts Statement or "PAI") were published as at June 30, 2024 for the Group banks meeting the requirements of applicable legislation. This occurred in the wake of activities conducted during 2023 to meet the regulatory obligations introduced with Delegated Regulation (EU) 2022/1288 supplementing Delegated Regulation (EU) 2019/2088 (the "SFDR");
- evolutionary activities in the data governance and ICT space continued, bearing in mind the transversal scope of the issues in question, with the aim of adapting the associated applications and expanding ESG information assets to support operational and control processes, as well as disclosure activities.

With regard to Risk Strategy and Risk Assessment projects, the comprehensive upgrade of the system for identifying and assessing climate and environmental risks continued in the first half of 2024, whose main interventions can be traced back to two macro areas, namely, the assessment of relevance of climate and environmental risks (so-called Materiality Assessment) and the analysis of the operating context in which the Group operates in order to strengthen the monitoring of the impact of climate risks. Specifically, the main activities relating to these interventions are aimed at achieving an increasingly robust definition and explanation of the taxonomy of C&E risks, of the related transmission channels through which climatic and environmental factors can impact the "traditional" risks of the Group, as well as an overall strengthening of positioning analyzes with respect to environmental and climate risks through dedicated heat maps developed according to different analysis views and time horizons.

In addition, in the early months of the year the Group took steps to develop its GHG emissions measurement system in order to expand the climate-related information it holds of its corporate counterparties and the real estate portfolio serving as collateral. The work was also preparatory to starting discussions regarding the Group's decarbonization strategy.

Furthermore, with regard to the broader process already under way of integrating climate and environmental risks into the Group's risk management framework, work continued on evolutionary activities involving the following:

- the credit risk management framework through the integration of climate and environmental factors within the system for determining ECL provisioning in accordance with IFRS 9, with effects starting from the December 31, 2023 reporting date, with a second evolutionary phase envisaged for 2024. This latter provides for the extension of the scope of application of overlays to sectors exposed to high transition risk;
- the risk governance framework with particular regard to:
  - the Risk Appetite Framework (RAF/RAS) through the introduction of a section dedicated to climate and environmental risks, both at a consolidated and individual level, which strengthens the analysis views/monitoring indicators with a quarterly reporting frequency;
  - the Capital and Liquidity Adequacy assessment process through the integration of the climate component in respect of physical and transition risks in the capital and liquidity adequacy assessment process over a short-term horizon (3Y).

Work also began and will continue in the coming months of 2024 on the evolution of the Group's risk management systems to integrate C&E risk factors into the metrics and models for measuring and evaluating traditional risks to systems to integrate C&E risk factors into the metrics and models for measuring and evaluating traditional risks to further strengthen and further consolidate the methods for determining the impacts of these emerging risks on the various dimensions of analysis, considering different scenarios (base and stressed) and time horizons (short - medium - long term).

With specific regard to strategic initiatives, the Group - which has long been committed to promoting the sustainable development of the territories of the affiliated banks - continued to develop strategies to ensure the evolution of the Group's market positioning, intensifying ESG strategies over the 2024-2026 planning horizon.

Numerous aspects were considered as relevant inputs in defining ESG strategies and the related measures to be implemented for the 2024-2026 period, including:

- the specific needs of the mutual banks and their customer base in terms of engagement and support/advisory activities;
- regulatory developments and feedback received from the supervisory authorities;
- analyses of the market context, considering the main trends and players;
- the outcomes and suggestions that emerged in the updating and obtaining the sustainability rating.

With regard to the project for business strategy development, 14 new fixed-rate and variable-rate EU taxonomy-aligned credit facilities were introduced. They were developed primarily for individuals and firms involved in the renovation and energy efficiency upgrading of buildings and the purchase of highly energy-efficient homes and green cars. A current account product has also been structured for disabled customers with the specific objective of promoting financial inclusion. Developing these new products - as well as insurance products, asset management products and ESG-based e-money solutions - the various entities of the Group worked to define specific ambitions for the 2024-2026 planning cycle.

The Group has also continued implementation of the on-boarding of mutual banks and business customers, with particular regard to micro businesses and SME customers. More specifically, a group of mutual bank customers has been identified as a priority target for the acceleration of the collection of information through the administration of ESG qualitative questionnaires already integrated into the lending process. The promotion of the dissemination of the "ESG Objective" Platform continued. It has been developed as a tool for measuring ESG performance, intended to help direct and prioritize the strategies of client companies towards the sustainable transition and to enable the offering of a green "commercial proposition".

The 2024-2026 Sustainability Plan sets the following macro-objectives, distinguishing among the three drivers of sustainability (Environmental, Social and Governance) while providing for certain initiatives with a transversal impact:

The main activities undertaken by the Group in 2024 addressed the following areas:

- **Environmental component.** The definition within 2024 of a strategy for the decarbonization of the loan portfolio. This is being accompanied by the continuation of initiatives to reduce direct CO_2 emissions, which in addition to enhancing the efficiency of company premises includes action to modify the composition of the motorpool in order to complete the process of converting it to hybrid and electric cars;
- **Social component.** In addition to continuing important initiatives in the area of inclusion and financial education, which consistently characterize the work of the affiliated banks in the territories in which they operate in favor of individuals and firms, efforts focused on the implementation - downstream of activities conducted to delineate an initial reference scope and the related methodologies underlying the calculation - of the first measurement of social impact subject to reporting in the 2023 CNFS. During 2024, initiatives for the progressive evolution of the reference scope and the associated methodologies will continue in preparation for the next reporting period;
- **Governance component.** In order to continue along the path begun in 2023 for the greater dissemination of an ESG culture at all levels of the organization, work continued on the definition of ESG strategies for the 2024-2026 period, which include numerous training initiatives dedicated to both corporate officers and internal personnel to strengthen and expand a culture of sustainability in its broadest sense. Other initiatives included events and meetings organized at the territorial level with the mutual banks in order to create greater awareness of ESG issues.

Finally, the main cross-cutting initiatives included sustainable finance initiatives, specifically an increase in operations using financing products dedicated to the sustainable transformation (including taxonomy-aligned products), as well as the definition of an initial set of products with social impact.

Reorganization of the Group’s Bancassurance segment

In line with the strategic development of the bancassurance segment, work has continued on implementing the new model as defined in the 2024-2026 Business Plan.

Specifically, in the first half of 2024 Iccrea Banca completed the process of signing an agreement on insurance distribution with the affiliated banks. The agreement provides for (i) the centralization of the overall management at Group level within Iccrea Banca and BCC Servizi Assicurativi of services and activities in the bancassurance sector and (ii) the promotion and distribution of insurance products in the non-life and life sectors indicated by the Parent Company.

In the first half of the year, preparatory activities for the launch of the new insurance partnerships were completed, concluding the evolutionary path that began in 2022 and continued in 2023 with the acquisition from the Generali Group of 70% of the capital of BCC Assicurazioni and BCC Vita and the completion of a selection procedure for future insurance partners that involved a number of leading national and European companies.

Specifically, after signing preliminary agreements in September 2023 and obtaining authorization from the competent authorities, on April 19, 2024 Assimoco SpA became our new insurance partner in the non-life segment, acquiring 51% of BCC Assicurazioni and signing a distribution agreement with the Group. The 51% stake was acquired for about €45 million, generating a gross capital gain of €35 million for Iccrea Banca. Subject to achieving certain targets, the duration of the partnership could be extended up to a total of 15 years with the sale of a further 19% of BCC Assicurazioni to Assimoco SpA.

At the same time, after signing preliminary agreements in November 2023 and obtaining authorization from the competent authorities, on May 31, 2024 BNP Paribas Cardif S.A. became our new insurance partner in the life segment, acquiring 51% of BCC Vita and signing a distribution agreement. The 51% stake was acquired for €140 million. Also in this case, subject to achieving certain targets, the duration of the partnership could be extended up to a total of 15 years with the sale of a further 19% of BCC Vita to BNP Paribas Cardif SA. In defining the partnership, in July 2024, Iccrea Banca and the BNP Paribas Group also granted BCC Vita financing and lines of credit totaling €550 million to enable the purchase of securities to be used to support the performance of the BCC Vita Garantita separate account.

The new insurance partnerships, together with the reorganization of the bancassurance sector described above, will make it possible to standardize the insurance offering of the affiliated mutual banks and to develop its full commercial potential, ensuring the continuity of the efforts of Iccrea Banca and BCC Servizi Assicurativi in promoting insurance products, as well as strengthening the synergies with the Group’s asset management operations.

Reorganization of the Group's retail segment – Electronic money

Effective May 1, 2024, BCC Pay SpA and Pay Holding SpA have changed their corporate names to Numia SpA and Numia Group SpA, respectively.

As part of the strategic partnership between Iccrea Banca and FSI SGR SpA, in May 2024 BCC Sinergia sold its e-money operations to Numia. These include the production and customization of payment cards and management of POS terminals. The activities are strictly connected with the commercial and operational activities of Numia, which is the primary customer of this business unit, while for the Group they represent ancillary activities with no possibility of generating specific synergies with the mutual banks. The sale was made for a price of €10 million, which generated a gross capital gain of about €9.5 million for BCC Sinergia.

In addition, on June 11, 2024, FSI SGR SpA finalized its entry as a shareholder of BANCOMAT SpA through a restricted capital increase of €75 million, signing a shareholders' agreement with Iccrea Banca, Intesa Sanpaolo SpA, Banco BPM SpA and BPER SpA, which may be extended to other current and future shareholders of BANCOMAT SpA. Following the capital increase, FSI SGR SpA became the largest shareholder of BANCOMAT SpA with a 42.9% stake. Together with the other banks that have signed the shareholders' agreement, this represents a total stake of 74.7% of the capital. The strategic partnership, which seeks to support BANCOMAT SpA in its effort to strengthen the key role of payments in Italy, has seen the signing of multi-year commercial agreements by the banks involved, in addition to an agreement with Nexi SpA for the supply of a supporting technological platform.

Reorganization of the Group's Operations segment

As part of the evolution of the "Operations" segment, which seeks to create a single back-office hub within the Group, the centralization of the activities performed by the affiliated banks with BCC Sinergia continued during the first half of 2024. Specifically, the back-office business unit of Banca di Credito Cooperativo Mediocrati was transferred to BCC Sinergia with effect from July 1, 2024.

Mergers between mutual banks

During the first half of 2024, the rationalization of the territorial organization continued, in particular the rationalization of structures begun in recent years with mergers between the affiliated banks. Specifically, on February 12, 2024, the merger of Banca Patavina Credito Cooperativo di Sant'Elena e Piove di Sacco SC into BCC di Verona e Vicenza - Credito Cooperativo (taking the new name "BCC Veneta - Credito Cooperativo - Società cooperativa") took legal effect.

Actions within the scope of the Guarantee Scheme

During the first half of 2024, the Parent Company implemented a capital support initiative for Banca Centropadana through the Guarantee Scheme, drawing on the Ex Ante resources of the Readily Available Funds to subscribe shares issued in accordance with Article 150-ter of Legislative Decree 386/93 in the total nominal amount of €0.4 million.

Also during the first half of the year, the term of the fixed-rate bullet loan totaling €100 million granted to Banca di Pisa e Fornacette - activated in June 2023 drawing on the Ex Post resources of the Readily Available Funds - was extended by 24 months to June 1, 2026 (compared with the original term of June 1, 2024).

Refinement of the impairment model and amendments of Group policies on the assessment of credit exposures

Since the closure of the financial statements at December 31, 2023, the calculation of the IFRS 9 ECL of the Group's performing credit exposures included implementation of the following:

- the amendments produced as part of the 2023 planning of the Credit Risk Models Evolution (CRME) program;
- the updates of the overlay component applied to the calculation of ECL, representative of the out-of-model component, in order to add an additional degree of prudence in the light of the uncertainty of the macroeconomic environment.

Consistent with the actions implemented by the Group during 2023 and the first quarter of 2024 concerning watchlist management within the IFRS 9 stage allocation process, beginning with the June 2024 interim report the following steps have been taken: i) the recalibration of the criteria for identifying signs of an appreciable increase in the risk of counterparty deterioration; and ii) the start of the operational process for integrating the watchlist into PEG2. The scope of customers meeting these criteria is processed via PEG2 and transmitted in the IFRS 9 environment, following analysis by the position managers as part of the specific management workflow envisaged for the IT procedure.

As from the close of December 2023, changes concerning the internal EAD (Exposure at Default) estimation model were implemented, enabling the estimation for certain specified customer segments (enterprises, producer households and individuals) of a credit conversion factor (CCF) in place of the standard regulatory coefficients. The latter are still applied to other counterparty segments not falling within the scope of the estimation exercise. Together with the interventions mentioned above, and in line with the provisions of IFRS 9, adjustments of the ordinary process of updating the risk parameters (PD and LGD Point in Time (PiT)) were implemented. The latter were updated with the latest risk data available, including, where appropriate, specific in-model adjustments in order to take account of possible weaknesses still present in the database and to align the model's risk assessment of certain sub-portfolios based on backtesting data.

While readers are invited to consult the 2023 Annual Report for more on the additional reinforcement measures taken (concerning the introduction of post-model adjustments (overlays) in order to incorporate even greater prudence for specific sub-portfolios and to strengthen overall management of the portfolio for which overlays are used), note that as part of the conditioning of the IFRS 9 risk parameters for the calculation of provisions at June 30, 2024, the ordinary updating of the macroeconomic scenarios was applied in accordance with the most update of those scenarios (March 2024).

Voluntary establishment of the position of Financial Reporting Officer

On May 16, 2024, the Shareholders' Meeting of Iccrea Banca approved amendment to the Articles of Association to provide for the voluntary establishment of the position of officer responsible for preparing the corporate financial reporting documents (Financial Reporting Officer), a position introduced with Law 262/2005 and governed by the Consolidated Law on Financial Intermediation. The Financial Reporting Officer is appointed by the Board of Directors, after consulting the Board of Auditors, and is appointed from among the Bank's managers who have held managerial roles in accounting and administrative matters for at least three years and who meet the integrity requirements set out in applicable legislation. In establishing the position of Financial Reporting Officer, Iccrea Banca seeks to strengthen its oversight of the system of internal controls for the purposes of the Group's individual and consolidated financial reporting. In accordance with the provisions of the Articles of Association, on June 13, 2024, the Board of Directors of Iccrea Banca appointed the Head of the Administration and Financial Reporting area, Marianna Di Prinzio, as Financial Reporting Officer.

8. INTERNAL CAPITAL AND LIQUIDITY ADEQUACY ASSESSMENT

The ICAAP and ILAAP processes have been implemented in all their respective phases - i.e. risk identification, risk measurement and assessment in both baseline and adverse scenarios, self-assessment, etc. – and providing for the assessment and certification of capital adequacy (Capital Adequacy Statement - CAS) and liquidity adequacy (Liquidity Adequacy Statement - LAS) of the Group.

The analyses conducted to assess adequacy were developed in line with system expectations for ICAAP/ILAAP packages for SREP 2024 purposes transmitted by the ECB on January 30, 2024 to all bank/banking groups subject to the Single Supervisory Mechanism (SSM)[20] and with the other specific requests/expectations communicated by the supervisory authorities.

The results of the analyses and assessments conducted at the consolidated level were formalized in the Group "ICAAP and ILAAP package", submitted to the supervisory authorities at the end of March 2024.

At the consolidated level, the assessments conducted within ICAAP 2024 in the various perspectives considered (regulatory/internal normative and economic) showed full compliance with overall capital adequacy requirements over the entire time horizon of the baseline scenario. With regard to the regulatory/internal rules perspective:

- the CET1 ratio, Tier 1 ratio and Total Capital ratios, in both the phase-in and fully-loaded versions, are positioned over the entire time horizon considered stably above the thresholds established at the regulatory level and in the main risk governance processes (i.e. Risk Tolerance and Risk Capacity), with substantial capital buffers over the entire time horizon considered. In particular, the analyses show that at the end of 2026:
  - for the CET 1 ratio, the capital buffer over OCR+P2G stands at around €9.6 billion, while the capital buffer with respect to the Risk Tolerance threshold is equal to about €7.8 billion;
  - for the Tier 1 ratio, the capital buffer over OCR+P2G stands at around €8.2 billion, while the capital buffer with respect to the Risk Tolerance threshold is equal to about €6.7 billion;
  - for the Total Capital ratio, the capital buffer over OCR+P2G stands at around €6.6 billion, while the capital buffer with respect to the Risk Tolerance threshold is equal to about €5.6 billion;
- the leverage ratio, in both the phase-in and fully-loaded versions, is positioned stably above the thresholds envisaged at the regulatory and management levels, with sizeable buffers over the horizon considered. More specifically, the analyses performed showed that at the end of 2026, in the baseline scenario, the capital buffer over the minimum regulatory requirement stood at about €11.7 billion, while the capital buffer with respect to the Risk Tolerance threshold is equal to about €9.2 billion;
- the regulatory MREL indicators (MREL and MREL Subordination calculated on the basis of overall risk exposures and overall leverage exposures) are positioned - over the entire time horizon considered - above the targets set out in the 2024-2026 Funding Plan and the levels provided for in the main risk governance processes (i.e. Risk Tolerance and Risk Capacity).

With regard to the economic perspective, the key indicator (Risk Taking Capacity[21]) shows that our capital determined on a going concern basis is amply sufficient to absorb potential unexpected losses on the Group's exposures. In particular:

- at the "point in time - 31.12.2023" reference date, the analysis shows the indicator equal to 191.0%, with a capital buffer of about €5.9 billion to cover potential unexpected losses on the Group's exposures;
- over the plan horizon (baseline scenario), the Group is fully adequate, with an estimated RTC ratio that remains well above the management threshold. Specifically, in 2026 the indicator is equal to 243.6%, with a capital buffer of about €9.2 billion to cover potential unexpected losses on the Group's exposures.

The assessments conducted using the integrated approach between the various perspectives in adverse conditions showed full compliance with overall capital adequacy requirements at the consolidated level over the entire time horizon. In particular, given the adoption by the Group of sufficiently severe but plausible adverse scenarios, which could produce a significant deterioration in its capital position, with regard to the regulatory/internal rules perspective:

[20] ECB explanatory guide on ICAAP and ILAAP and on the transmission of the associated files.

[21] The indicator is given by the ratio between the amount of capital resources readily available to absorb unexpected losses while preserving business continuity (Total Capital - TC) and the value of Total Internal Capital - TIC estimated internally for all relevant measurable risks for both first and second pillar aggregated through a "building block" type approach. The associated value is compared with the management threshold of 100%.

- the CET1 ratio, Tier 1 ratio and Total Capital ratio indicators, both in the phase-in and fully-loaded versions, exceed - over the entire time horizon - the thresholds envisaged at the regulatory level and in the main risk governance processes (i.e. Risk Tolerance and Risk Capacity). In particular, the analysis conducted shows that at the end of 2026:
  - for the CET 1 ratio, the capital buffer over OCR+P2G stands at around €7.0 billion, while the capital buffer with respect to the Risk Tolerance threshold is equal to about €5.1 billion;
  - for the Tier 1 ratio, the capital buffer over OCR+P2G stands at around €5.6 billion, while the capital buffer with respect to the Risk Tolerance threshold is equal to about €4.1 billion;
  - for the Total Capital ratio, the capital buffer over OCR+P2G stands at around €4.0 billion, while the capital buffer with respect to the Risk Tolerance threshold is equal to about €3.0 billion;
  - the leverage ratio indicator, both in the phase-in and fully-loaded version, exceeds regulatory and management thresholds even in adverse scenario.

With regard to the economic perspective, including in adverse conditions, the Group complies with capital requirements, with an estimated RTC ratio above the management threshold. Specifically, the ratio is equal to 179.1% in 2026, giving a capital buffer of about €5.7 billion to cover potential unexpected losses on the Group's exposures.

The assessments conducted for the ILAAP showed that for the entire time horizon the overall liquidity profile of the ICBG is adequate in the short and medium-long term, taking into consideration both normal operating conditions and adverse conditions. In particular, the estimated evolution of the LCR and NSFR indicators over the period of the plan did not reveal any critical issues in terms of the adequacy of the operational and structural liquidity profiles, as:

- in the baseline scenario, the LCR and NSFR indicators exceed the regulatory and management thresholds (i.e. Risk Tolerance and Risk Capacity) over the time horizon considered. More specifically, the analyses show that at the end of 2026 the LCR stands at 213% and the NSFR at 154%;
- in the stress scenario, given the adoption by the Group of sufficiently severe but plausible adverse scenarios, which could produce a significant deterioration in its liquidity position, the LCR exceeds the regulatory levels and maximum risk allowed over the time horizon considered, standing at 141% at the end of 2026. The NSFR exceeds the regulatory and management levels (i.e. Risk Tolerance and Risk Capacity) over the time horizon considered, standing at 140% at the end of 2026.

9. RISKS AND UNCERTAINTIES

In the current macroeconomic environment, geopolitical tensions continue to represent the main factor of instability, with potential downward impacts on growth linked to the fragmentation of international trade. In particular, uncertainties remain with regard to the resolution of ongoing conflicts in Ukraine on the borders of Europe and in the Gaza Strip in the Middle East.

This situation is highly complex, also affected by the uncertainties associated with the elections held in Europe during the first half of 2024 and those upcoming in the United States, the outcomes of which appear more uncertain every day.

The more direct economic impacts of these circumstances would, in the short term, involve the prices of raw materials and the continuity of global value chains, while in the medium term, global trade, capital flows and investment, defense spending and the stance of fiscal policies would also be affected.

In Italy, future growth will be influenced by investment under the NRRP in the absence of other government support, given the constraints imposed by the resumption of the application of European fiscal rules.

Inflation continues to fall, although more slowly than expected. This enabled the ECB to cut policy rates in June for the first time in five years, but the path of rate decline will be slower than previously assumed. The consensus forecast is that the ECB will continue with a single rate cut in September and four more in 2025 to bring its reference rate to 2.5% for the euro area, while the Fed is expected to make an initial cut in December and then continue with another four reductions cuts in 2025, to reach 3.5% in 2026. As monetary policy normalizes, with the reduction of central bank assets, fiscal policies will turn more restrictive in order to address the high levels of debt accumulated in recent years, especially in the euro area and in particular the countries for which an excessive deficit procedure has been opened.

The global economy will remain resilient, with growth slowing modestly compared with the previous year. The easing of monetary conditions in 2025 will not be sufficient to return growth to pre-pandemic levels, due not only to the restrictive fiscal policies necessary to deal with high debt levels but also to structural problems in the main world economies.

During the first half of the year, the euro area experienced a decrease in very short-term risk-free rates, while medium/long-term risk-free rates rose, accompanied by an increase in credit spreads on American and European government securities, in particular Italian paper.

The systemic phenomena which have impacted risk-free rates and are expected to generate further instability have affected interest rate risk. In this environment, the Group’s objective is to minimize the risk of losses of economic value on the banking book caused by potential adverse changes in risk-free rates.

With regard to credit risk, where economic developments during the year caused a slight deterioration in credit quality, which could deteriorate further in light of the uncertainties previously discussed, methodological changes were carried out by the Group in order to introduce additional precautionary measures (overlays). The estimation of out-of-model overlays is intended to incorporate a greater level of prudence for sub-portfolios that could see their creditworthiness deteriorate in the event of further macroeconomic shocks.

Within this constantly evolving and complex environment, the Group - which is facing this economic situation with more than adequate capital and a robust liquidity position - appears to be fully capable of ensuring compliance with regulatory requirements and the more stringent limits that have been set internally.

The risks and uncertainties are also subject to constant observation through our framework of risk policies, the updating of these policies, and monitoring efforts aimed at verifying their implementation and adequacy. Moreover, the Group is paying close attention to the timely assessment and adoption of measures to contain the potential impact of the various risks and uncertainties on our operations and to the consequent adaptation of strategies as the current landscape evolves.

As always, more detailed information on risks in general, and on financial risks (credit risk and market risk) and operational risks more specifically, is provided in the relevant sections of Part E of the explanatory notes.

As regards capital soundness, on the other hand, see the information provided the section specifically dedicated to capital and capital adequacy. Additional details are also provided in conjunction with updates to Basel 3 third-pillar disclosures.

10. SUBSEQUENT EVENTS

Partnership with Banco BPM SpA and FSI SGR SpA in the retail e-money business

The agreements signed on July 14, 2023 between Iccrea Banca, Banco BPM SpA and FSI SGR SpA provide for the establishment of a strategic partnership that, working through Numia, will seek to develop a new independent Italian operator in the digital payments sector (issuing and acquiring), with significant synergies expected between the partners. Specifically, in exchange for mixed consideration in cash and Numia Group shares, the digital payments activities of Banco BPM SpA will be transferred to Numia, with the Banco BPM taking a stake in Numia Group and the signing of a multi-year distribution contract for Numia products and services through the commercial network of Banco BPM SpA. Following the sale, some 43% of Numia Group will be held by FSI SGR SpA and about 28.6% each by Iccrea Banca and Banco BPM SpA, while Numia will continue to be 100% owned by Numia Group.

During the first half of 2024, certain preparatory activities for the finalization of the partnership were completed and authorization from the competent authorities was obtained, enabling us to confirm the scheduled closing of the deal by September 30, 2024.

Reorganization of the Group’s Operations segment

As part of the broader process of streamlining and rationalizing the activities performed by the Parent Company and the companies within the direct scope for the affiliated banks, the transfer of the payroll services business unit of those banks from BCC Sinergia to Iccrea Banca was finalized with effect from September 1, 2024. The unit, which handles the processing of pay slips, is integrated into the organizational and operational structure of Iccrea Banca responsible for the same activities. In consideration of the evolution of the service and considering that the “Labor Regulations” and “Industrial Relations” functions are already centralized with the Parent Company for all the companies within the direct scope (including BCC Sinergia), the centralization with the Parent Company will enhance the performance of these activities even further.

Evolution of the Group’s ICT segment

Consistent with the strategic evolution the ICT segment set out in the Group’s 2024-2026 Business Plan in order to support the achievement of the Group’s full commercial potential, during the first eight months of 2024, preparatory activities for the evaluation of possible new Group sourcing models were performed. More specifically, joint studies are under way with leading European and international technology firms with a view to forming new partnerships in both the application and infrastructure spaces.

Mergers and reorganizations between mutual banks

The following transactions took legal effect after the end of the period:

- on July 12, 2024, the merger of Immobiliare Banca d’Alba Srl into Banca d’Alba Credito Cooperativo Società Cooperativa;
- on July 22, 2024, the merger of Cassa Rurale ed Artigiana dell’Agro Pontino – Banca di Credito Cooperativo - Società Cooperativa into Banca di Credito Cooperativo di Roma – Società Cooperativa (with the new name of “Banca di Credito Cooperativo di Roma – Società Cooperativa”).

11. OTHER INFORMATION

ECB cyber resilience stress test 2024

During the first half of 2024, the Group participated in the first stress test on cyber resilience (the 2024 ECB thematic stress test on cyber resilience) conducted at the European level by the European Banking Authority (EBA). The exercise concerned business/service continuity and was aimed at assessing the resilience of banks in a cyber-attack scenario in which the countermeasures they deployed could be rendered ineffective and could compromise the integrity of the databases supporting the Bank's core activities/processes. The test started in January and involved three distinct phases, of which the final one involved a "closing call" with the supervisory authorities to review the results of the exercise and the official delivery of a report for the definition and activation of appropriate remedial initiatives.

Treasury shares

At June 30, 2024 Iccrea Banca SpA did not hold any treasury shares.

Iccrea rating

Following the annual review of their ratings (between the end of 2023 and the start of 2024), the rating agencies have increased those for the Parent Company and the Group. More specifically:

- on October 23, 2023, DBRS Morningstar improved Iccrea Banca's rating to "investment grade" raising its rating of the medium/long-term debt to BBB (low) from BB (high) and that of short-term debt to "R-2 middle" from "R-3". The trend is stable for all ratings;
- on October 25, 2023, S&P Global Rating confirmed its rating of the medium/long-term debt and short-term debt at "BB+" and "B", respectively, revising its outlook for Iccrea Banca's rating from "stable" to "positive";
- on January 24, 2024, Fitch Ratings raised its rating of Iccrea Banca and the Gruppo to "investment grade", improving the rating of the medium/long-term debt to "BBB-" from "BB+" with outlook "stable". The rating of short-term debt was also raised from "F3" to "B";
- on February 22, 2024, S&P Global Rating raised its rating of Iccrea Banca and the Group to "investment grade", improving the rating of the medium/long-term debt to "BBB-" from "BB+" with the outlook at "stable". The rating of short-term debt was also raised to "A - 3" from "B";
- on June 18, 2024, S&P Global Ratings improved its outlook from "stable" to "positive" for its rating of Iccrea Banca, equal to "BBB-/A-3".

These increases reflect the significant improvement in the Group's asset quality (thanks to the implementation of the risk reduction strategy and NPE disposal plan), the strengthening of its capital position and the maintenance of a sound liquidity position, as well as the progress achieved in improving the operating and business model.

Accordingly, the Group has an investment grade rating from all the agencies that have issued one: S&P Global Ratings, DBRS Morningstar and Fitch Ratings.

Guarantee Scheme resources

At least annually, the Board of Directors of the Parent Company, in application of the provisions of Annex 3 of the Cohesion Contract and the Group Policy on the Cross-Guarantee Scheme, approves: i) the results of the stress test exercise conducted for the participating banks in order to determine the RAFs; and ii) the relative shares pertaining to the banks themselves.

The calculation of the RAFs for 2024 found a potential capital requirement of €660 million, broken down as follows:

- Ex Ante Quota of €330 million;
- Ex Post Quota of €330 million.

The Parent Company invests the Ex Ante resources of the Scheme in liquid and collectible assets, subject to the limits and requirements set out in the associated investment policy approved by the Board of Directors of Iccrea Banca. The financial resources that make up the Ex Ante portion of the RAFs are invested in instruments that can be readily liquidated, with a low level of risk and sufficient diversification to pursue the objective of capital conservation and the prompt availability of the financial means required to carry out guarantee interventions.

Specifically, at June 30, 2024, assets comprise about €12.8 million in liquid assets held at the central bank and Euroclear Bank SA, about €348.2 million in securities and about €113.4 million in equity investments in respect of the subscription of shares issued pursuant to Art. 150-ter of Legislative Decree 386/93 by banks benefiting from capital support interventions.

Assets	**30/06/2024**
10. Cash and cash equivalents	12,792,238
20. Financial assets measured at fair value through profit or loss	348,204,449
b) financial assets designated as at fair value	*345,494,493*
c) other financial assets mandatorily measured at FV	*2,709,956*
70. Equity investments	113,399,934
120. Other	177
Total assets	**474,396,798**

During the first half of 2024, a single capital support intervention was carried out with the subscription of shares issued pursuant to Art. 150-ter of Legislative Decree 386/93 by Banca Centropadana in the total amount of about €0.4 million (recognized under item 70. Equity investments).

The composition of the investment portfolio complies with the principles of risk diversification and holdings of readily liquidatable assets, based on the guidelines set out in the policy approved by the Board of Directors of Iccrea Banca. The following table provides a breakdown by issuing country and/or type of debt security that make up the portfolio, measured at fair value in accordance with applicable accounting rules.

Country	**30/06/2024**
Belgium	92,552,870
France	38,317,935
Germany	4,884,150
Italy	95,137,357
Spain	91,813,640
Subordinated bonds	22,788,541
Irredeemable AT1 instruments	2,709,956
Total	**348,204,449**

Liabilities are largely made up of financial liabilities designated as at fair value in respect of the value of the Ex Ante Quota's pertaining to the affiliated banks (€267.13 million), adjusted to account for the performance of the dedicated loan at June 30, 2024, and the fair value of the indirect financing in subordinated debt instruments, AT1 instruments and equity instruments (totaling €114.23 million). Other liabilities regard the Ex Ante Quota pertaining to the Parent Company (about €68.38 million), adjusted to account for the performance of the dedicated loan at June 30, 2024 and the indirect financing in subordinated debt instruments, AT1 instruments and equity instruments (totaling €24.65 million).

Liabilities	**30/06/2024**
30. Financial liabilities designated as at fair value	381,360,688
80. Other liabilities	93,036,110
Total liabilities	**474,396,798**

The half-year accounts shows a profit of about €6.24 million, which contributes to the Group's consolidated profit. Under the provisions of the contracts signed, this result was attributed to the participants in the Guarantee Scheme, on the basis of their respective participation shares.

	30/06/2024
10. Interest and similar income	6,255,467
20. Interest and similar expense	-
30. Net interest income	**6,255,467**
40. Fee and commission income	
50. Fee and commission expense	
60. Net fee and commission income	
110.a financial assets and liabilities designated as at fair value	**1,659,337**
of which gain/loss on debt securities	*830,492*
of which minus/plus on debt securities	*828,845*
110.b other financial assets and liabilities mandatorily measured at fair value	**153,761**
of which gain/loss on debt securities	*0*
of which minus/plus on debt securities	*153,761*
Performance of GS	**6,242,706**
110.a Net gain (loss) on other financial assets and liabilities measured at fair value through profit or loss of which portion allocated to affiliated banks	**(4,985,364)**
210. Other operating expenses/income of which Ex Ante Quota pertaining to Parent Company	**(1,257,341)**
300. Net profit (loss) for the period	**-**

Transactions with related parties

Group policy for the management of conflicts of interest and transactions with related parties governs the management of conflicts of interest in respect of transactions with related parties, decisions within the scope of application of Article 136 of the Consolidated Banking Act and Article 2391 of the Italian Civil Code, loans granted to company officers and their related parties pursuant to Article 88 of the CRD-V Directive, transactions whose counterparties are senior personnel and, where applicable, conflicts of interest connected with the application of the Early Warning System. The policy establishes the responsibilities of the companies subject to the management and coordination of the Parent Company, creating management arrangements consistent with the regulations established by the Bank of Italy while at the same time serving the Group's organizational and corporate structure.

With particular regard to transactions with connected parties, the policy underscores the obligation to comply with the limits on exposures to connected parties established in supervisory regulations for banks and lays down specific evaluation, decision-making and reporting procedures that involve, where necessary, the TCP committees set up within the companies of the banking group.

In addition, decision–making procedures have been tailored to the risk level of the transactions involved. Since the materiality threshold envisaged under supervisory regulations is 5% of consolidated own funds, a lower threshold, equal to 5% of the individual own funds of the Bank, has been established to identify significant-value transactions of lesser importance for which the enhanced decision-making process should be activated.

In order to streamline the procedures for low-risk transactions, the Policy fully exempts certain operations from the decision-making and disclosure procedures, including the low-value transactions, transactions connected with guarantee interventions, the centralization agreements between the affiliate banks and the Parent Company and the intercompany service agreements governed by the Group rules if their value classifies them as being of lesser importance. Although the materiality threshold would be €1 million on the basis of the applicable legislation for all entities of the ICBG, lower thresholds have been set in relation to the type of company and the amount of own funds.

During the period, there were no transactions with connecting parties approved by the deliberating body despite an adverse opinion of the TCP Committee.

In order to strengthen the oversight of this type of transaction and ensure the continuous monitoring of developments and the total value of exposures in relation to the limits established by the Parent Company - on the occasion of the annual update of the Group Risk Appetite Statement - the scope of the indicators included therein was expanded by introducing, among others, an indicator measuring exposures to related parties and connected parties, operationally implemented at both a consolidated level and the individual level of the Group banks.

The results of the monitoring activities are included in the periodic reporting to the corporate bodies produced for RAF/RAS purposes on a quarterly basis.

As far as transactions with related parties are concerned, during the period no positions associated with atypical or unusual transactions whose significance or scale might have raised concerns about the integrity of the company's financial position were undertaken.

Part H – "Transactions with related parties" in the notes to the financial statements provides information on the remuneration paid to key management personnel and loans and guarantees granted, in compliance with Article 136 of the Consolidated Banking Act.

Disclosures on business continuity, financial risks, verification of impairment of assets and uncertainty in the use of estimates

As better specified in Part A of the Notes, these interim financial statements have been prepared on a going-concern basis. In this regard, the Directors are not aware of any significant uncertainties, events or conditions that could warrant serious concern about the Group's ability to continue to operate as a going concern in the foreseeable future.

For more information on financial risks, verification of impairment of assets and uncertainties in the use of estimates, please see the details provided in this report on operational performance and/or in the specific sections of the notes to the financial statements.

Main characteristics of the risk management and internal control systems with regard to the financial reporting process (Article 123-bis, paragraph 2, letter b) of the Consolidated Law on Financial Intermediation (TUF) and the introduction of the position of Financial Reporting Officer (Article 154-bix of the TUF)

The control activities and processes relating to the generation of the information required for the preparation of the financial reports (annual and interim financial statements) are an integral part of the Bank's general control system for managing risks. While noting that no internal control system can entirely eliminate the risks of error or fraud, but can only measure those risks and lessen the likelihood of occurrence and mitigate the effects, these features seek to provide a reasonable guarantee of the reliability, accuracy and timeliness of financial reporting.

The control system is based upon two primary guidelines.

- the information on transactions handled by different subsystems is entered in the accounting system. The line control processes are therefore incorporated either within IT and transaction management procedures or assigned to specially-formed units. Organizational procedures assign the duties of verifying the accounting records to the heads of the organizational units. Second-level controls are performed by the organizational unit responsible for managing the general accounts and preparing the annual and interim reports. Controls are performed daily, weekly or monthly depending upon the type and frequency of the transactions processed;
- the valuation components that have the greatest impact on the financial statements are delegated to specialized units. The data relating to the fair value of balance sheet items, in addition to those for hedging relationships and the related effectiveness tests, are supplied by specialized structures equipped with appropriate calculation tools. The data are then re-examined by the appropriate units of the Parent Company. Data concerning the classification and measurement of non-performing loans are provided by highly specialized, appropriately separated structures that operate on the basis of detailed procedures approved by the Board of Directors.

The consolidated annual and interim financial statements of the Parent Company are audited by Forvis Mazars SpA, which also conducted an accounting review pursuant to Article 14 of Legislative Decree 39/2010.

With the aim of further strengthening oversight of the system of internal controls relevant for the purposes of the Group's separate and consolidated financial reporting, we have voluntarily established of the position of Financial Reporting Officer.

The position of Financial Reporting Officer provided for in Law 262/2005 and governed by Art. 154-bis of the TUF is responsible for exercising governance, control and coordination functions over the entire accounting and corporate reporting process, for which the officer is responsible for controls, documenting procedures and communicating internally and externally with the Group.

The mutual banks and the companies within the direct scope of consolidation that perform compliance checks of operations and represent the first level of organizational arrangements governing the operation of the internal control system are involved proportionately in accordance with a risk-based approach.

Outlook

The geopolitical environment remains uncertain (characterized by conflicts with no clear path to resolution, growing tensions between East and West, and a political situation in Europe and the United States with implications that are difficult to predict).

Household financial wealth in 2023 exceeded pre-pandemic levels, driven by the strong performance of financial markets, and is expected to increase further in 2024, before growth slows down.

At the beginning of June and in September, the ECB cut interest rates for the first time in five years. The future path of reduction is less clear however, with inflation still expected to exceed the central bank's target in 2024 and 2025. The ECB could adopt a cautious approach, waiting for more data on wages and profits before taking additional steps. The ECB's monetary policy actions will influence developments in net interest income, which in the first six months of this year remained at the levels registered in the second half of 2023.

Special attention will have to be paid to pressures on operating costs as a result of the renewal of the collective bargaining agreement and the growing need for investment in technology and human capital necessary to continue the digital and green transformation. In general, efficiency improvements remain crucial for the banking sector.

In that context, the Group confirms the strategic importance of its derisking objectives, which will be pursued by lending further impetus to managing and recovering impaired positions and continuing the use of disposals of portions of the non-performing portfolio, with the goal of further improving asset quality indicators.

The Group will continue to implement actions to improve profitability: the latter will continue to be driven by initiatives to expand net fee and commission income and contain costs, including with the implementation of specific efficiency enhancement measures and progress on the actions taken to rationalize the branch network and the companies within the direct scope of consolidation. The contribution of net interest income is expected to remain significant.

The Group will continue to strengthen its capital position and issue financial instruments designed to ensure compliance with MREL and liquidity requirements with an appropriate margin of safety.

ATTACHMENT 1 - RECONCILIATION OF EQUITY AND NET PROFIT OF THE PARENT COMPANY WITH GROUP EQUITY AND NET PROFIT

	SHARE CAPITAL	RESERVES	VALUTATION RESERVES	EQUITY INSTRUMENTS	NET PROFIT	EQUITY
Iccrea Banca SpA Financial Statements	**1,401,045**	**782,082**	**53,609**	**-**	**85,454**	**2,322,190**
Financial statements of fully consolidated company	1,010,277	11,852,768	65,238	30,139	1,040,388	13,998,810
Financial statements of companies accounted for using equity method		9,723	283		5,820	15,826
Elimination of Group company dividends		47,708			(47,708)	-
Adjustment of intercompany writedowns (revaluations)		171,835			-	171,835
Goodwill		15,426			-	15,426
Other consolidation adjustments	(116,200)	(1,612,224)	(18,917)		(27,992)	(1,775,333)
Consolidated equity	**2,295,123**	**11,267,317**	**100,213**	**30,139**	**1,055,962**	**14,748,754**
Non-controlling interests	**-**	**-**	**-**	**-**		**-**
Group equity	**2,295,123**	**11,267,317**	**100,213**	**30,139**	**1,055,962**	**14,748,754**

ATTACHMENT 2 - ALTERNATIVE PERFORMANCE MEASURES

Pursuant to Article 16 of Regulation (EU) 1095/2010, the European Securities and Markets Authority (ESMA) has issued a series of guidelines on the criteria for the presentation of Alternative Performance Measures (APMs). APMs are defined as indicators of historical or future financial performance, financial position or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. The APMs are generally derived (or are based) on the financial statements prepared in accordance with the applicable financial reporting framework. This type of measure is included by European issuers in their regulated information, therefore including the Report on Operations, when these measures are not defined or provided for by the financial reporting framework. These guidelines are intended to promote the usefulness and transparency of the APMs, in such a way as to adopt a common approach to the use of these measures, with improvements in terms of comparability, reliability and understandability and consequent benefits for the users of financial information.

Measures published in application of prudential rules, including the measures specified in the Regulation and the Directive on capital requirements (CRR/CRD IV), physical or non-financial indicators, and social and environmental indicators are not strictly included in the definition of APM.

Iccrea Banca draws up its consolidated financial statements, in application of Legislative Decree 38 of February 28, 2005, in accordance with the IAS/IFRS accounting standards issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Commission, as established by Regulation (EC) no. 1606 of July 19, 2002, using the formats and rules envisaged by Circular no. 262 of December 22, 2005 “Bank financial statements: formats and rules of compilation” as detailed in Part A of the notes to the financial statements.

Iccrea Banca uses Alternative Performance Measures (APMs), determined in accordance with the aforementioned ESMA guidelines, with the aim of providing a faithful representation of the financial information disclosed to the market in terms of profit or loss, financial position and performance obtained, and which represent useful metrics for investors to facilitate their understanding of developments in performance and financial position.

In addition to being widely used in banking and finance, the APMs selected by Iccrea Banca are considered key factors by management in its decision-making at both the operational and strategic level.

The values for the measures can be reconciled with these financial statements for the purposes of the associated measures defined under the IFRS. For each published measure, the corresponding value for the comparative period is also provided, appropriately restated to ensure a uniform comparison where the restatement is necessary and of a material amount.

Note that the Alternative Performance Measures represent supplementary information with respect to the measures defined in the IFRS and are in no way a substitute for the latter.

Structural indicators

- Loans to customers: the aggregate includes loans to customers recognized as financial assets measured at amortized cost, net of exposures represented by securities.
- Total direct funding from ordinary customers: the aggregate includes outstanding debt securities, current accounts, deposits and other liabilities recognized as liabilities measured at amortized cost relating to funding from ordinary customers, with the exception of the sub-item financing.
- Net loans to customers at amortized cost/Total assets: the measure compares loans to customers at amortized cost with total balance sheet assets. For a definition of the “loans to customers” aggregate, please see the foregoing.
- Direct funding from customers/Total liabilities: the measure is the amount of total direct funding from ordinary customers as a proportion of total balance sheet liabilities. For a definition of “direct funding from customers” aggregate, please see the foregoing.
- Loan to deposit ratio: a measure of loans to customers at amortized cost as a proportion direct funding from customers, which includes amounts due to customers and outstanding securities, and provides summary information on liquidity.

Profitability measures

- ROE - Return On Equity: the measure is calculated as the ratio between net profit and equity and expresses the profitability generated by available equity.
- ROTE - Return On Tangible Equity: the measure is calculated as the ratio between net profit and tangible equity.22
- ROA - Return On Assets: the measure is calculated as the ratio between net profit and total assets and provides an indication of the profitability of company assets.
- Cost/Income Ratio: the measure is calculated as the ratio between operating costs and gross income and provides an indication of the efficiency of operations.

Risk measures

- Net bad loans/Loans to customers at amortized cost: the measure is calculated as the ratio between bad loans and total loans to customers. For a definition of the loans to customers aggregate, please see the foregoing.
- Impairment losses on bad loans/Gross bad loans: the measure is calculated as the ratio between total impairment losses accumulated on bad loans to customers and the amount of bad loans to customers, gross of the associated accumulated impairment losses. It provides an indication of the coverage level for bad loans. For a definition of the loans to customers aggregate, please see the foregoing.
- Net NPL Ratio (Net non-performing loans/Net loans to customers at amortized cost): the measure is calculated as the ratio between non-performing loans to customers net of the associated accumulated impairment losses and total net loans to customers. It provides an indication of the quality of the loan portfolio. For a definition of the loans to customers aggregate, please see the foregoing.
- Net UTP/Net loans to customers at amortized cost: the measure is calculated as the ratio between unlikely to pay loans to and total loans to customers. For a definition of the loans to customers aggregate, please see the foregoing.
- Impairment losses on gross UTP/UTP: the measure is calculated as the ratio between total accumulated impairment losses on unlikely to pay loans to customers and unlikely to pay loans to customers gross of the associated accumulated impairment losses. It provides an indication of the coverage level for unlikely to pay positions. For a definition of the loans to customers aggregate, please see the foregoing.
- Impairment losses on impaired past-due exposures/gross impaired past-due exposures: the measure is calculated as the ratio between total accumulated impairment losses on impaired past-due loans to customers and impaired past-due loans to customers gross of the associated accumulated impairment losses. It provides an indication of the coverage level for impaired past-due loans. For a definition of the loans to customers aggregate, please see the foregoing.
- Gross NPL Ratio (Gross non-performing loans/Gross loans to customers at amortized cost): the measure is calculated as the ratio between gross non-performing loans to customers and total gross loans to customers. It provides an indication of the quality of the loan portfolio. For a definition of the loans to customers aggregate, please see the foregoing.
- NPL Coverage (Accumulated impairment losses on non-performing loans/Gross non-performing loans to customers): the measure is calculated as the ratio between total accumulated impairment losses on loans to customers and non-performing loans to customers gross of the associated accumulated impairment losses. It provides an indication of the coverage level for non-performing loans to customers.
- Cost of risk (Net writedowns/(writebacks) for credit risk/net loans to customers measured at amortized cost): the measure is calculated as the ratio between impairment losses for the year and the amount of loans to customers at the end for the year. It provides an indication of the impact of impairment losses on the portfolio during the year. For a definition of the loans to customers aggregate, please see the foregoing.
- Texas ratio: the ratio between gross non-performing loans to customers and the sum, in the denominator, of the related provisions and tangible equity.

[22] Determined as the difference between the Group's book equity and intangible assets.

GROUP FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

Assets		30/06/2024	31/12/2023
10.	Cash and cash equivalents	1,561,729	4,956,422
20.	Financial assets measured at fair value through profit or loss	1,444,579	1,494,234
	a) financial assets held for trading	198,970	227,299
	b) financial assets designated as at fair value	323,853	317,077
	c) other financial assets mandatorily measured at fair value	921,756	949,858
30.	Financial assets measured at fair value through other comprehensive income	7,603,530	7,693,412
40.	Financial assets measured at amortized cost	145,472,627	145,480,601
	a) due from banks	2,928,445	4,175,943
	b) loans to customers	142,544,182	141,304,658
50.	Hedging derivatives	1,132,212	951,258
60.	Value adjustments of financial assets hedged generically (+/-)	(718,939)	(637,827)
70.	Equity investments	323,200	239,807
90.	Property, plant and equipment	2,381,492	2,441,827
100.	Intangible assets	152,383	174,591
	- goodwill	18,718	39,011
110.	Tax assets	1,221,208	1,346,472
	a) current	266,304	290,851
	b) deferred	954,904	1,055,621
120.	Non-current assets and disposal groups held for sale	43,559	4,593,316
130.	Other assets	5,573,668	5,778,531
	Total assets	**166,191,248**	**174,512,644**

Liabilities and equity		30/06/2024	31/12/2023
10.	Financial liabilities measured at amortized cost	147,647,504	152,795,976
	a) due to banks	10,102,578	17,922,680
	b) due to customers	122,991,257	122,522,919
	c) securities issued	14,553,669	12,350,377
20.	Financial liabilities held for trading	85,435	111,588
40.	Hedging derivatives	158,220	220,477
50.	Value adjustments of financial liabilities hedged generically (+/-)	(57)	(560)
60.	Tax liabilities	100,003	71,536
	a) current	75,145	43,061
	b) deferred	24,858	28,475
70.	Liabilities associated with assets held for sale	1,438	4,320,959
80.	Other liabilities	2,593,149	2,315,342
90.	Employee termination benefits	201,502	215,977
100.	Provisions for risks and charges	655,300	572,459
	a) commitments and guarantees issued	302,575	307,960
	c) other provisions for risk and charges	352,725	264,499
120.	Valuation reserves	100,213	47,360
140.	Equity instruments	30,139	30,139
150.	Reserves	12,497,767	10,894,741
160.	Share premium reserves	153,509	152,967
170.	Share capital	2,295,122	2,290,202
180.	Treasury shares (-)	(1,383,958)	(1,382,888)
200.	Net profit (loss) for the period (+/-)	1,055,962	1,856,369
	Total liabilities and equity	**166,191,248**	**174,512,644**

CONSOLIDATED INCOME STATEMENT

		30/06/2024	30/06/2023
10.	Interest and similar income	3,475,551	2,809,580
	of which: interest income calculated using effective interest rate method	3,178,476	2,691,953
20.	Interest and similar expense	(1,274,807)	(861,737)
30.	**Net interest income**	**2,200,744**	**1,947,843**
40.	Fee and commission income	821,001	797,774
50.	Fee and commission expense	(140,031)	(126,162)
60.	**Net fee and commission income (expense)**	**680,970**	**671,612**
70.	Dividends and similar income	22,915	22,216
80.	Net gain (loss) on trading activities	24,817	16,193
90.	Net gain (loss) on hedging activities	(1,928)	1,259
100.	Net gain (loss) on the disposal or repurchase of:	52,435	39,722
	a) financial assets measured at amortized cost	49,971	48,368
	b) financial assets measured at fair value through other comprehensive income	2,603	(9,179)
	c) financial liabilities	(139)	533
110.	Net gain (loss) of other financial assets and liabilities measured at fair value through profit or loss	7,298	(2,004)
	a) financial assets and liabilities designated as at fair value	1,142	871
	b) other financial assets mandatorily measured at fair value	6,156	(2,875)
120.	**Gross income**	**2,987,251**	**2,696,840**
130.	Net losses/recoveries for credit risk in respect of:	(173,930)	(194,538)
	a) financial assets measured at amortized cost	(173,197)	(198,546)
	b) financial assets measured at fair value through other comprehensive income	(733)	4,008
140.	Gains/losses from contractual modifications without derecognition	(4,936)	(2,691)
150.	**Net income (loss) from financial operations**	**2,808,385**	**2,499,612**
190.	Administrative expenses:	(1,613,086)	(1,597,080)
	a) personnel expenses	(1,010,078)	(930,657)
	b) other administrative expenses	(603,008)	(666,423)
200.	Net provisions for risks and charges	(25,709)	(8,791)
	a) commitments and guarantees issued	6,129	(2,808)
	b) other net provisions	(31,838)	(5,983)
210.	Net adjustments of property, plant and equipment	(92,327)	(91,419)
220.	Net adjustments of intangible assets	(23,053)	(22,404)
230.	Other operating expenses/income	178,421	163,111
240.	**Operating costs**	**(1,575,754)**	**(1,556,582)**
250.	Profit (loss) from equity investments	6,620	9,834
260.	Net gain (loss) from valuation at fair value of property, plant and equipment and intangible assets	64	(7,538)
280.	Profit (loss) from disposal of investments	(415)	(141)
290.	**Profit (loss) before tax on continuing operations**	**1,238,900**	**945,184**
300.	Income tax expense from continuing operations	(212,480)	(148,600)
310.	**Profit (loss) after tax on continuing operations**	**1,026,420**	**796,584**
320.	Profit (loss) after tax on discontinued operations	29,542	-
330.	**Net profit (loss) for the period**	**1,055,962**	**796,584**
340.	Net profit (loss) for the period – non-controlling interests	-	1,228
350.	**Net profit (loss) for the period – shareholders of the Parent Company**	**1,055,962**	**795,356**

STATEMENT OF COMPREHENSIVE INCOME

		30/06/2024	30/06/2023
10.	**Net profit (loss) for the period**	**1,055,962**	**796,584**
	Other comprehensive income net of taxes not recyclable to profit or loss	**(936)**	**3,618**
20.	Equity securities designated as at fair through other comprehensive income	(5,538)	5,485
70.	Defined-benefit plans	4,602	(1,867)
	Other comprehensive income net of taxes recyclable to profit or loss	**3,273**	**86,926**
130.	Cash-flow hedges	11,761	20,733
150.	Financial assets (other than equity investments) measured at fair value through other comprehensive income	(8,472)	66,003
170.	Share of valuation reserves of equity investments accounted for with equity method	(16)	190
200.	**Total other comprehensive income net of taxes**	**2,337**	**90,545**
210.	**Comprehensive income (Item 10+170)**	**1,058,299**	**887,128**
220.	Comprehensive income - non-controlling interests	-	1,228
230.	**Comprehensive income - shareholders of the Parent Company**	**1,058,299**	**885,900**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AT JUNE 30, 2024

				Allocation of net profit of previous year		Change in the period										
							Equity transactions									
	As at 31/12/2023	Change in opening balance	As at 1/1/2024	Reserves	Dividends and other allocations	Change in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	Change in equity holdings	Comprehensive income at 30/6/2024	Equity at 30/6/2024	Equity attributable to shareholders of the Parent Company	Non-controlling interests
Share capital:																	
- ordinary shares	2,290,202		2,290,202	8,774			4,724	(8,578)							2,295,122	2,295,122	
- other shares															-		
Share premium reserve	152,967		152,967				543								153,509	153,509	
Reserves:																	
- earnings	10,922,751		10,922,751	1,688,492		(83,504)									12,527,739	12,527,739	
- other	(29,247)		(29,247)			(725)									(29,972)	(29,972)	
Valuation reserves	47,360		47,360			50,516								2,337	100,213	100,213	
Equity instruments	30,139		30,139												30,139	30,139	
Treasury shares	(1,382,888)		(1,382,888)				1,842	(2,912)							(1,383,958)	(1,383,958)	
Net profit (loss) for the period	1,857,606		1,857,606	(1,697,266)	(160,340)									1,055,962	1,055,962	1,055,962	
Total equity	**13,888,890**		**13,888,890**		**(160,340)**	**(33,713)**	**7,108**	**(11,490)**						**1,058,299**	**14,748,754**	**14,748,754**	
Equity - shareholders of Parent Company	**13,888,890**		**13,888,890**		**(160,340)**	**(33,713)**	**7,108**	**(11,490)**						**1,058,299**	**14,748,754**		
Equity - non-controlling interests																	

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AT JUNE 30, 2023

				Allocation of net profit of previous year		Change in the period											
							Equity transactions										
	As at 31/12/2022	Change in opening balance	As at 1/1/2023	Reserves	Dividends and other allocations	Change in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	Change in equity holdings	Comprehensive income at 30/6/2023	Equity at 30/6/2023	Equity attributable to shareholders of the Parent Company	Non-controlling interests
Share capital:																	
- ordinary shares	2,293,857		2,293,857	9,013			4,279	(13,978)							2,293,171	2,293,164	7
- other shares	985		985												985		985
Share premium reserve	150,838		150,838	(743)			1,241								151,336	151,333	3
Reserves:																	
- earnings	9,213,484		9,213,484	1,691,951		(27,991)									10,877,444	10,878,861	(1,417)
- other	(29,210)		(29,210)			460									(28,750)	(28,847)	97
Valuation reserves	(205,160)		(205,160)			967								90,544	(113,649)	(113,651)	2
Equity instruments	30,139		30,139												30,139	30,139	
Treasury shares	(1,380,525)		(1,380,525)				1,886	(2,634)							(1,381,273)	(1,381,273)	
Net profit (loss) for the period	1,796,109		1,796,109	(1,700,221)	(95,888)									796,584	796,584	795,356	1,228
Total equity	**11,870,517**		**11,870,517**		**(95,888)**	**(26,564)**	**7,406**	**(16,612)**						**887,128**	**12,625,987**	**12,625,082**	**905**
Equity - shareholders of Parent Company	**11,838,016**		**11,838,016**		**(95,888)**	**6,260**	**7,406**	**(16,612)**						**885,900**	**12,625,082**		
Equity - non-controlling interests	**32,501**		**32,501**			**(32,824)**								**1,228**	**905**		

STATEMENT OF CASH FLOWS: INDIRECT METHOD

	30/06/2024	30/06/2023
A. OPERATING ACTIVITIES		
1. Operations	**1,394,045**	**1,090,155**
- net profit (loss) for the period (+/-)	1,055,962	796,584
- gains (losses) on financial assets held for trading and on financial assets/liabilities at fair value through profit or loss(-/+)	(11,100)	64,599
- gains (losses) on hedging activities (-/+)	6,675	(395)
- net losses/recoveries on impairment (+/-)	120,906	154,652
- net adjustments of property, plant and equipment and intangible assets(+/-)	115,380	113,823
- net provisions for risks and charges and other costs/revenues (+/-)	5,076	18,563
- taxes, duties and tax credits to be settled (+/-)	97,266	(52,359)
- other adjustments (+/-)	3,880	(5,312)
2. Net cash flows from/used in financial assets	**74,694**	**5,510,739**
- financial assets held for trading	34,480	(254,759)
- financial assets designated as at fair value	(6,777)	(60,299)
- other assets mandatorily measured at fair value	33,051	127,329
- financial assets measured at fair value through other comprehensive income	122,253	134,873
- financial assets measured at amortized cost	(413,849)	4,402,824
- other assets	305,536	1,160,771
3. Net cash flows from/used in financial liabilities	**(4,837,870)**	**(6,077,928)**
- financial liabilities measured at amortized cost	(5,148,472)	(7,791,631)
- financial liabilities held for trading	(26,152)	114,020
- other liabilities	336,754	1,599,683
Net cash flows from/used in operating activities	**(3,369,131)**	**522,966**
B. INVESTING ACTIVITIES		
1. Cash flow from	**214,473**	**5,958**
- dividends on equity investments	24,057	-
- sales of property, plant and equipment	4,681	5,714
- sales of intangible assets	735	244
- sales of subsidiaries and business units	185,000	-
2. Cash flow used in	**(78,625)**	**(58,430)**
- purchase of equity investments		(10)
- purchases of property, plant and equipment	(57,274)	(47,696)
- purchases of intangible assets	(21,351)	(10,724)
Net cash flow from/used in investing activities	**135,848**	**(52,472)**
C. FINANCING ACTIVITIES		
- issues/purchases of own shares	(1,070)	(748)
- dividend distribution and other	(160,340)	(95,888)
Net cash flows from/used in investing activities	**(161,410)**	**(96,636)**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**(3,394,693)**	**373,858**

Key
(+) generated
(-) used in

RECONCILIATION

	30/06/2024	30/06/2023
Cash and cash equivalents at beginning of period	4,956,422	1,189,908
Net increase/decrease in cash and cash equivalents	(3,394,693)	373,858
Cash and cash equivalents at end of period	1,561,729	1,563,766

NOTES TO THE FINANCIAL STATEMENTS

PART A - ACCOUNTING POLICIES

A.1 – GENERAL INFORMATION

SECTION 1 – DECLARATION OF CONFORMITY WITH INTERNATIONAL ACCOUNTING STANDARDS

In compliance with the provisions of Legislative Decree 38 of February 28, 2005, the interim consolidated financial statements of the Iccrea Cooperative Banking Group have been prepared in condensed form and in accordance with the recognition and measurement criteria of the International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), and the related interpretations of the International Financial Reporting Interpretations Committee (IFRS - IC), endorsed by the European Commission and in force as of the reporting date.

The IASs/IFRSs have also been applied in accordance with the “Conceptual Framework for Financial Reporting” (the Framework), with particular regard to the key principle of the prevalence of substance over form, as well as the concepts of relevance and materiality of information.

These interim consolidated financial statements are in conformity with the provisions of IAS 34 Interim Financial Reporting and have been prepared using the format and main schedules provided for in Circular no. 262 of December 22, 2005 “Bank financial statements: formats and rules of preparation”– 8th update of November 17, 2022 – issued by the Bank of Italy in the exercise of the powers established by Article 43 of Legislative Decree 136/2015. It is also compliant with the provisions of Art. 154-ter, paragraph 3, of Legislative Decree 58 of February 24, 1998.

These interim consolidated financial statements were prepared using the same accounting standards as those used for the consolidated financial statements at December 31, 2023.

The following table sets out the new international accounting standards and amendments to existing accounting standards, with the related endorsement regulations of the European Commission, that took effect that took effect, either on a mandatory basis or with the option of early adoption, as from January 1, 2024.

ENDORSEMENT REGULATION	IAS/IFRS AND SHORT DESCRIPTION	ENTRY INTO FORCE
2822/2023	**Amendments to IAS 1 – Presentation of Financial Statements: classification of liabilities as current or non-current** The amendments seek to clarify one of the criteria of IAS 1 for the classification of a liability as non-current, i.e. the requirement that an entity must have the right to defer the settlement of the liability for at least 12 months after the end of the reporting period. The changes: • specify that the right to defer settlement must exist at the end of the reporting period; • clarify that the classification is unaffected by management’s intentions or expectations regarding the possibility of exercising the right to defer settlement; • clarify how the terms of a liability impact its classification; and • clarify the requirements for the classification of liabilities that an entity intends to settle or could settle with the issue of equity instruments.	Annual reporting periods beginning on or after January 1, 2024
2579/2023	**Amendments to IFRS 16 on sale and leaseback arrangements** The amendments are intended to clarify how to account for a sale and leaseback arrangement that provides for variable payments based on the performance or use of an underlying asset.	Annual reporting periods beginning on or after January 1, 2024
1317/2024	**Amendments to IAS 7 Statement of cash flows and IFRS 7 Financial instruments: disclosures** The amendments require additional disclosures on reverse factoring arrangements that enable users of the financial statements to evaluate how supplier finance arrangements can affect the liabilities and cash flows of the entity and to understand the effect of such arrangements on the entity’s exposure to liquidity risk.	Annual reporting periods beginning on or after January 1, 2024

With regard to the amendments of IAS 1 – considering the nature of the amendment and the obligation for banks to adopt the tables provided for in Bank of Italy Circular no. 262/2005 – the limited amendments to IAS 1 were not material.

The amendments of IFRS 16 did not have a material impact in view of the characteristics of the outstanding sale and leaseback arrangements, as they do not provide for significant variable payments.

The amendments to IAS 7 and IFRS 7 essentially regard entities that enter into finance arrangements as purchasers. This situation is not material for the Group.

The following table reports new international accounting standards and amendments to existing standards issued by the IASB that have not yet entered force:

ENDORSEMENT REGULATION	IAS/IFRS AND SHORT DESCRIPTION	ENTRY INTO FORCE
To be determined	**Amendments to IAS 21 Effects of changes in exchange rates** The amendments to IAS 21 require the provision of disclosures that enable users of financial statements to understand the impact of a non-exchangeable currency.	Annual reporting periods beginning on or after January 1, 2025.
To be determined	**Amendments to IFRS 9 and IFRS 7 Classification and Measurement of Financial Instruments** The amendments primarily regard: • the derecognition of a financial liability settled through electronic transfer; • the classification of financial assets, with specific regard to those with variable returns linked to environmental, social and corporate governance (ESG) objectives and the criteria to adopt in the assessment of the SPPI test; • the disclosure requirements for investments in equity instruments designated as at FVOCI.	Annual reporting periods beginning on or after January 1, 2026.
To be determined	**IFRS 18 Presentation and Disclosure in Financial Statements** IFRS 18 replaces IAS 1 Presentation of Financial Statements. IFRS 18 sets out specific principles for aggregating and disaggregating financial statement information and which of these must be provided in the schedules or in the notes. In particular: • it requires assets, liabilities, equity, income, expenses or cash flows to be classified into items based on shared characteristics and, otherwise, to disaggregate financial statement items if the disclosure resulting from the disaggregation is material; • it allows an item to be labeled as “other” only if a more informative label is not available. In the case of the aggregation of several material items, the entity shall use a label that describes the aggregated item as precisely as possible, for example, ‘other operating expenses’ or ‘other finance expenses’; • it requires the presentation of “additional line items” and “additional subtotals” (for example, after operating profit) when such items are necessary to provide a “useful structured summary” in the income statement.	Annual reporting periods beginning on or after January 1, 2027.
To be determined	**IFRS 19 Subsidiaries without Public Accountability: Disclosures** IFRS 19 permits entities that do not have public accountability and are subsidiaries of a parent company producing financial statements complying with the IFRS to apply IFRS with reduced disclosure requirements.	Annual reporting periods beginning on or after January 1, 2027.

At June 30, 2024, the possible impact on the financial position and performance of the Group of rules issued by the IASB that have not yet entered force is being assessed.

SECTION 2: GENERAL PREPARATION PRINCIPLES

These interim consolidated financial statements, prepared in condensed form as permitted by IAS 34, consist of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, the notes to the financial statements an associated comparative information, along with the Report on Operations and the performance and financial position of the Iccrea Cooperative Banking Group.

In compliance with Article 5 of Legislative Decree 38/2005, the financial statements use the euro as the reporting currency.

Unless otherwise specified, the figures in the financial statements and the explanatory notes are expressed in thousands of euros.

The financial statements have been prepared in accordance with the general principles set out in IAS 1 “Presentation of Financial Statements” and the accounting standards endorsed by the European Commission and described in Part A.2 of these explanatory notes, as well as the general assumptions set out in the Conceptual Framework for Financial Reporting issued by the IASB. No exceptions have been made in applying the IASs/IFRSs.

The financial statements also comply with the following general principles of preparation:

- accrual basis accounting;
- understandability of information;
- materiality of information (relevance);
- reliability of information (faithful representation; prevalence of economic substance over legal form; neutrality of information; completeness of information; prudence in estimation to avoid overestimating revenues/assets or underestimating costs/liabilities);
- comparability over time.

In compliance with the provisions of IAS 1, these interim consolidated financial statements have been prepared on a going-concern basis. In this regard, the Directors are not aware of any significant uncertainties, events or conditions that could warrant serious concern about the Group’s ability to continue to operate as a going concern in the foreseeable future, taking particular account of the system of cross-guarantees on which the Cooperative Banking Group is based, for which a discussion is provided in the Report on Operations.

Content of the financial statements and the explanatory notes

Balance sheet and income statement

The balance sheet and the income statement contain items, sub-items and further information (the “of which” for items and sub-items). Items without values for the reference period and the previous period are not included. In the income statement, revenues are shown without indicating their sign, while cost figures are shown within parentheses.

Statement of comprehensive income

The items concerning other comprehensive income after taxes in the statement of comprehensive income report changes in the value of assets recognized in the valuation reserves. Items without balances for the period and for the previous period are not reported. Negative amounts are presented within parentheses.

Statement of changes in equity

The statement of changes in equity shows the composition and movements of equity accounts during the reference period and the previous period, broken down by share capital (ordinary and savings shares), earnings reserves, capital reserves and valuation reserves for assets or liabilities, equity instruments and the net profit (loss) for the period. The value of any treasury shares is deducted from equity.

Statement of cash flows

The statements of cash flows for the present period and the previous period were prepared using the indirect method, under which cash flows from operating activities are represented by the profit (loss) for the period, adjusted for the impact of non-monetary transactions. Cash flows are broken down into cash flows from/used in operating activities, investing activities and financing activities. Cash flows generated during the period are shown without a sign, while those used are shown within parentheses.

Content of the notes to the financial statements

The explanatory notes to the financial statements include the information required by international accounting standards, in particular IAS 34 Interim Financial Reporting, using the tables provided for in Bank of Italy Circular no. 262/2005 – 8th update of November 17, 2022.

SECTION 3 – SCOPE AND METHODS OF CONSOLIDATION

The scope of consolidation of the Iccrea Cooperative Banking Group includes:

- the financial statements of Iccrea Banca SpA in its capacity as Parent Company and Central Body;
- the financial statements of the 115 affiliated mutual banks, which together with Iccrea Banca SpA comprise the Consolidating Entity;
- the financial statements of the companies over which, in application of IFRS 10, IFRS 11 and IAS 28, Iccrea Banca and the affiliated mutual banks exercise control, joint control or significant influence.

Please see “Assessments and significant assumptions in determining the scope of consolidation” in section 2 below for a discussion of the assumptions underlying the determination of the scope of consolidation and the associated consolidation methods.

The following table reports the companies included in the scope of consolidation of the Iccrea Cooperative Banking Group.

1. COMPANIES CONSOLIDATED ON A LINE-BY-LINE BASIS

		Headquarters	Type of relationship (A)	Equity investment		% share of votes (B)
				Investor	% holding	
A.	Consolidated on a line-by-line basis					
1	Iccrea Banca SpA	Rome				
2	BCC di Bari e Taranto SC	Bari				
3	Banca dell’Elba - Credito Cooperativo SC	Portoferraio				
4	Credito Cooperativo Mediocrati SC	Rende				
5	Banca di Credito Cooperativo Magna Grecia – Società Cooperativa	Vallo della Lucania				
6	Credito Cooperativo Romagnolo - BCC di Cesena E Gatteo - SC	Cesena				
7	Emil Banca - Credito Cooperativo SC	Bologna				
8	Banca Cremasca e Mantovana - Credito Cooperativo SC	Crema				
9	Banca della Marca Credito Cooperativo SC	Orsago				
10	Credito Cooperativo Friuli (CrediFriuli) SC	Udine				
11	BCC dell’Adriatico Teramano SC	Atri				
12	Banca di Credito Cooperativo della Calabria Ulteriore - Società Cooperativa	Crotone				
13	BCC di Cagliari SC	Cagliari				
14	Banca di Andria Di Credito Cooperativo SC	Andria				
15	BCC Agrigentino SC	Agrigento				
16	BCC di Napoli SC	Naples				
17	BCC di Putignano SC	Putignano				
18	Banca di Ancona e Falconara Marittima Credito Cooperativo SC	Ancona				
19	BCC di Montepaone SC	Montepaone				
20	BCC di Basciano SC	Basciano				
21	BCC della Valle del Trigno SC	San Salvo				
22	Valpolicella Benaco Banca Credito Cooperativo SC	Costermano Sul Garda				
23	Banca Veronese Credito Cooperativo di Concamarise SC	Bovolone				
24	Banca Centropadana Credito Cooperativo SC	Lodi				
25	Banco Fiorentino - Mugello Impruneta Signa - Credito Cooperativo SC	Firenzuola				
26	BCC di Roma SC	Rome				
27	BCC Brianza e Laghi SC	Lesmo				
28	BCC di Altofonte e Caccamo SC	Altofonte				
29	Banca di Anghiari E Stia - Credito Cooperativo SC	Anghiari				
30	BCC di Avetrana SC	Avetrana				

		Headquarters	Type of relationship (A)	Equity investment		% share of votes (B)
				Investor	% holding	
31	BCC Pordenonese e Monsile SC	Azzano Decimo				
32	Banca di Pescia e Cascina - Credito Cooperativo SC	Pescia				
33	BCC di Arborea SC	Arborea				
34	BCC Campania Centro - Cassa Rurale e Artigiana SC	Battipaglia				
35	BCC di Bellegra SC	Bellegra				
36	Cassa Rurale e Artigiana di Binasco - Credito Cooperativo SC	Binasco				
37	Banca delle Terre Venete Credito Cooperativo SC	Vedelago				
38	BCC di Busto Garolfo e Buguggiate SC	Busto Garolfo				
39	Cassa Rurale e Artigiana di Cantù BCC SC	Cantù				
40	BCC di Capaccio Paestum e Serino S.C	Capaccio Paestum				
41	BCC Abruzzese - Cappelle Sul Tavo SC	Cappelle Sul Tavo				
42	BCC del Basso Sebino SC	Capriolo				
43	BCC di Carate Brianza SC	Carate Brianza				
44	Credito Cooperativo Di Caravaggio Adda e Cremasco - Cassa Rurale SC	Caravaggio				
45	BCC di Terra D'Otranto SC	Carmiano				
46	Banca Alpi Marittime Credito Cooperativo Carrù SC	Carrù				
47	BCC di Venezia, Padova E Rovigo - Banca Annia SC	Cartura				
48	BCC di Milano SC	Carugate				
49	Credito Padano Banca di Credito Cooperativo SC	Cremona				
50	Banca dei Sibillini - Credito Cooperativo Di Casavecchia SC	Pieve Torina				
51	Credito Cooperativo Valdarno Fiorentino Banca di Cascia SC	Reggello				
52	Cassa Rurale e Artigiana di Castellana Grotte Credito Cooperativo SC	Castellana Grotte				
53	BCC di Castiglione Messer Raimondo e Pianella SC	Castiglione Messer Raimondo				
54	Banca del Piceno Credito Cooperativo SC	Acquaviva Picena				
55	BCC dell'Oglio e Del Serio SC	Calcio				
56	Banca della Valsassina Credito Cooperativo SC	Cremeno				
57	BCC di Fano SC	Fano				
58	BCC di Alba, Langhe, Roero e Del Canavese SC	Alba				
59	Credito Cooperativo Cassa Rurale Ed Artigiana Di Erchie SC	Erchie				
60	Credito Cooperativo Ravennate, Forlivese E Imolese SC	Faenza				
61	Banca di Filottrano - Credito Cooperativo di Filottrano e Camerano SC	Filottrano				
62	BCC di Gaudiano Di Lavello SC	Lavello				
63	Banca di Pisa e Fornacette Credito Cooperativo SC	Pisa				
64	BCC di Gambatesa SC	Gambatesa				
65	BCC Agrobresciano SC	Ghedi				
66	BCC Basilicata - Credito Cooperativo Di Laurenzana e Comuni Lucani SC	Laurenzana				
67	BCC Valle Del Torto SC	Lercara Friddi				
68	BCC di Leverano SC	Leverano				
69	BCC di Canosa - Loconia SC	Canosa Di Puglia				
70	BCC di Lezzeno SC	Lezzeno				
71	Chiantibanca - Credito Cooperativo SC	Monteriggioni				
72	BCC del Garda - BCC Colli Morenici Del Garda SC	Montichiari				
73	BCC di Mozzanica SC	Mozzanica				
74	BCC di Marina Di Ginosa SC	Ginosa				
75	BCC di Nettuno SC	Nettuno				
76	BCC del Metauro SC	Terre Roveresche				

		Headquarters	Type of relationship (A)	Equity investment		% share of votes (B)
				Investor	% holding	
77	BCC di Ostra e Morro D'alba SC	Ostra				
78	BCC di Ostra Vetere SC	Ostra Vetere				
79	BCC di Ostuni SC	Ostuni				
80	BCC di Pachino SC	Pachino				
81	Banca di Udine Credito Cooperativo SC	Udine				
82	Credito Cooperativo Cassa Rurale e Artigiana di Paliano SC	Paliano				
83	Banca Versilia Lunigiana e Garfagnana - Credito Cooperativo SC	Pietrasanta				
84	BCC di Pergola e Corinaldo SC	Pergola				
85	BCC Vicentino - Pojana Maggiore SC	Pojana Maggiore				
86	BCC di Pontassieve SC	Pontassieve				
87	Cassa Rurale e Artigiana dell'Agro Pontino - BCC SC	Pontinia				
88	BCC di Pratola Peligna SC	Pratola Peligna				
89	Centromarca Banca - Credito Cooperativo di Treviso e Venezia, SC	Treviso				
90	BCC di Recanati e Colmurano SC	Recanati				
91	Banca di Ripatransone e Del Fermano - Credito Cooperativo SC	Ripatransone				
92	Cassa Rurale e Artigiana di Rivarolo Mantovano Credito Cooperativo SC	Rivarolo Mantovano				
93	BCC della Provincia Romana SC	Riano				
94	BCC Veneta - Credito Cooperativo SC	Fara Vicentino				
95	Banca del Valdarno - Credito Cooperativo SC	San Giovanni Valdarno				
96	Banca di Pesaro Credito Cooperativo SC	Pesaro				
97	BCC di Santeramo In Colle SC	Santeramo In Colle				
98	Banca TEMA - Terre Etrusche di Valdichiana e di Maremma SC	Chiusi				
99	BCC di Scafati e Cetara SC	Scafati				
100	BCC Appulo Lucana SC	Spinazzola				
101	BCC di Staranzano e Villesse SC	Staranzano				
102	Banca Centro Credito Cooperativo Toscana - Umbria SC	Sovicille				
103	Cassa Rurale - BCC di Treviglio SC	Treviglio				
104	BCC di Triuggio e della Valle del Lambro SC	Triuggio				
105	BCC della Valle del Fitalia SC	Longi				
106	Banca Alta Toscana Credito Cooperativo SC	Quarrata				
107	BCC Bergamasca e Orobica SC	Cologno Al Serio				
108	Banca Don Rizzo - Credito Cooperativo della Sicilia Occidentale SC	Alcamo				
109	BCC dei Colli Albani SC	Genzano Di Rome				
110	BCC G. Toniolo di San Cataldo SC	San Cataldo				
111	Banca San Francesco Credito Cooperativo SC	Canicattì				
112	BCC delle Madonie SC	Petralia Sottana				
113	BCC Terra Di Lavoro - S. Vincenzo De' Paoli SC	Casagiove				
114	BCC degli Ulivi - Terra di Bari SC	Palo Del Colle				
115	RivieraBanca Credito Cooperativo di Rimini e Gradara SC	Rimini				
116	BCC di San Marco Dei Cavoti e Del Sannio - Calvi SC	San Marco Dei Cavoti				
117	BCC Risparmio&Previdenza SGrpA	Milan	1	Iccrea Banca SpA	100.0	100.0
118	BCC Leasing SpA	Rome	1	Iccrea Banca SpA	100.0	100.0
119	BCC Factoring SpA	Rome	1	Iccrea Banca SpA	100.0	100.0
120	Banca Sviluppo SpA	Rome	1	Iccrea Banca SpA	100.0	100.0
121	BCC Financing SpA	Udine	1	Iccrea Banca SpA	100.0	100.0
122	BCC Gestione Crediti SpA	Rome	1	Iccrea Banca SpA	100.0	100.0
123	BCC Sinergia SpA	Rome	1	Iccrea Banca SpA	100.0	100.0
124	BCC Beni Immobili Srl	Rome	1	Iccrea Banca SpA	100.0	100.0
125	BCC Rent&Lease SpA	Rome	1	Iccrea Banca SpA	100.0	100.0
126	BCC CreditoConsumo SpA	Rome	1	Iccrea Banca SpA	100.0	100.0

		Headquarters	Type of relationship (A)	Equity investment		% share of votes (B)
				Investor	% holding	
127	BCC Sistemi Informatici SpA	Milan	1	Iccrea Banca SpA	99.4	99.4
128	BCC Servizi Assicurativi Srl	Milan	1	Iccrea Banca SpA	100.0	100.0
129	BCC POS SpA	Rome	1	Iccrea Banca SpA	100.0	100.0
130	Sigest Srl	Calcinaia	1	BCC Pisa e Fornacette Credito Cooperativo SC	100.0	100.0
131	Fondo Securis Real Estate	Rome	4	Iccrea Banca SpA	78.0	78.0
				BCC Brianza e Laghi SC	1.2	1.2
132	Fondo Securis Real Estate II	Rome	4	Iccrea Banca SpA	84.8	84.8
133	Fondo Securis Real Estate III	Rome	4	Iccrea Banca SpA	79.5	79.5
134	Fondo Il Ruscello	Milan	4	BCC di Milano SC	100.0	100.0
135	Fondo Sistema BCC	Rome	4	BCC di Milano SC	44.4	44.4
				Credito Cooperativo Di Caravaggio Adda e Cremasco - Cassa Rurale SC	8.9	8.9
				BCC del Garda - BCC Colli Morenici Del Garda SC	29.4	29.4
				BCC di San Marco Dei Cavoti e Del Sannio - Calvi SC	10.6	10.6
136	Asset Bancari V	Rome	4	BCC di Milano SC	16.0	16.0
				Banca di Anghiari e Stia - Credito Cooperativo SC	16.0	16.0
				BCC del Garda - BCC Colli Morenici Del Garda SC	19.3	19.3
				Cassa Rurale e Artigiana di Binasco - Credito Cooperativo SC	4.0	4.0
				Credito Padano Banca di Credito Cooperativo SC	11.3	11.3
				Banca Cremasca e Mantovana - Credito Cooperativo SC	26.0	26.0

Key:
A) Type of relationship: 1= majority of voting rights in ordinary shareholders' meeting; 4 = other forms of control.
B) Votes available in ordinary shareholders' meeting.

2. ASSESSMENTS AND SIGNIFICANT ASSUMPTIONS IN DETERMINING THE SCOPE OF CONSOLIDATION

Introduction

The concept of cooperative banking group was introduced into Italian law with Decree Law 18 of February 14, 2016, ratified with amendments with Law 49 of April 8, 2016, which amended Legislative Decree 385/1993 (the Consolidated Banking Act) with the introduction of Article 37-bis establishing, among other things, that the Parent Company shall exercise management and coordination activities "on the basis of a Cohesion Contract that ensures the existence of control as defined by the international accounting standards adopted by the European Union.

From the point of view of the associated regulation, the provisions of Bank of Italy Circular 285 containing supervisory provisions for banks implement Articles 37-bis and 37-ter of the Consolidated Banking Act concerning the cooperative banking group. They govern the prudential and supervisory requirements to be met by the parent company, the minimum content of the Cohesion Contract, the characteristics of the joint and several guarantee system and the requirements of membership in the group. The cooperative banking group is based on the management and coordination powers of the parent company, defined in the Cohesion Contract agreed between the latter and the affiliated mutual banks, which are intended to ensure the unity of strategic direction and the control system as well as compliance with the prudential provisions applicable to the Group and its members, including by way of measures issued by the Parent Company that are binding on the affiliated banks".

A cooperative banking group, as defined in Bank of Italy Circular 285, is a group of entities affiliated to a central body pursuant to Article 10 of Regulation (EU) no. 575/2013 (the CRR), with the simultaneous presence of a mutual guarantee system. In particular, the definition of Central Body, defined in Article 2, paragraph 4, letter a) of Directive 77/780/EEC, establishes that:

- the commitments of the central body and the affiliated institutions are joint and several liabilities;
- the solvency and liquidity of all the affiliated institutions are monitored as a whole on the basis of consolidated accounts.

From the point of view of financial reporting regulations, Law 145 of December 30, 2018 concerning the "State budget for the 2019 fiscal year and the multi-year budget for the 2019-2021 period" (the 2019 Budget Act) amended Legislative Decree 136/2015 "Implementation of Directive 2013/34/EU on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings", with the introduction of Article 2, paragraph 2, letter b) of Directive 86/635/EEC, which governs the consolidated accounts of central bodies.

In particular, Article 1072 of Law 145 of December 30, 2018 amended Article 38 of Legislative Decree 136/2015 with the following paragraph 2-bis: "In the case of cooperative banking groups pursuant to Article 37-bis of Legislative Decree 385 of September 1, 1993, the parent company and the mutual banks affiliated to it by virtue of the Cohesion Contract shall constitute a single consolidating entity".

The single consolidating entity represents the community of interests created by the system of cross-guarantees in the context of the Cohesion Contract, aimed at ensuring the financial and governance unity of the Group as a whole.

The explanatory report to the 2019 Budget Act (*Legge di bilancio 2019. Le modifiche approvate dal Senato della Repubblica, 23 dicembre 2018*) summarizes the effects of the aforementioned regulatory change as follows:

- "for the purposes of preparing the consolidated financial statements, the parent company and the banks belonging to the cooperative banking group shall constitute a single consolidating entity";
- "in the preparation of the consolidated financial statements, the accounting items pertaining to the Parent Company and the affiliated banks shall be recognized on a consistent basis;

The regulatory changes introduced in the Italian legal system are consistent with the position expressed by the European Commission in 2006 regarding the adoption of international accounting standards, according to which the obligation to draw up the consolidated financial statements must be determined in accordance with the provisions of the national legislation transposing European directives[23] notwithstanding the provisions of those accounting standards.

An authoritative option has been issued on the consolidation of the financial statements of cooperative banking groups in application of the regulatory and financial reporting provisions described above.

[23] European Commission, Agenda Paper for the Meeting of the Accounting Regulatory Committee on 24th November 2006, paragraph 4.3. [… the determination of whether or not a company is required to prepare consolidated accounts will continue to be made by reference to national law transposed from the Seventh Council Directive"].

Taking account of the foregoing, in particular:

- the provisions introduced with the 2019 Budget Act that specify the procedures for complying with consolidation requirements in the case of groups of banks affiliated to a central body;
- the provisions of the Consolidated Banking Act, which are important in defining the governance powers of the central body over the affiliated mutual banks, defined in the Cohesion Contract;
- that the 2019 Budget Act, in introducing paragraph 2-bis of Article 38 of Legislative Decree 136/2015 (in implementation of Directive 86/635) as a special rule, prevails and specifies the generic reference of Article 37 bis, paragraph 1 of the Consolidated Banking Act to control for the purposes of the accounting standards.

The consolidated financial statements of the Iccrea Cooperative Banking Group have been prepared on the basis of the following procedures:

- the entity required to draw up the consolidated financial statements is represented by the aggregation of the central body and the affiliated mutual banks (hereinafter the “consolidating entity”);
- in the consolidated financial statements, the accounting entries of the Parent Company and the affiliated mutual banks are recorded at the same values;
- in the consolidated financial statements, the accounting entries of the Parent Company and the affiliated mutual banks are recorded at the existing value reported in the individual financial statements;
- the provisions of IFRS 10 are applied for the purpose of identifying the scope of consolidation of the consolidating entity (subsidiaries of the Parent Company and the affiliated mutual banks);
- IFRS 3 is applicable only for any business combinations between the single consolidating entity and third parties;
- balance sheet and income statement positions between companies included in the scope of consolidation are eliminated in full;
- Parent Company shares held by the affiliated mutual banks are eliminated in full and accounted for as treasury shares of the consolidating entity.

Scope and methods of consolidation

In view of the foregoing, the scope of consolidation of the Iccrea Cooperative Banking Group includes:

- the financial statements of Iccrea Banca SpA in its capacity as Parent Company and Central Body;
- the financial statements of the 115 affiliated mutual banks, which together with Iccrea Banca SpA comprise the Consolidating Entity;
- the financial statements of the companies over which, in application of IFRS 10, IFRS 11 and IAS 28, Iccrea Banca and the affiliated mutual banks exercise control, joint control or significant influence.

Subsidiaries

Subsidiaries are those entities over which the consolidating entity has the power to direct the relevant activities as a result of a legal right or a mere situation of fact and is exposed to the variable returns resulting from that power.

More specifically, pursuant to IFRS 10 the control requirement is met when an investor simultaneously has:

- the power to direct the relevant activities of the entity;
- is exposed, or has rights, to variable returns from its involvement with the investee;
- has the ability to use its power over the investee to affect the amount of its returns (link between power and returns).

The carrying amount of equity interests in companies either consolidated on a line-by-line basis, held by the Consolidating Entity or other companies within the Group, is eliminated – as the subsidiaries’ assets and liabilities are absorbed into those of the Group – offsetting the corresponding percentage of the subsidiaries’ equity pertaining to the Group.

Asset and liability items, off-balance sheet transactions, expenses and income, as well as profits and losses which occur between companies falling within the scope of consolidation are eliminated.

Costs and revenues of a subsidiary are included in consolidation from the date on which control is acquired. Costs and revenues from a subsidiary disposed of are included in the consolidated income statement up to the date of disposal, which is to say up to the point at which control over the subsidiary is lost. The difference between the payment received on disposal of the subsidiary and the carrying amount of its net assets at the same date is recognized in profit or loss under item 280 "Gain/(loss) from the disposal of investments". Any residual interest held must be measured at fair value as of the date control is lost.

The share pertaining to non-controlling interests is presented on the balance sheet under item 190. "Non-controlling interests", separately from the liabilities and equity pertaining to the shareholders of the Parent Company. The portion pertaining to non-controlling interests is also presented separately in the income statement, under item 340 "Profit/(loss) pertaining to non-controlling interests".

For companies that are included in the scope of consolidation for the first time, the fair value of the costs incurred in order to obtain control of that equity interest, inclusive of ancillary costs, is measured as at the acquisition date.

Changes in interests in a subsidiary that do not entail loss of control are recognized in equity.

Controlling equity investments held for sale are consolidated on a line-by-line basis and reported separately in the financial statements as a disposal group valued as of the reporting date at the lower of carrying amount or fair value less costs to sell.

Non-material subsidiaries are not consolidated.[24] Their exclusion from the scope of consolidation does not have a material impact on Group equity.

Associates

Associates are companies in which the Consolidating entity directly or indirectly holds at least 20% of the voting rights or over which, even with a smaller share of the voting rights, it exercises a significant influence, which is defined as the power to participate in determining the financial and operational policies of the associate without having control or joint control.

More specifically, Significant influence is assumed to exist when the parent company:

- directly or indirectly holds at least 20% of the voting rights of another company;
- is able, including through shareholders' agreements, to exercise significant influence through:
  - representation on the company's management body;
  - participation in the process of setting policies, including participation in the decision-making process concerning dividends;
  - the existence of significant transactions;
  - the exchange of management personnel.

Associates are accounted for using the equity method. Equity in the associated company includes goodwill (net of any impairment loss) paid for the acquisition. The carrying amount of the interest is increased or decreased to reflect the share of the post-acquisition profits or losses of the associate and is recognized in the income statement under item 250. "Profit/(loss) from equity investments". Any distribution of dividends is indicated as a decrease in the carrying amount of the equity investment. The goodwill associated with an associate or joint venture is included in the carrying amount of the investment and does not undergo separate impairment testing.

Any change in the other comprehensive income relating to these investee companies is presented as part of the comprehensive income of the Group. In addition, if an associated company recognizes a change allocated directly to equity, the Group recognizes its share, where applicable, in the statement of changes in equity.

If the portion of the losses pertaining to the Group equals or exceeds the carrying amount of the investment in the associate, further losses are not recognized unless. there is contractual obligation to cover such losses or in the presence of payments made on behalf of the associate.

Unrealized profits on transactions between the Group and its associated companies are eliminated at the same

[24] The scope of consolidation does not include subsidiaries with total assets of less than €10 million, subject to the condition that the total assets of all unconsolidated subsidiaries do not exceed €50 million.

percentage of the Group's interest in the profits of the associates. Unrealized losses are also eliminated, unless the transactions carried out show evidence of an impairment loss on the assets involved. Valuation reserves for associated companies are recognized separately in the statement of comprehensive income.

A number of interests of more than 20%, albeit of limited amount, over which the Parent Company does not have the direct or indirect ability to participate in setting management policies are excluded from the scope of consolidation and classified in accordance with the provisions of IFRS 9. Non-material associates are also excluded from the scope of consolidation. Their exclusion from the scope of consolidation does not have a material impact on Group equity.

Joint arrangements

Entities held under joint arrangements are those over which control is shared under a contractual agreement with other investors. More specifically, a joint arrangement is a contractual arrangement whereby two or more parties exercise joint control.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Under IFRS 11 joint arrangements are classified as either joint operations or joint ventures based upon the contractual rights and obligations held by the Group. A joint operation is a joint arrangement whereby the parties have rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement whereby the parties have rights to the net assets of the arrangement. Investments in joint arrangements are accounted for using the equity method. At June 30, 2024 the Group had no interests in joint arrangements.

Structured entities

Subsidiaries may also include any "structured entities" in which the voting rights are not deemed significant in assessing control and include special purpose entities and investment funds.

Structured entities are treated as subsidiaries where:

- the Group has the power through contractual rights to direct the relevant activities;
- the Group is exposed to the variable returns arising from such activities.

The structured entities that are consolidated because the Group has the power to govern the relevant activities of the entity as a result of the financial instruments it has subscribed include:

- real estate investment funds;
- special purpose securitization vehicles.

Structured entities – Real estate investment funds

In the real estate investment funds, the control relationship takes account of the purpose/scope of the operation and has been deemed to exist in the following cases:

- the involvement of the investor/sponsor in structuring the operation;
- the participation of the Group companies on the committees provided for in the fund's rules (participants' advisory committee), which have the power to direct/govern the relevant activities of the fund and/or control the activities of the fund manager;
- the presence of contractual relationships that tie the fund to the Group for the subscription/placement/sale of its units.

The consolidated real estate investment funds are Fondo Securis Real Estate, Fondo Securis Real Estate II, Fondo Securis Real Estate III, Fondo Sistema BCC, Fondo Asset Bancari V and Fondo Il Ruscello.

In view of their business model (real estate) and the composition of their assets, essentially composed of properties measured at market value, these funds have been consolidated, recognizing their assets under property, plant and equipment in the consolidated financial statements, recognizing any increases/decreases under "*Net gain/loss from valuation at fair value of property, plant and equipment*" in the income statement.

Structured entities –securitizations

In securitizations, the indicators that a control relationship exists include:

- the involvement of the Group companies in structuring of the operation (originator/investor/servicer/facility provider);
- the subscription of substantially all of the ABSs issued by the SPV by Group companies;
- the purpose/scope of the operation.

The segregated assets of the operations originated by banks of the Group that did not give rise to the derecognition of the assigned loans have been consolidated through consolidation of the originating banks.

3. INVESTMENTS IN SUBSIDIARIES WITH SIGNIFICANT NON-CONTROLLING INTERESTS

This section has not been prepared as at June 30, 2024 the Group had no investments in subsidiaries with significant non-controlling interests.

4. SIGNIFICANT RESTRICTIONS

There are no significant restrictions as envisaged under IFRS 12, paragraph 13, applicable to the banks and companies that form the area of consolidation of the Iccrea Cooperative Banking Group.

5. OTHER INFORMATION

Data used for consolidation

The accounting data used for line-by-line consolidation are those at June 30, 2024, as approved by the competent bodies of the companies included in the scope of consolidation, adjusted where necessary to adapt them to the uniform Group accounting policies.

Subsidiaries whose annual financial statements have not been drawn up on the basis of the international accounting standards (IAS-IFRS) prepare a specific reporting package using such standards to permit the Parent Company to perform the consolidation.

SECTION 4 – EVENTS SUBSEQUENT TO THE REPORTING DATE

In the period between the reporting date of the financial statements and their approval by the Board of Directors on September 26, 2024 no events occurred that would entail a modification of the financial data approved at that meeting.

SECTION 5 – OTHER MATTERS

Risks and uncertainties associated with the use of estimates

In conformity with the IAS/IFRS, management is required to formulate accounting estimates that can impact the values of the assets, liabilities, costs and revenues recognized in the financial statements. The formulation of these estimates is based on prior experience, available information, the adoption of assumptions and subjective judgements.

Estimation processes were used to support the carrying amount of some of the largest items recognized in the consolidated financial statements, such as:

- the verification of compliance with the requirements for classifying financial assets in the accounting portfolios that adopt the amortized cost criterion (SPPI test), with particular regard to the performance of the benchmark test;
- the quantification of impairment losses on loans and, more generally, other financial assets;
- the assessment of the appropriateness of the value of equity investments and other non-financial assets (e.g. goodwill);
- the use of valuation techniques in the recognition of the fair value of financial assets not listed on active markets;
- the use of valuation techniques in the recognition of the fair value of the tax credits referred to in the “Cure Italy” and “Save Italy” decrees;
- the estimation and assumptions concerning the recoverability of deferred tax assets;
- the determination of the discount rates for lease liabilities;
- the quantification of provisions for legal and tax risks and charges.

The description of the accounting policies applied to the main financial statement aggregates provides the information necessary to identify the main assumptions and subjective assessments used in the preparation of the financial statements. In particular:

- for allocation to the three stages of credit risk provided for under IFRS 9 of loans and debt securities classified under financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income and the associated calculation of expected losses, the main estimates regard the determination of the parameters representing a significant increase in credit risk, the inclusion of forward-looking factors in determining PD, EAD and LGD and the determination of future cash flows from impaired loans;
- for the quantification of provisions for risks and charges, the estimation of the amount of outlays necessary to discharge liabilities, taking account of the effective probability of having to employ resources to do so.

For further information concerning the composition and associated carrying amounts of the items affected by these estimates, please see the specific sections in the explanatory notes.

By their nature, estimates may vary from year to year and, therefore, it cannot be ruled out that in subsequent years the current values recorded in the financial statements may differ significantly as a result of changes in the circumstances on which they were based, the emergence of new information or the acquisition of greater experience (e.g. developments in inflation dynamics, the evolution of the Russia-Ukraine conflict).

The following summarizes the Group’s choices concerning the primary circumstances in which subjective judgment is required.

Calculating the ECL for performing credit exposures

As from the close of the financial statements at December 31, 2023, the calculation of the IFRS 9 ECL of the Group’s performing credit exposures included implementation of the following:

- the amendments produced as part of the 2023 planning of the Credit Risk Models Evolution (CRME) program;

- the updates of the overlay component applied to the calculation of ECL, representative of the out-of-model component, in order to add an additional degree of prudence in the light of the uncertainty of the macroeconomic environment.

Note that the Group had already made an initial release of stage allocation measures on the occasion of the September 2023 quarterly report. The changes were designed to structurally strengthen the overall system for identifying a significant increase in credit risk connected with the Group's performing exposures. These measures were developed in the wake of a self-assessment of the methodologies underlying the ECL calculation, which led to the definition of an activity plan for the improvement of the system.

In addition, at the close of December 2023, changes concerning the internal EAD (Exposure at Default) estimation model were implemented, enabling the estimation for certain specified customer segments (enterprises, producer households and individuals) of a credit conversion factor (CCF) in place of the standard regulatory coefficients. The latter are still applied to other counterparty segments not falling within the scope of the estimation exercise. Together with the interventions mentioned above, and in line with the provisions of IFRS 9, adjustments of the ordinary process of updating the risk parameters (PD and LGD Point in Time (PiT)) were implemented. The latter were updated with the latest risk data available, including, where appropriate, specific in-model adjustments in order to take account of possible weaknesses still present in the database and to align the model's risk assessment of certain sub-portfolios based on backtesting data.

Finally, starting from the close of December 2023, the overall management of the portfolio for which overlays are used (a post-model adjustment component added to the performing ECL component determined with the in-model framework) has been strengthened in order to monitor the manifestation of credit risk and review its composition on a cluster basis. In this context, a specific reference framework has been structured in order to strengthen the current overlay governance system with regard to the definition, monitoring and review activities within the system. For more information, please see the disclosures provided in the financial statements at December 31, 2023.

Purchase of tax credits

Among the urgent measures deployed in response to the COVID 19 pandemic and to support the real economy, Decree Law 18/2020 (the "Cure Italy Decree") and Decree Law 34/2020 (the "Revival Decree") introduced specific tax incentives into Italian law in the form of tax credits.

In view of the economic substance of these transactions, their accounting treatment is based - by analogy and where applicable - on the provisions of IFRS 9 on financial instruments.

More specifically, at the time of initial recognition, the tax credit is recognized at the purchase price - comparable to a Level 3 fair value, given that there are no official markets or comparable transactions - satisfying the condition established under IFRS 9 according to which financial assets and liabilities must be initially recognized at fair value.

As regards subsequent measurement of these assets, during the acceptance of the tax credit in the "tax box", the Bank determines which business model it intends to use to classify the individual tax credit purchased:

- HTC, i.e. credits acquired for the purpose of holding them to offset against tax liabilities;
- HTCS, i.e. credits acquired for the purpose of holding them either to offset against tax liabilities or to sell them;
- Other, i.e. credits purchased for the purpose of re-transferring them.

For credit designated as being held under an HTC business model, based on the rules in IFRS 9 governing financial assets at amortized cost and considering: (i) the time value of money; (ii) the use of an effective interest rate and (iii) the use of the tax credit through offsets. The effective interest rate is originally determined so that the discounted cash flows associated with the expected future offsets estimated over the expected term of the tax credit - taking account of the fact that the tax credit not used in each period cannot be recovered – shall equal the purchase price of the tax credits. With regard to the use of the amortized cost method, IFRS 9 requires a periodic review of the estimated cash flows, adjusting the gross carrying amount of the financial asset to reflect the actual and revised cash flows. In making these adjustments, in accordance with paragraph B5.4.6 of IFRS 9, the new cash flows shall be discounted at the original effective interest rate. Therefore, if during the period in which the credits are being offset it is necessary to revise the initial estimates concerning the offsetting of the tax credit or if the actual offsets differ from the estimates, the gross carrying amount of the tax credit (revised on the basis of the present value of the reformulated estimates/actual uses of the tax credit, discounted at the original effective interest rate) is adjusted to correctly reflect the use of the tax credit.

Tax credits classified under the HTCS business model are measured at fair value. In any case, the IRR (and, consequently, the amortized cost) is calculated for these credits in order to obtain the correct amount of interest at each reporting date with which to offset the fair value delta in equity through profit or loss**.** The interest income is recognized in profit or loss in the same manner as receivables at amortized cost. Changes in fair value are initially recognized in OCI. When the tax credit is derecognized, the changes in fair value previously recognized in OCI and accumulated in equity are reclassified to profit or loss.

Tax credits acquired for the purpose of re-transfer are classified under the Other business model**.** Tax credits classified under the Other business model are measured at fair value**.**

With regard to the portfolio component measured at fair value (both through OCE and profit or loss), the measurement approach used is based on the construction of discount factor vectors determined on the basis of the credits traded in the reference quarter by the Group mutual banks in order to obtain a discount curve and a corresponding zero coupon curve through bootstrapping.

Receivables subject to fair value measurement for which at the reporting date a transfer contract has already been signed and is being finalized are measured at the corresponding value defined in the contract itself.

In terms of presentation in the financial statements, the tax credits shall be classified under "Other assets", given that under the applicable international accounting standards they do not represent tax assets, government grants, intangible assets or financial assets and therefore cannot be classified under more specific aggregates of bank balance sheet.

Ratification into law of Decree Law 39 of March 29, 2024 – Prohibition of offsetting of social security and insurance liabilities

A number of amendments regarding the use of tax credits were introduced during the ratification of the Decree Law. These include a ban on banks, financial intermediaries, companies belonging to a banking group and insurance companies from offsetting social security and welfare liabilities against tax credits deriving from building upgrade schemes starting from 2025.

Following this change, each Group entity has reformulated its estimate of the tax liabilities that can be used for offsetting as from 2025 and ascertained whether there might be insufficient credits for offsetting looking forward. Iccrea Banca determined a shortfall for the years 2025, 2026 and 2027 in the total nominal amount of €102.7 million. At an aggregate level, the individual cases of prospective shortfall total €180.7 million.

Pending the precise determination of the strategies to manage this development (through market or intra-group sales or through the exercise of the option to defer deduction over ten years[25]), for the purposes of the half-year accounts, the estimate of the loss was prudentially determined by assuming deferral over the following ten years of each of the excess annual amounts, discounted using the yield on 10-year government securities. The estimated impact on profit or loss, recognized as a provision for risks and charges, is equal to €14.8 million in the separate financial statements of Iccrea Banca and €26.5 million in the consolidated financial statements of the Group.

Securities obtained against assets transferred in non-cash transactions

In compliance with applicable accounting standards and the guidelines set out in Document no. 8 of the Bank of Italy, CONSOB and IVASS coordination group, investment fund units acquired in return for the transfer of impaired loans (bad loans or unlikely-to-pay positions), having verified the absence of any obligation to consolidate the fund and the possibility of derecognizing the transferred loans (given failure to pass the SPPI test) are classified as instruments measured at FVTPL.

Use of valuation models in the determination of the fair value of units held in unlisted investment funds

For the purposes of determining the fair value of units held in unlisted investment funds, both at initial recognition and in subsequent measurement, the analysis of cash flows, the discount rates applied and the other assumptions adopted are consistent with the characteristics of the fund assets.

For this type of investment, a liquidity discount ("liquidity adjustment") is determined for application to the net asset

[25] The procedures for implementing the provisions of Article 9, paragraph 4, of Decree Law 176 of November 18, 2022 introduced the option of dividing the residual portion that cannot be used to offset certain credits relating to building upgrade schemes into ten annual installments.

value (NAV) of the unlisted funds.

In this regard, the methodological approach adopted provides for consideration, in line with market best practice, of the following main elements:

- the average holding period of the individual unlisted funds, before they can be realized;
- the characteristics of the individual assets held by the fund and their volatility in the holding period (degree of uncertainty);
- the level of risk aversion specified with a prudent threshold, which for a distribution of the possible returns/final value of the asset/portfolio considered makes it possible to measure any deviation from their expected value.

The consideration of this information in the methodological approach used made it possible to estimate a discount with respect to the NAV, calculated as a percentage adjustment of the risk premium linked to the uncertainty concerning potential unfavorable changes in value before realization, taking due account of the management costs of funds not incorporated in the NAVs of the individual unlisted funds.

Global minimum tax

With the publication in the Gazzetta Ufficiale of Legislative Decree 209 of December 27, 2023,[26] Italy formally implemented the provisions of Directive (EU) 2022/2523 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union (the so-called global minimum tax or GMT), in compliance with the common approach agreed with the OECD/G20 Inclusive Framework in the document "OECD (2021), Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two): Inclusive Framework on BEPS" (the "GloBE Model Rules"). The OECD reform "Global antibase erosion model rules" introduced a two-pillar approach to addressing tax issues arising from the digitalization of the economy. The approach seeks to limit tax competition by introducing a global minimum rate of 15% in each jurisdiction in which large multinationals operate.

The provisions contained in Title II of the above legislative decree introduce the GMT into the Italian tax system, which, taking account of the option exercised by Italy for the introduction of a national minimum tax (i.e. a Qualified Domestic Minimum Top-Up Tax or QDMTT in OECD jargon), is broken down into three distinct forms of levy having a specifically regulated hierarchical order of application: the national minimum tax, the minimum supplementary tax and the minimum additional tax with deferred start date. The national minimum tax and the minimum supplementary tax shall apply from financial years starting from December 31, 2023. The minimum additional tax will be applied, subject to certain conditions, from financial years starting from December 31, 2024.

As already noted in the financial statements at December 31, 2023, interpretative and operational issues still affect the implementing provisions for the national minimum tax, including those involving the correct definition of the entities falling within the scope of application of the provision, taking due account of the specific features of cooperative banking groups.

Pending an official response from the institutions involved that could provide for the exclusion of the affiliated mutual banks, the optional simplified regime referred to in the Ministerial Decree of May 20, 2024 was used for the calculation of the liability for the entire Group. The best possible estimate determined the Simplified Effective Tax rate referred to in Article 4 of the aforementioned decree of more than 15%. Consequently, pursuant to Article 2 of the aforementioned decree, the supplementary taxation for 2024 would be zero. Therefore, no provision has been recognized in the separate financial statements of Iccrea Banca or the consolidated financial statements of the Group.

Pending the official response from the institutions involved, implementation of the calculation of the ordinary minimum supplementary tax for the entire Group is under way in any case.

[26] Published in *Gazzetta Ufficiale Serie Generale n. 301* of December 28, 2023 (delegated decree) and entering force on December 29, 2023.

Clarification of the Revenue Agency concerning the correct determination of the ACE

On February 8, 2024, the Revenue Agency published Response no. 38/2024. With regard to the need for the irrelevance of the IFRS 9 FTA reserve be offset by an adjustment of the profits of subsequent financial years that gave rise to the reserve itself, the Agency identified a flat-rate system to simplify the calculation of the sterilization that refers to the initial profits provisioned until the amount of the FTA reserve is achieved. Based on this clarification, the individual Group entities have, where necessary, recognized in profit or loss the amount of the higher tax due, including penalties and interest.

Targeted Longer -Term Refinancing Operations (TLTRO) with the ECB

Loans under TLTRO III program are variable rate loans, indexed to ECB rates, with a reward mechanism for determining the final rate applicable to each operation based on the achievement of certain performance objectives for eligible loans. Interest is settled in arrears.

The financial terms applicable to loans under the TLTRO III program have been modified by the ECB on several occasions. Without prejudice to the application of the previously applicable rules for earlier periods, as from November 23, 2022 the rate applicable to transactions still outstanding is equal to the algebraic sum of:

- the benchmark interest rate for the period (the main refinancing operations or deposit facility rates);
- the fixed spread expected by Iccrea Banca for participation in monetary policy operations of 4.5 basis points until June 30, 2023, reduced to 2 basis points from July 1, 2023;
- the maximum benefit of -4.5 basis points applicable by Iccrea Banca to each transaction on the basis of the quantity of overcollateral pledged as security.

Covered bonds

In 2021, the Group initiated a program of covered bond issues (guaranteed bank bonds), under which certain Group banks, as part of a multi-originator transaction, sold high quality assets to a vehicle entity. The assets were of a quality such as to serve as collateral for the guarantee issued by the Vehicle to the subscribers of the covered bonds issued under the program. At the same time, the banks granted the Vehicle a subordinated loan (the CB Loan) to fund the purchase of those assets, the repayment of which is linked to the performance of the asset portfolio transferred to the Vehicle. Following the sale, the Parent Company issued the covered bonds backed by the aforementioned guarantee. Subsequently, the Parent Company granted a loan with conditions and characteristics consistent with those of the covered bonds issued to the affiliated banks that contributed the assets to be sold.

Under the transaction structure, the Vehicle, making use of a non-Group custodian, receives from the Originator the cash flows represented by the loan payments it collects, the principal amount of which it retains, returning the interest portion to the Originator as remuneration of the loan received. Periodically, the cumulative loan principal collections on the assets forming the cover pool are used to purchase other high credit quality assets from the Originator. The Originator banks undertake to maintain the credit quality of the cover pool over the course of the transaction. In the event of a deterioration in credit quality, they will repurchase the loans involved from the Vehicle and transfer new high credit quality assets in an amount suitable to replenish the original guarantee.

Very briefly, in addition to the multi-originator profile of the parties transferring the assets that form the cover pool, the transaction is characterized by the identity of the originator bank and the bank granting the Vehicle the subordinated loan to purchase the assets. The subordinated loan from the Originator to the Vehicle to finance the purchase of receivables qualifies as a limited-recourse loan, as the repayment and return are conditional on developments in the cover pool. From a substantive point of view, the assignor/lending banks therefore remain exposed to the risk of the assets pledged as collateral as if the transfer had not taken place. They are also required to replenish the guarantee if the quality of the assets deteriorates and their value falls below the thresholds specified in the contractual arrangements.

Taking account of the role played in the transaction and the corresponding risk profiles, as a result of the sale the banks lose legal title to the assets making up the cover pool. However, those assets continue to be recognized for accounting and financial reporting purposes (as well as for supervisory reporting and prudential purposes) since they do not pass the derecognition test because the assignors retain exposure to the risks and rewards of the assets through the grant of the subordinated limited-recourse loan to the Vehicle (in compliance with the provisions of paragraphs 3.2.15 and B3.2.1 of IFRS 9). Accordingly, the banks continue to apply the ordinary accounting treatment adopted prior to the sale to the transferred assets and recognize a receivable due from the Vehicle for the principal amounts collected from the transferred borrower and consequently retroceded to the Vehicle.

Consolidated tax mechanism option

Iccrea Banca SpA and the Group subsidiaries belonging to the so-called “direct scope” have adopted the “consolidated tax mechanism”, governed by Articles 117-129 of the Uniform Income Tax Code (“TUIR”), introduced with Legislative Decree 344/2003. It consists of an optional tax regime under which total net income or the tax losses of each subsidiary taking part in the tax consolidation –along with withholdings, deductions and tax credits – are transferred to the parent company. Only one taxable income or tax loss that can be carried forward (the algebraic sum of the parent company’s and its participating subsidiaries’ income/losses resulting in a single tax payable/receivable) is calculated and attributed to the parent company. Under this option, the Group companies that participate in the consolidated tax mechanism calculate their tax liabilities and the corresponding taxable income, which is transferred to the parent company. If one or more subsidiaries reports negative taxable income, the tax losses are transferred to the parent company when there is consolidated income for the period or a high probability of future taxable income.

Audit

These condensed interim consolidated financial statements have undergone a limited audit by Forvis Mazars SpA, which has also been engaged to monitor the keeping of the accounts pursuant to Article 14 of Legislative Decree 39/2010; the engagement for the period 2021-2029 was conferred in execution of the shareholders’ resolution of May 28, 2021.

Financial Reporting Officer

On May 16, 2024 the Shareholders' Meeting of Iccrea Banca approved the amendment to the Articles of Association required under the Consolidated Law on Financial Intermediation (TUF) to establish the position of officer responsible for preparing corporate financial reporting documents (Financial Reporting Officer). The Bank's Board of Directors subsequently appointed Marianna Di Prinzio, previously Head of Administration and Financial Reporting, to this position.

In light of this appointment, the certification issued by the Financial Reporting Officer in accordance with the provisions of paragraph 5 of Art. 154-bis of the TUF is attached to these interim consolidated financial statements.

A.2 - THE MAIN ITEMS OF THE FINANCIAL STATEMENTS

This section sets out the accounting policies adopted in preparing the consolidated financial statements. The presentation of these accounting policies is broken down into stages – classification, recognition, measurement and derecognition - for the various asset and liability items. A description of the impact on profit or loss, where material, is provided for each stage.

Classification of financial assets

Financial assets are classified in the categories envisaged by IFRS 9 on the basis of both of the following elements:

- the business model used to manage the financial assets;
- the characteristics of the contractual financial flows of the financial asset (the "SPPI Test" - *Solely Payments of Principal and Interest Test*).

If the business model is identified as hold to collect and the asset passes the SPPI test, the asset is recognized at amortized cost (AC).

If the business model is identified as hold to collect and sell and the asset passes the SPPI test, the asset is recognized at fair value through other comprehensive income (FVTOCI).

Finally, if the business model differs from those specified above or the asset does not pass the SPPI test in both of the two previous cases, the asset is recognized at fair value through profit or loss (FVTPL).

The business model

IFRS 9 identifies three different business models, which in turn reflect the ways in which financial assets are managed:

- "Hold to collect": this includes financial assets held with the objective of collecting contractual cash flows, retaining the financial instrument to maturity, with the exception of sales permitted under Group policies in line with IFRS 9;
- "Hold to collect and sell": this includes financial assets held with the aim of both collecting contractual cash flows over the life of the assets and the proceeds from the sale of those assets;
- "Other": this is a residual business model that includes financial instruments that cannot be classified in the previous categories, mainly represented by financial assets held for the purpose of generating cash flows through sale (including trading).

The business model does not depend on management's intentions for each individual instrument, but is determined at a higher level of aggregation. It is therefore possible for an entity to adopt more than one business model in managing financial instruments, including in respect of the same financial asset. For example, a tranche of a security could be purchased as part of a hold to collect business model, while a second tranche of the same instrument could be acquired both to collect the contractual cash flows and to sell it (HTCS). The assessment of which business model has been adopted is based on reasonably possible scenarios and not on scenarios that unlikely to occur (such as "worst case" or "stress case" scenarios), taking account, among other things, of the way in which:

- the performance of the business model and the assets at initial recognition are evaluated by key management personnel;
- risks that impact the performance of the business model and the assets involved in initial recognition are managed;
- the managers of the business are remunerated.

From an operational point of view, the Iccrea Group identifies the business models used to manage financial assets in accordance with its own judgment, as governed by internal rules. The assessment is not determined by a single factor or activity, but rather by considering all the relevant information available at the assessment date, ensuring ongoing consistency with strategic and operational planning. In this sense, the business models of the Iccrea Group are identified on the basis of the granularity of the portfolio and the level of definition of the business, identifying key managers in accordance with the provisions of IAS 24, the nature of the products and type of underlying asset, the methods for evaluating performance and how these are reported to key management, the risks that impact the business accounting model and how these risks are managed, manager remuneration arrangements and the volume of sales.

With specific reference to the "hold to collect" model, according to IFRS 9, the sale of a debt instrument or a loan does not itself determine the business model. In fact, an HTC business model does not necessarily imply that an instrument will be held to maturity and the standard itself offers examples of sales deemed admissible within this model. Accordingly, the Group's policies govern the types of sale considered consistent with this model, as in the case of sales made in response to an increase in the credit risk of the counterparty.

Specifically, sales that have occurred as a result of the following circumstances are considered consistent with this business model:

- in the case of an increase in credit risk and, more specifically:
  - on the basis of developments in CDS spreads with regard to the securities portfolio, taking due account of all reasonable and supportable information concerning forecasts, approved/authorized as appropriate;
  - on the basis of the staging indicator for the loan portfolio;
- in the case of sales that occur near the maturity date, i.e. when they approximate the cash flows that would be generated obtained by not selling the security;
- to manage structural liquidity in order to respond to extreme liquidity situations; when the sales are frequent but not material in value terms or are occasional even if material in value terms. Frequency and materiality thresholds have been specified to determine those aggregates:
  - frequency is defined as the number of trading days considered in the period considered;
  - materiality is defined as the percentage ratio between the nominal value of sales and the total nominal value of the instruments held in the portfolio during the period considered.

In cases where both frequency and materiality thresholds are exceeded, an assessment must be conducted to determine compliance with the requirements of the business model identified.

The SPPI test

In order to determine whether a financial asset can be measured at amortized cost or at fair value through other comprehensive income, it is important to determine whether the contractual cash flows of the asset are represented by solely payments of principal and interest on the principal amount outstanding. Such contractual flows are compatible with a basic lending arrangement, where the consideration for the time value of money and credit risk are typically the most significant elements of interest. However, interest may also include consideration for other risks, such as liquidity risk, and the costs associated with holding the financial asset. Furthermore, interest may also include a profit margin that is compatible with a basic lending arrangement. The principal amount is represented by the fair value of the financial asset at recognition. Contractual terms introducing exposure to risks or volatility in contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to inverse changes in interest rates, in equity prices or in commodity prices, do not give rise to contractual cash flows that are solely payments principal and interest on the principal amount outstanding. As determined by analysis conducted by the Group, such types of instrument cannot be considered SPPI-compliant and must therefore be measured at fair value through profit or loss.

In some cases, the time value of money element may be modified. That would be the case if a financial asset's interest rate is periodically reset but the frequency of that reset does not match the tenor of the interest rate (for example, the interest rate resets every month to a one-year rate). When assessing a modified time value of money element, the objective is to determine how different the contractual cash flows could be from the cash flows that would arise if the time value of money element was not modified In these cases, IFRS 9 requires the performance of a "benchmark test", an exercise that involves comparing the interest on the actual instrument, calculated at the contractually specified interest rate, and the interest on the benchmark instrument, calculated using the interest rate that does not contain the change in the time value of money, all other contractual clauses being equal. The benchmark test therefore consists of a comparison between the sum of the undiscounted expected cash flows of the actual instrument and the sum of those for the benchmark instrument. In doing so, we consider only reasonably possible scenarios, therefore excluding stress test scenarios.

Furthermore, for the purposes of the SPPI test, any contractual term that could change the timing or amount of the contractual cash flows (for example, the case of a prepayment option, subordinated instruments or an option to extend the term for payment of principal and/or interest) shall also be considered.

Finally, a contractual cash flow characteristic does not affect the classification of the financial asset if it could only have a de minimis effect on the cash flows. At the same time, if a contractual cash flow characteristic is “not genuine”, it does not affect the classification of the financial asset. A cash flow characteristic is not genuine if it affects the instrument’s contractual cash flows only on the occurrence of an event that is extremely rare, highly abnormal and very unlikely to occur. To make a determination of the de minimis effect, an entity must consider the possible effect of the contractual cash flow characteristic in each reporting period and cumulatively over the life of the financial instrument.

From an operational standpoint, the Group has established guidelines for conducting the SPPI test, which represent the methodology adopted by the Group and reflected in its internal rules, so as to be able to represent the benchmark instrument for the performance of the testing by all the functions involved. In this context, with specific reference to the loan portfolio, these guidelines have been implemented in a tool within the Group’s application systems that enables the benchmark test to be performed. With specific reference to the securities portfolio, on the other hand, the outcome of the test is provided by a leading sector info-provider, based on the guidelines and methods defined by the Group.

1 - Financial assets measured at fair value through profit or loss

Classification

This category includes financial assets, regardless of their technical form, which are not recognized under financial assets measured at fair value through other comprehensive income or financial assets measured at amortized cost. More specifically, the category comprises:

- financial assets held for trading, mainly represented by debt securities, equity instruments and the positive value of derivatives held for trading;
- financial assets designated as at fair value, i.e. financial assets so designated at the time of initial recognition and where the appropriate conditions are met. In particular, financial assets are designated as irrevocably measured at fair value through profit or loss if, and only if, doing so eliminates or significantly reduces an accounting mismatch;
- financial assets mandatorily measured at fair value, represented by financial assets that do not meet the requirements for measurement at amortized cost or at fair value through other comprehensive income. These comprise financial assets whose contractual terms do not provide for solely payments of principal and interest on the principal amount outstanding (i.e. that do not pass the SPPI test) or which are not held within the framework of a business model whose objective is the hold assets in order to collecting their contractual cash flows (the hold to collect business model) or to both collect the contractual cash flows and sell the financial assets (the hold to collect and sell business model).

The category therefore includes:

- debt securities and loans that are held as part of an “other” business model or that do not pass the SPPI test;
- equity instruments - that do not represent an interest in subsidiaries, associates or joint arrangements - held for trading or for which the option at the time of initial recognition to designate them as held at fair value through other comprehensive income was not exercised;
- units in collective investment undertakings and derivative instruments.

With regard to derivatives, this item also includes derivatives embedded in a financial liability or in a non-financial contract (the “host contract”). The combination of a host contract and the embedded derivative is a hybrid instrument. In this case the embedded derivative is separated from the host contract and recognized as a derivative if:

- the economic characteristics and risks of the embedded derivative are not closely related to the characteristics of the host;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative;
- the hybrid contract is not measured at fair value with changes in fair value recognized in profit or loss.

In accordance with the provisions of IFRS 9, reclassifications are allowed only following a modification of the business model. Such changes are expected to be very infrequent and are determined by the entity’s senior management (as identified pursuant to IAS 24) as a result of external or internal changes and must be significant to the Group’s operations and demonstrable to external parties. This occurs, for example, when the entity has acquired, disposed of or terminated a business line.

The transfer value is represented by the fair value at the time of the reclassification, which takes place prospectively starting from that date. In this case, the effective interest rate is redetermined based on the fair value of the reclassified financial asset at the time of the change and that moment is considered to be the initial recognition date for the purpose of verifying a significant increase in credit risk.

Recognition

Debt and equity securities are initially recognized at the settlement date, while derivative contracts are recognized at the trade date. Financial assets are initially recognized at fair value, which is usually the amount paid or received. Where the price is different from the fair value, the financial asset is recognized at its fair value and the difference between the two amounts is recognized through profit or loss.

Measurement

Financial assets measured at fair value through profit or loss are measured at fair value following initial recognition. The effects of the application of this treatment are recognized through profit or loss.

For financial instruments listed on active markets, the fair value of financial assets or liabilities is determined on the basis of the official prices at the reporting date. For financial instruments that are not listed on active markets, including equity instruments, fair value is determined using valuation techniques and observable market data, such as: the price of listed instruments with similar features, calculation of discounted cash flows, option pricing models and prices registered in recent similar transactions.

With specific regard to equity instruments not listed on an active market, cost is used as an estimate for fair value only in rare cases in a limited number of circumstances, i.e. where cost represents the best estimate of fair value among a wide range of fair values, making cost the most significant value, or in cases in which the valuation techniques referred to above are not applicable.

For more information on the determination of fair value, please see section A.4 "Fair value disclosures" of Part A of the notes to the financial statements.

Derecognition

Financial assets measured at fair value through profit or loss are derecognized when the contractual rights to the cash flows expire, are extinguished or a disposal transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial asset are retained, the asset continues to be recognized even if legal title has been transferred.

Where it is not possible to ascertain whether substantially all the risks and rewards of ownership have been transferred, financial assets are derecognized when no form of control over the instrument has been retained. Conversely, if the Bank retains even a portion of control, the asset continues to be recognized to the extent of the continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.

Finally, financial assets sold are derecognized in the event in which the contractual rights to receive the related cash flows are retained with the simultaneous assumption of an obligation to pay such flows, and only such flows, to third parties.

Recognition of income components

The results of the measurement of financial assets held for trading are recognized through profit or loss under "Net gain (loss) on trading activities". The results of the measurement of financial assets designated as at fair value and of those mandatorily measured at fair value are instead recognized under "Net gain (loss) of other financial assets and liabilities measured at fair value through profit or loss", respectively under sub-items "a) financial assets and liabilities designated as at fair value" and "b) other financial assets mandatorily measured at fair value. Dividends from equity instruments held for trading are recognized through profit or loss under "Dividends and similar income" when the right to receive payment is established.

2 - Financial assets measured at fair value through other comprehensive income

Classification

This category includes financial assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (the HTCS business model) and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (i.e. they pass the SPPI test).

The category also includes capital instruments not held for trading for which the option envisaged under IFRS 9 was exercised at the time of initial recognition to designate them as held at fair value through other comprehensive income with no recycling to profit or loss of any gains or losses on disposal.

Specifically, the item includes:

- loans and debt securities held with a “hold to collect and sell” business model that pass the SPPI test;
- equity interests - that do not represent an interest in subsidiaries, associates or joint arrangements – not held for trading for which the option was exercised at the time of initial recognition to designate them as held at fair value through other comprehensive income. This includes equity investments intended to strengthen the Group’s commercial presence and extend its reach into business areas in which it is not present. Similarly, this option is exercised for equity instruments that have been acquired for strategic and institutional purposes and are therefore held with no intention of selling them in the short term, representing instead a medium/long-term investment.

In accordance with the provisions of IFRS 9, reclassifications are only allowed following a modification of the business model. Such changes are expected to be very infrequent and are determined by the entity’s senior management (as identified pursuant to IAS 24) as a result of external or internal changes and must be significant to the Group’s operations and demonstrable to external parties. This occurs, for example, when the entity has acquired, disposed of or terminated a business line.

The transfer value is represented by the fair value at the time of the reclassification, which takes place prospectively starting from that date. In this case, the effective interest rate is redetermined based on the fair value of the reclassified financial asset at the time of the change and that moment is considered to be the initial recognition date for the purpose of verifying a significant increase in credit risk. In the event of the reclassification of financial assets measured at fair value through other comprehensive income to the category of financial assets measured at amortized cost, the cumulative gain or loss previously recognized in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. In the event of reclassification to financial assets measured at fair value through profit or loss, the cumulative gain or loss previously recognized in other comprehensive income is recognized though profit or loss.

Recognition

Financial assets measured at fair value through other comprehensive income are initially recognized at the settlement date for debt or equity securities and at the disbursement date for loans.

Financial assets are initially recognized at fair value, which is generally the amount paid or received. Where the price is different from the fair value, the financial asset is recognized at its fair value and the difference between the two amounts is recognized through profit or loss. The initial recognition value includes direct transaction costs or revenue determinable at the recognition date, even if settled at a later time.

Measurement

Following initial recognition, financial assets measured at fair value through other comprehensive income, other than equity instruments, are measured at fair value, with the value corresponding to the amortized cost recognized in the income statement. Gains and losses from changes in the fair value are recognized in a special equity reserve until the asset is derecognized or they incur an impairment loss. Upon disposal or the recognition of an impairment loss, the cumulative gain or loss recognized in the equity reserve is reversed to profit or loss.

Equity instruments classified in this category under the option provided for by IFRS 9 are measured at fair value through other comprehensive income. Unlike other instruments classified here, however, those amounts are not subsequently transferred to profit or loss, even if the instruments are sold (no recycling). Accordingly, the only element associated with the equity instruments recognized through profit or loss is any associated dividends.

Fair value is determined using the criteria adopted for financial assets measured at fair value through profit or loss.

Financial assets measured at fair value through other comprehensive income represented by debt securities are assessed for any significant increase in credit risk (impairment) like assets measured at amortized cost, with the consequent recognition through profit or loss of a provision to cover expected loss. More specifically, if at the measurement date no significant increase in credit risk is found compared with the date of initial recognition (stage 1), the 12-month expected loss is recognized. Conversely, the lifetime expected loss is recognized for instruments whose credit risk has increased significantly since initial recognition (stage 2) and for impaired exposures (stage 3). Equity instruments do not undergo lifetime impairment testing, i.e. calculated over the entire residual life of the financial asset. Equity securities do not undergo impairment testing.

Derecognition

Financial assets measured at fair value through other comprehensive income are derecognized when the contractual rights to the cash flows expire/are extinguished or a disposal transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial asset are retained, the asset continues to be recognized even if legal title has been transferred.

Where it is not possible to ascertain whether substantially all the risks and rewards of ownership have been transferred, financial assets are derecognized when no form of control over the instrument has been retained. Conversely, if the Bank retains even a portion of control, the asset continues to be recognized to the extent of the continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.

Financial assets sold are derecognized in the event in which the contractual rights to receive the related cash flows are retained with the simultaneous assumption of an obligation to pay such flows, and only such flows, to other third parties.

Recognition of income components

Gains and losses from changes in fair value are recognized in a specific equity reserve until the asset is derecognized. The equity reserve representing the cumulative changes in the fair value of equity instruments for which the option to irrevocably designate the instrument as at fair value through other comprehensive income was exercised is not reversed through profit or loss even when the asset is derecognized, while dividends in respect of such instruments are recognized through profit or loss.

Interest calculated on debt instruments using the effective interest method, which takes account of both the amortization of transaction costs and the differential between the initial value and the repayment value, are recognized under “Interest and similar income”.

Writedowns and writebacks for credit risk and the recognition of an impairment loss are recognized under the item “ Net losses/recoveries for credit risk in respect of financial assets measured at fair value through other comprehensive income”, with a corresponding adjustment of the relevant valuation reserve in equity.

Cumulative gains and losses recognized in other comprehensive income are recognized through profit or loss under item 100 “Gain (loss) on disposal of financial assets measured at fair value through other comprehensive income” on the disposal of the asset.

Dividends on an equity instrument are recognized through profit or loss when the right to receive payment is established.

3 - Financial assets measured at amortized cost

Classification

This category comprises financial assets such as loans and debt securities held within a business model whose objective is achieved by collecting contractual cash flows on a financial asset (“hold to collect” business model) that are solely payments of principal and interest on the principal amount outstanding (i.e. they pass the SPPI test).

Specifically, this category includes credit exposures to banks (including the central bank) and to customers that, regardless of technical form (bonds, loans, credit lines and deposits), meet the requirements indicated above.

In accordance with the provisions of IFRS 9, reclassifications are allowed only following a modification of the business model. Such changes are expected to be very infrequent and are determined by the entity's senior management (as identified pursuant to IAS 24) as a result of external or internal changes and must be significant to the Group's operations and demonstrable to external parties. This occurs, for example, when a relevant activity is begun or terminated after the entity has acquired, disposed of or terminated a business line.

The transfer value is represented by the fair value at the time of the reclassification, which takes place prospectively starting from that date. In this case, the effective interest rate is redetermined based on the fair value of the reclassified financial asset at the time of the change and that moment is considered to be the initial recognition date for the purpose of verifying a significant increase in credit risk. In the event of the reclassification of financial assets measured at amortized cost to the category of financial assets measured at fair value through other comprehensive income, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income. In the event of reclassification to financial assets measured at fair value through profit or loss, the gain or loss is recognized though profit or loss.

Recognition

Financial assets are initially recognized at the settlement date for debt securities and at the disbursement date for loans. The initial amount recognized is equal to the amount disbursed or subscription price, including costs and revenue directly attributable to the transaction and determinable from the inception of the transaction, even if settled at a later time. The initially recognized amount does not include costs to be reimbursed by the debtor or that can be characterized as normal administrative overhead costs.

The initial recognition amount of loans disbursed at non-market conditions is equal to the fair value of the loans, determined using valuation techniques. The difference between the fair value and the amount disbursed or the subscription price is recognized through profit or loss.

Securities repurchase transactions are recognized as funding or lending transactions. Transactions involving a spot sale and a forward repurchase are recognized as payables in the amount received spot, while those involving a spot purchase and a forward sale are recognized as receivables in the amount paid spot.

Transactions with banks through correspondent accounts are recognized at the time of settlement and, therefore, these accounts are adjusted for all non-liquid items regarding bills and documents received or sent registered as 'subject to collection' or after actual collection.

Where, in the event of unusual circumstances, the assets are recognized in this category following reclassification form financial assets available for sale or from financial assets held for trading, the fair value of the assets at the date of reclassification shall be deemed to be the new amortized cost of the assets.

Measurement

Subsequent to initial recognition, financial assets are measured at amortized cost, using the effective interest rate method. The amortized cost equals the amount at which a financial asset is measured at initial recognition decreased by principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, minus any reduction (directly or through the use of a provision) due to impairment or non-recoverability.

In certain cases, a financial asset may be considered impaired at initial recognition because its credit risk is very high and, in the case of a purchase, is acquired at a large discount to its value at initial issue.

Amortized cost is not used for very-short-term loans, loans without a specified maturity or revocable loans, for which the impact of this method can be considered not material. These positions are measured at cost.

The measurement effects strictly consider the three different credit risk stages provided for in IFRS 9. The stages can be summarized as follows:

- stage 1 and 2 including performing financial assets;
- stage 3 including impaired financial assets.

With regard to the presentation of measurement effects in the accounts, value adjustments of this type of asset are recognized through profit or loss:

- at the time of initial recognition in an amount equal to 12-month expected credit losses;

- at the time of subsequent measurement of the asset where credit risk has not increased significantly since initial recognition in an amount equal to the change in the loss allowance for 12-month expected credit losses (stage 1);
- at the time of subsequent measurement of the asset where credit risk has increased significantly since initial recognition in an amount equal to the loss allowance for lifetime expected credit losses (stage 2);
- at the time of subsequent measurement of the asset where credit risk has increased significantly since initial recognition but the increase is no longer “significant” in an amount equal to the adjustment of the cumulative loss allowances to take account of the transition from lifetime expected credit losses to 12-month expected credit losses (return to stage 1).

Financial assets recognized in this category are tested for impairment periodically and in any event at the close of each reporting period in order to determine any value adjustments to be recognized at the level of individual loans (or tranches of a security) as a function of the risk parameters represented by Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD), appropriately modeled to take account of the provisions of IFRS 9. The amount of the value adjustment recognized through profit or loss therefore takes into consideration so-called forward-looking information and possible alternative recovery scenarios. If, in addition to a significant increase in credit risk, financial assets show objective evidence of impairment, the amount of the loss is measured as the difference between the carrying amount of the assets (classified as “impaired”) and the present value of estimated future cash flows, discounted at the original effective interest rate of the financial assets. The assessment of the impairment loss and the consequent amount to be recognized in profit or loss is conducted on an individual basis or determined by creating groups of positions with a uniform risk profile.

Non-performing loans, unlikely-to-pay positions, restructured exposures and past-due or over-limit exposures are considered impaired in accordance with the applicable rules of the Bank of Italy, consistent with the IAS/IFRS and European supervisory regulations (stage 3).

Measurement of the financial assets takes account of the best estimate of expected future cash flows in respect of principal and interest payments. Also taken into consideration is the realizable value of any guarantees excluding recovery costs, recovery times estimated based on contractual maturities, if any, and on reasonable estimates in the absence of contractual provisions, and the discount rate, which is the original effective interest rate. For impaired positions at the transition date, where determining this figure would be excessively burdensome, the Bank has adopted reasonable estimates, such as the average rate of loans for the year in which the loan was first classified as a bad debt, or the restructuring rate.

If the reasons for the impairment should cease to obtain following an event that occurred subsequent to the recognition of the impairment loss, a writeback is taken to profit or loss. The value of the financial asset after the writeback shall not exceed the amortized cost that the instrument would have had in the absence of the prior writedown. See the section on procedures for determining impairment for more information.

Where these financial assets are classified as measured at amortized cost or at fair value through other comprehensive income, they are classified as “purchased or originated credit impaired” (“POCI”) and receive special treatment in terms of impairment, with the recognition of lifetime expected credit losses. In addition, the credit-adjusted effective interest rate is calculated for financial assets identified as POCIs at initial recognition. This rate reflects initial expected losses in estimating cash flows. In using amortized cost method, and the consequent calculation of interest, therefore, this credit-adjusted effective interest rate is therefore used.

Derecognition

Financial assets measured at fair value through other comprehensive income are derecognized when the contractual rights to the cash flows expire/are extinguished or a disposal transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial asset are retained, the asset continues to be recognized even if legal title has been transferred.

Where it is not possible to determine whether substantially all the risks and rewards have been transferred, the financial assets are derecognized if no form of control over it is retained. Conversely, where even a portion of control is retained, the asset continues to be recognized to the extent of the continuing involvement in the asset, measured by the exposure to changes in value of the transferred assets and changes in their cash flows.

Transferred financial assets are derecognized in the event in which the contractual rights to receive the related cash flows are retained with the simultaneous assumption of an obligation to pay such flows, and only such flows, to other third parties.

In certain cases, during the course of the life of financial assets, in particular loans, the terms of the contract may be modified from those in force at the time of initial recognition. In these circumstances, the modified terms must be analyzed to determine whether the original assets can continue to be recognized or must instead be derecognized, with the consequent recognition of new modified financial assets. In general, modifications of contractual terms lead to the derecognition of the financial asset and the recognition of a new asset when they are considered to be "substantial", with the recognition in profit or loss of any difference in carrying amounts.

In conducting this assessment, qualitative judgments are called for. To this end, the assessment shall consider:

- the reasons for the modifications, distinguishing, for example, between renegotiations carried out for commercial reasons or in response to the counterparty's financial difficulties:
  - transactions carried out with performing counterparties for reasons other than debtor's financial difficulties, and therefore not related to a change in the creditworthiness of the borrower, are considered commercial renegotiations, which have the main objective of adjusting the cost of credit to market conditions. These cases include all renegotiations aimed at maintaining the commercial relationship with the client, and are therefore carried out with the aim of retaining the counterparty, who might otherwise turn to another bank. In this case, these modifications are considered substantial because if they did not occur, the customer could turn to another financial institution, thus causing the bank to lose future revenue;
  - transactions whose objective is to maximize the recoverable amount of the loan are considered renegotiations due to financial difficulties of the counterparty, with the creditor therefore willing to accept a restructuring of the debt on terms potentially favorable to the debtor. In these circumstances, it is generally assumed that there has essentially been no extinguishment of the original cash flows that would therefore require derecognition of the original loan. Consequently, these types of renegotiation represent the majority of cases presented in the financial statements through "modification accounting", in which the difference between the carrying amount and the recalculated value of the financial asset is recognized in profit or loss by discounting the renegotiated or modified cash flows at the original effective interest rate;
- the presence of specific objective elements that substantially modify the characteristics and/or cash flows of the financial instrument, such that they would entail the derecognition of the instrument and the consequent recognition of a new financial asset. This includes, for example, the introduction of new contractual terms that would cause the asset to fail the SPPI test or a change in the denomination of the currency of the instrument, as the entity would be exposed to a new risk.

Recognition of income components

Interest on financial assets measured at amortized cost is recognized under "Interest and similar income" in the income statement using the effective interest criterion, which takes account of both the amortization of transaction costs and the differential between the initial value and the repayment value.

Gains or losses on the financial assets in question are recognized in profit or loss when the assets are derecognized or have incurred an impairment loss.

More specifically, gains or losses deriving from the sale of an asset are, as previously noted, recognized in the income statement under the item "Gain (loss) on the disposal or repurchase of: a) financial assets measured at amortized cost" on the disposal of the asset.

Writedowns and writebacks for credit risk are recognized under "Net losses/recoveries for credit risk in respect of: a) financial assets measured at amortized cost", with a corresponding adjustment of the relevant provision.

4 – Hedging

The Iccrea Cooperative Banking Group has elected to exercise the option to continue to apply the rules provided for in IAS 39 governing hedge accounting for each type of hedge (the "opt-out" option).

Classification

Risk hedging transactions are intended to neutralize the potential losses recognized on a given element or group of elements attributable to a given risk in the event that risk should actually be realized.

The types of hedges permitted under IAS 39 are as follows:

- fair value hedges, which are intended to hedge the exposure to the risk of changes in the fair value (due to the various types of risk) of assets and liabilities or portions of assets and liabilities, groups of assets and liabilities, irrevocable commitments and portfolios of financial assets and liabilities as permitted under IAS 39 as endorsed by the European Commission;
- cash flow hedges are intended to hedge the exposure to the risk of changes in the future cash flows on recognized assets or liabilities or on highly probable forecast transactions. This type of hedge is essentially used to stabilize interest flows on variable-rate funding to the degree that the latter finances fixed-rate lending. In some circumstances, analogous transactions are carried out for certain types of variable-rate lending.

Only instruments that involve a non-Group counterparty can be designated as hedging instruments.

The items “hedging derivatives” among assets and liabilities include the positive and negative values of derivatives that establish effective hedging relationships.

Recognition

Hedging derivatives and the hedged financial assets and liabilities are reported in accordance with hedge accounting rules. In particular, derivative instruments with a positive fair value are recognized under “Hedging derivatives” on the asset side of the balance sheet, while derivatives with a negative fair value at the reporting date are recognized under “Hedging derivatives” on the liability side of the balance sheet.

Measurement and recognition of income components

Hedging derivatives are measured at fair value. More specifically:

- in the case of fair value hedges, the change in the fair value due to the risk on the hedged item has a corresponding impact on the income statement, where the change in the fair value of the hedging instrument is recognized. Any difference between the two changes, which represents the partial ineffectiveness of the hedge, represents the net impact in profit or loss;
- in the case of cash flow hedges, changes in the fair value of the derivative are recognized in a specific equity reserve in the amount of the effective portion of the hedge and in profit or loss in the amount of the ineffective or overhedging portion. The reserve is reclassified to profit or loss only when the cash flows on the hedged item whose variability is being hedged manifest themselves or in the event the hedging relationship is discontinued in the manner specified for the circumstance that prompted the interruption of the hedge.

The derivative is designated as a hedging instrument where there is formal documentation of the relationship between the hedged item and the hedging instrument and if it the hedge is effective at the moment of inception and throughout its life.

The effectiveness of a hedge depends on the extent to which changes in the fair value of the hedged item or the associated cash flows are offset by those of the hedging instrument. Accordingly, effectiveness is quantified on the basis of the comparison of those changes, taking account of the intentions of the entity at the time the hedge is established.

A hedge is deemed effective when the changes in fair value (or in cash flows) of the hedging instrument nearly entirely offset (i.e. within a range of 80-125%) changes in the hedged instrument for the risk factor being hedged.

Effectiveness is measured at every reporting date through:

- prospective tests, which justify the use of hedging accounting, as they demonstrate the hedge’s expected effectiveness;
- retrospective tests, which indicate the level of effectiveness of the hedge achieved in the period under review, measuring the difference between actual results and theoretical results (perfect hedges).

If the tests do not confirm the effectiveness of the hedge, hedge accounting is discontinued in accordance with the above criteria, the hedging derivative is reclassified as a trading instrument or extinguished early and the hedged financial instrument is measured using the criteria normally adopted for instruments of its category. Subsequent changes in the fair value of the derivative are recognized through profit or loss. For cash flow hedges, when it becomes certain that the hedged transaction will no longer be carried out, the cumulative gain or loss recognized in the equity reserve is reversed through profit or loss.

The changes in the fair value of the hedged instruments and those used to hedge a fair value hedge transaction are recognized in the income statement under " Net gain (loss) on hedging activities". The ineffective or overhedging portion of the cash flow hedging derivative measured with respect to the hypothetical derivative (hedge ineffectiveness) is also recognized under this item.

5 – Equity investments

Classification

The item includes equity investments in subsidiaries, associates and joint ventures. Immaterial entities[27] are not consolidated. Their exclusion from the scope of consolidation does not have a significant impact on Group equity.

Subsidiaries are those entities over which the investor has the power to direct the relevant activities as a result of a legal right or a mere situation of fact and is exposed to the variable returns resulting from that power.

Pursuant to IFRS 10 the control requirement is met when an investor simultaneously has:

- the power to direct the relevant activities of the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee;
- has the ability to use its power over the investee to affect the amount of its returns (link between power and returns).

Joint control is the contractually agreed sharing of control of an arrangement.

Associated companies comprise companies in which the Group holds, either directly or indirectly, at least 20% of the voting rights or, independently of the proportion of voting rights, companies over which the Group exercises a significant influence, which is defined as the power to participate in determining financial and operating policies, but without exercising either control or joint control.

Equity interests in subsidiaries, joint ventures and associates held for sale are reported separately in the financial statements as a disposal group and are measured at the lower of the carrying amount and the fair value excluding disposal costs.

Recognition

Equity investments are initially recognized at cost at the settlement date including costs and revenue that are directly attributable to the transaction.

Measurement

Investments in subsidiaries are measured at cost, while investments in associates or joint ventures are measured using the equity method (for more details, see Section 3 – Scope and methods of consolidation in Part A Accounting policies: A.1 – General information). Where there is evidence that the value of an equity investment may be impaired, its recoverable amount is determined, taking account of both its market value and the present value of future cash flows. If this value is lower than the carrying amount, the difference is recognized through profit or loss as an impairment loss.

Impairment testing of equity investments

As required by the accounting standards referred to earlier and by IAS 36, if there is evidence (triggers) of possible impairment, equity investments undergo impairment testing to determine whether there is objective evidence that the carrying amount of such assets is not fully recoverable and to determine the amount of any writedown.

Impairment indicators are essentially divided into two categories:

- qualitative indicators, such as the posting of losses or in any case a significant divergence with respect to budget targets or the objectives set out in the long-term plans announced to investors, the announcement/start

[27] The scope of consolidation does not include subsidiaries with total assets of less than €10 million, subject to the condition that the total assets of all unconsolidated subsidiaries do not exceed €50 million.

of composition with creditors or restructuring plans, and the downgrading of the rating issued by a specialist agency;

- quantitative indicators consisting of a reduction in fair value below the carrying amount of over 30%, or for a period of more than 24 months, or a carrying amount for the equity investment in the separate financial statements greater than the carrying amount in the consolidated financial statements of the company's net assets and goodwill, or the distribution by the latter of a dividend greater than its comprehensive income. In the presence of evidence of impairment, the size of any writedown is determined on the basis of the difference between the carrying amount and the recoverable amount, which is equal to the greater of fair value less costs to sell and the value in use.

Derecognition

Control, joint control and significant influence cease in cases in which the power to determine financial and operating policies of the company is removed from the governance bodies of the company and transferred to a governmental body, a court and in similar cases. The equity investment in these cases is subject to the treatment of IFRS 9, as provided for financial instruments.

Equity investments are derecognized when the contractual rights to the cash flows from the assets expire or when substantially all the risks and rewards connected with ownership of the equity investment are transferred.

Recognition of income components

Dividends received from equity investments are recognized in the income statement under "Dividends and similar income" when the right to receive payment is established.

Impairment losses on equity investments are recognized in the income statement under the item "Profit (loss) from equity investments". If the reasons for the impairment loss should be removed following an event occurring after the recognition of the impairment loss, the consequent writebacks are recognized in the income statement (in an amount not exceeding the previous writedowns) under the same item.

The recognition of the income effects in respect of equity investments accounted for using the equity method is discussed in Section 3 – Scope and methods of consolidation in Part A Accounting policies: A.1 – General information.

6 - Property, plant and equipment

Classification

Property, plant and equipment includes land and buildings used in operations and those held for investment purposes, plant, vehicles, furniture, furnishings and equipment of any kind.

According to IAS 16, buildings used in operations are those held for use in the supply of services or for administrative purposes. Pursuant to IAS 40, investment property includes property held to earn rentals or for capital appreciation or both.

The item also includes assets in accordance with IAS 2 - Inventories, which mainly include assets deriving from the enforcement of guarantees or purchase at auction that the Group intends to sell in the near future without carrying out significant restructuring works and which do not meet the conditions for classification in the previous categories ("for use in operations" or "for investment"). This therefore includes assets acquired following the closure of an impaired credit exposure (for example from acceptance of the asset in lieu of the original performance or "datio in solutum"), from the consolidation of companies acquired as a result of loan restructuring/recovery agreements, the non-exercise of the purchase option in a finance lease or the termination of an impaired lease, etc.).

Where the requirements for the application of IFRS 5 to these assets are not met, the Group normally initially classifies the assets as inventories, subsequent measuring them in accordance with the criteria set out in IAS 2, except in rare cases in which the conditions are met for classification as:

- asset held for use in operations (see IAS 16);

- assets held for investment purposes (see IAS 40), insofar as they are held for the purpose of generating income through the receipt of lease payments or for capital appreciation.

Finally, property, plant and equipment also includes the rights of use for assets held under leases (whether finance or operating leases) pursuant to IFRS 16, even though the lessor retains legal ownership of the assets.

Recognition

Property, plant and equipment is recognized at cost, which in includes all incidental expenses directly attributable to purchasing and placing the asset in service.

Expenses subsequently incurred (e.g. extraordinary maintenance costs) increase the carrying amount of the asset or are recognized as separate assets if it is likely that the future economic benefits will exceed initial estimates and the costs can be reliability calculated.

All other subsequent expenses (e.g. ordinary maintenance costs) are recognized in the income statement in the year incurred.

Property, plant and equipment originally held as collateral for credit and acquired in recovery activities carried out on the basis of specific contracts or legal proceedings is recognized when both of the following conditions are met:

- recovery activities have been completed;
- the Group has acquired ownership of the property.

Normally these exchange transactions lack commercial substance as defined in paragraph 24 of IAS 16 and, consequently, the asset is initially recognized at the carrying amount of the asset given up.

In the rare cases where, in an exception to the general principle mentioned above, the enforcement operation has commercial substance, the asset acquired is initially recognized at fair value.

In the case of recognition of rights of use in respect of leased assets pursuant to IFRS 16, the cost of the right-of-use asset is determined as follows:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Measurement

Property, plant and equipment used in operations is measured at cost less depreciation and impairment. Depreciation is determined systematically over the remaining useful life of the asset.

For assets purchased and placed in service during the year, the period of depreciation is calculated on the basis of the actual number of days the assets contributes to the production cycle. For assets transferred and/or disposed of during the year, depreciation is calculated on a daily basis up to the date of transfer or disposal.

The depreciable value is represented by the cost of the assets since the residual value at the end of the depreciation process is considered negligible. Buildings are depreciated at a rate of 3% per year, deemed to appropriately represent the deterioration of the assets over time from their use, taking into account extraordinary maintenance costs, which increase the value of the asset. Land, whether purchased individually or incorporated into the value of a building, is not depreciated.

In accordance with the provisions of paragraph 32a) of IAS 40, investment property as defined in IAS 40 is valued using the cost model and is depreciated, with the exception of properties deriving from the consolidation of real estate investment funds, which are measured at fair value since they are connected with liabilities that produce a return directly linked to the fair value of the investment property.

Assets classified as inventory are measured at the lower of recognition cost and net realizable value and are not depreciated. The net realizable value is equal to the estimated price for sale in the normal course of business, net of the estimated completion costs and those necessary for the sale of the asset.

Following initial recognition, assets acquired through recovery or enforcement of guarantees in debt collection activities carried out by the Group for impaired loans are measured in accordance with the criteria established for the classification adopted (for use in operations, for investment purposes, inventories).

Right-of-use assets determined in compliance with IFRS 16 are subsequently measured using a cost model, less depreciation and impairment losses, in accordance with IAS 16.

Derecognition

Property, plant and equipment is derecognized when disposed of or when permanently withdrawn from use and no future benefits are expected from its disposal.

Recognition of income components

Depreciation of property, plant and equipment measured at cost, with the exception of inventories, is recognized through profit or loss under “Net adjustments of property, plant and equipment”.

In the first year, depreciation is recognized in proportion to the period the asset is effectively available for use. For assets sold or otherwise disposed of during the year, depreciation is calculated on a daily basis up to the date of transfer and/or disposal.

If there is evidence of possible impairment of the asset, the asset’s carrying amount is compared against its recoverable amount, which is equal to the greater of the value in use of the asset, meaning the present value of future cash flows originated by the asset and its fair value, net of any disposal costs. Any negative difference between the carrying amount and the recoverable amount is recognized in the income statement. If the reasons for the impairment should cease to obtain, a writeback is recognized in the income statement. The carrying amount following the writeback shall not exceed the value that the asset would have had, net of depreciation, in the absence of the prior writedowns.

Gains (losses) deriving from changes in the fair value of investments deriving from the consolidation of real estate investment funds are recognized in the income statement under “Net gain (loss) from valuation at fair value of property, plant and equipment and intangible assets”.

Gains and losses deriving from the disposal or decommissioning of property, plant and equipment are determined as the difference between the net sale price and the carrying amount of the asset. They are recognized in profit and loss at the same date on which the assets are derecognized, under the item “Profit (loss) from the disposal of investments”.

7 - Intangible assets

Classification

Intangible assets are recognized as such if they are identifiable and are based on legal or contractual rights. They include application software.

Right-of-use assets have not been recognized in respect of leases involving intangible assets as such recognition is optional under IFRS 16.

Recognition

Intangible assets are recognized at cost, adjusted for any incidental expenses, only if it is probable that the future economic benefits attributable to the asset will be realized and if the cost of the asset can be reliably determined. Otherwise, the cost of the intangible asset is recognized in profit or loss in the period in which it is incurred.

Recognition of intangible assets generated internally, and software in particular, is subject to verification of the above conditions and distinguishing between the research activities and development activities carried out to produce the asset. Costs associated with research cannot be capitalized, as the generation of probable future economic benefits cannot be demonstrated.

Intangible assets can be recognized in respect of goodwill arising from business combinations (purchases of business units). This goodwill is recognized in an amount equal to the positive difference between the purchase price of the business combination (the consideration transferred) and the fair value of the assets and liabilities acquired if that positive difference represents future economic benefits. Goodwill in respect of business combinations carried out prior to the date of transition to the IFRS are measured on a cost basis and represent the same value as that given using Italian GAAP.

Measurement

After initial recognition, intangible assets with a finite useful life are recognized at cost, net of total amortization and accumulated impairment losses. Amortization begins when the asset becomes available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended and ceases when the asset is derecognized. Intangible assets are amortized on a straight-line basis, so as to reflect the long-term use of the asset over its estimated useful life, which for application software does not exceed 5 years.

Goodwill is not amortized and is tested for impairment at the reporting date.

Derecognition

Intangible assets are derecognized upon disposal or when no future economic benefits are expected to be generated by the use or disposal of the asset.

Recognition of income components

Amortization is recognized through profit or loss under “Net adjustments of intangible assets”, as are impairment losses. If the reasons for the impairment of intangible assets other than goodwill should cease to obtain, a writeback is recognized in profit or loss. The value of the asset after the writeback shall not exceed the value that the asset would have had, net of amortization, in the absence of the prior writedowns for impairment.

Writedowns of goodwill are recognized in the income statement under “Writedowns of goodwill”. Goodwill previously written down may not be written back.

Gains and losses from the disposal or other transfer of an intangible asset are determined as the difference between the net sale price and the carrying amount of the asset and recognized in the income statement under the item “Profit (Loss) from disposal of investments.

8 - Non-current assets and liabilities and disposal groups held for sale

Classification

Non-current assets and disposal groups, including associated liabilities, are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is met only when their sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. The Group must be committed to the sale, which must be expected to be completed within one year of classification as held for sale.

Properties obtained through the enforcement of guarantees are classified under this item when the following conditions are met:

- the asset is available for immediate sale in its present condition, subject to terms that are usual and customary for sales of such assets;
- the sale is highly probable. In particular, the appropriate level of management must be committed to a plan to sell the asset, and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. Finally, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by IFRS 5, and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Recognition

Non-current assets and disposal groups held for sale are valued at the lower of their carrying amount and their fair value less costs to sell, with the exception of assets for which IFRS 5 requires measurement in accordance with the applicable IFRSs (e.g. financial assets within the scope of IFRS 9).

Measurement and recognition of income components

Following initial recognition in this category, the assets are measured at the lower of their carrying amount and their fair value less costs to sell, with the exception of assets that IFRS 5 requires be measured using the provisions of the relevant accounting standard (for example, financial assets within the scope of IFRS 9). If the assets held for sale can be depreciated, any such depreciation ceases upon classification to non-current assets held for sale. Non-current assets and disposal groups held for sale, as well as “discontinued operations”, and the associated liabilities are reported under specific items of assets (“Non-current assets and disposal groups held for sale”) and liabilities (“Liabilities associated with disposal groups held for sale”).

The results of the measurement, income, expenses and gains/losses upon disposal (net of any tax effect), of “discontinued operations” are recognized in the income statement under “Profit (loss) after tax of discontinued operations”. Gains and losses associated with individual assets held for sale are recognized under the most appropriate item of the income statement.

Derecognition

Non-current assets and disposal groups held for sale are derecognized upon disposal.

9 - Current and deferred taxation

Classification

Income taxes, which are calculated on the basis of national tax law, are accounted for as a cost on an accruals basis, in line with the recognition of the costs and revenue that gave rise to the tax liability. They therefore represent the balance of current taxes and deferred taxes in respect of income for the year. Current tax assets and liabilities report the net tax positions of the Group companies in respect of Italian and foreign tax authorities. More specifically, they report the net balance between current tax liabilities for the year, calculated on the basis of a prudent estimate of the tax liability for the period, as determined on the basis of applicable tax law, and current tax assets represented by payments on account and other tax receivables for withholding tax incurred or other tax credits for previous years which the Group companies opted to offset against taxes for subsequent years. Current tax assets also report tax receivables for which the Group companies have requested reimbursement from the competent tax authorities.

While taking account of the adoption of the national consolidated taxation mechanism by the companies forming part of the “direct scope” of the Group (the former Iccrea Banking Group), the tax positions of each Group company are managed separately for administrative purposes.

Deferred taxation is determined using the balance sheet liability method, taking account of the tax effect of temporary differences between the carrying amount of assets and liabilities and their value for tax purposes, which will give rise to taxable or deductible amounts in future periods. To that end, “taxable temporary differences” are those that in future periods will give rise to taxable amounts and “deductible temporary differences” are those that in future periods will give rise to deductible amounts. Deferred taxes are recognized on all taxable temporary differences, with the following exceptions: i) deferred tax liabilities arising from the initial recognition of goodwill or ii) an asset or liability in a transaction that does not represent a business combination and, at the time of the transaction, does not affect either the balance sheet or the tax situation.

Deferred tax assets are recognized against all deductible temporary differences, tax receivables and unused tax losses that can be carried forward, insofar as it is probable that sufficient future taxable income will be available to allow the use of the deductible temporary differences and the tax receivables and losses carried forward, except for cases in which the deferred tax asset related to deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that does not represent a business combination and, at the time of the transaction, does not affect either the balance sheet or the tax situation.

Deferred tax is calculated by applying the tax rates established in applicable tax law, laws already issued or substantially in force at the reporting date that are expected to be applied during the year in which those assets are realized or those assets are extinguished to taxable temporary differences for which it is likely that a tax charge will be incurred and to deductible temporary differences for which it is reasonable certain there were be future taxable income at the time they become deductible (the probability test).

Current tax assets and liabilities and deferred tax assets and liabilities are offset in the financial statements if, and only if, they relate to income taxes applied by the same taxation authority and there is a legally enforceable right to set off tax assets.

Recognition and measurement

Where the deferred tax assets and liabilities regard items that impact profit or loss, that effect is recognized under income taxes.

In cases where the deferred tax assets and liabilities regard transactions that directly impact equity with no effect on profit or loss (such as adjustments on first-time adoption of the IAS/IFRS, measurement of financial instruments measured at fair value through other comprehensive income or cash flow hedge derivatives), they are recognized in equity, under specific reserves where required (i.e. the valuation reserves).

The potential taxation in respect of items on which taxation has been suspended that will be “taxed in the event of any use” is recognized as a reduction in equity. Deferred taxes in respect of revaluations prompted by conversion of amounts to the euro that were directly allocated to a specific reserve under Article 21 of Legislative Decree 213/98 on a tax-suspended basis are recognized as a reduction of that reserve. The potential taxation in respect of items that will be taxed “only in the event of distribution” is not recognized as the amount of available reserves that have already been taxes is sufficient to conclude that no transactions will be carried out that would involve their taxation.

Deferred taxation in respect of companies participating in the consolidated taxation mechanism is recognized in their financial statements on an accruals basis in view of the fact that the consolidated taxation mechanism is limited to settlement of current tax positions.

The potential taxation of components of the equity of the consolidated companies is not recognized where the circumstances that would give rise to their taxation are not considered likely to arise, taking due consideration of the lasting nature of the investment.

The value of deferred tax assets and liabilities is reviewed periodically to take account of any changes in legislation or in tax rates.

Recognition of income components

Income taxes are recognized through profit or loss, with the exception of those debited or credited directly to equity. Current income taxes are calculated based on taxable income for the period.

In determining income taxes, any uncertainties over tax treatments are taken into account, in accordance with the provisions of IFRIC 23.

Current tax payables and receivables are recognized at the value that payment to or recovery from the tax authorities is expected by applying current tax rates and regulations. Deferred income tax assets and liabilities are calculated, using expected tax rates, on the basis of temporary differences between the value attributed to the assets and liabilities in the financial statements and the corresponding values recognized for tax purposes.

Derecognition

Deferred tax assets and deferred tax liabilities are derecognized in the period in which:

- the temporary difference that originated them becomes taxable for deferred tax liabilities or deductible for deferred tax assets;
- the temporary difference that originated them is no longer relevant for tax purposes;
- for deferred tax assets only, the probability test envisaged by IAS 12 indicates that sufficient future taxable income will not be available.

10 - Provisions for risks and charges

Provisions for commitments and guarantees issued

This sub-item reports provisions estimated in respect of the credit risk on commitments to disburse funds and guarantees issued, which fall within the scope of application of the rules for calculating expected losses in accordance with IFRS 9. In principle, these cases use the same methods for allocation to the three risk stages and the calculation of expected losses that are adopted for financial assets measured at amortized cost or at fair value through other comprehensive income.

This sub-item also includes are provisions for other types of commitments and guarantees issued that, on the basis of their characteristics, do not fall within the scope of application of impairment in accordance with IFRS 9.

Other provisions for risks and charges

The other provisions for risks and charges include provisions for legal obligations or related to employment relationships or disputes originating from a past event for which 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 of the obligation.

The item also includes long-term employee benefits.

Recognition

A provision shall be recognized if and only if:

- the entity has a present obligation (legal or constructive) 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 of the obligation.

Measurement and recognition of income components

The amount recognized is the best estimate of the expenditure required to settle the obligation or to transfer it to third parties at the end of the reporting period and reflects the risks and uncertainties that inevitably surround many events and circumstances.

Where the time value of money is material and the payment dates of the obligation can be estimated reliably, the provision shall be discounted at market rates as of the reporting date.

Provisions are reviewed at every reporting date and are adjusted to reflect the best estimate of the charge required to settle the obligations existing at the close of the period. The impact of the time value of money and that of changes in interest rates are reported in profit or loss under net provisions for the period.

Actuarial gains and losses are recognized immediately in profit or loss.

Derecognition

Provisions are only used when the charges for which they were originally established are incurred. When the use of resources to fulfil the obligation is no longer deemed to be probable, the provision is reversed through profit or loss.

11 - Financial liabilities measured at amortized cost

Classification

Financial liabilities measured at amortized cost include amounts due to banks, amounts due to customers and securities issued, comprising all technical forms of interbank and customer funding, repurchase agreements and funding through certificates of deposit, bonds and other funding instruments in circulation, net of any amounts repurchased.

The item also includes liabilities recognized by the lessee in respect of leases (finance or operating) pursuant to IFRS 16.

Recognition

The liabilities are initially recognized at fair value, which is normally equal to the amounts received or the issue price, plus or minus any additional costs or revenue directly attributable to the transaction that are not reimbursed by the creditor. Internal administrative costs are excluded.

Financial liabilities issued on non-market terms are recognized at estimated fair value and the difference with respect to the amount paid or the issue price is taken to the income statement.

Measurement and recognition of income components

Following initial recognition, these liabilities are measured at amortized cost using the effective interest rate method, excluding short-term liabilities, which are recognized in the amount received in keeping with the general principles of materiality and significance. See to the section on assets measured at amortized cost for information on the criteria for determining amortized cost.

Interest expense recognized on financial liabilities is reported under “Interest and similar expense” in the income statement.

In addition to cases of extinguishment and expiration, financial liabilities reported in these items are also derecognized when previously issued securities are repurchased. In this case, the difference between the carrying amount of the liability and the amount paid to repurchase it is recognized in the income statement under “Gain (loss) on the disposal or repurchase of: c) financial liabilities”. If the repurchased security is subsequently placed again on the market, this is treated as a new issue and is recognized at the new placement price, with no impact on the income statement.

Derecognition

Financial liabilities are derecognized when the obligation underlying the liability is extinguished, waived or discharged. Where a financial liability is replaced with another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, this exchange or modification is treated as the derecognition of the original liability accompanied by the recognition of a new liability, with the recognition of any difference in their carrying amounts through profit or loss.

12 – Financial liabilities held for trading

Classification

The item reports the negative value of trading derivatives that are not part of hedging relationships as well as the negative value of embedded derivatives to be separated from hybrid instruments representing financial liabilities. Liabilities deriving from short positions in by securities trading activities are recognized under “Financial liabilities held for trading”.

Recognition

Debt and equity securities representing financial liabilities are initially recognized at the settlement date, while derivative contracts are recognized at the date they are signed. The financial liabilities are initially recognized at fair value, which generally equals the amount received.

In cases in which the amount paid differs from the fair value, the financial liability is recognized at fair value, and the difference between the amount paid and the fair value is recognized through profit or loss.

Derivative contracts embedded in financial liabilities or other contractual forms and which have financial and risk characteristics that are not correlated with the host instrument or which meet the requirements to be classified themselves as derivative contracts, are recognized separately among financial liabilities held for trading if their value is negative, with the exception of cases in which the compound instrument containing the derivative is entirely measured at fair value through profit or loss.

Measurement

Subsequent to initial recognition, the financial liabilities are recognized at fair value through profit or loss. Please see Part 4 “Fair value disclosures” of these notes to the financial statements for information on determining fair value.

Derecognition

Financial liabilities are derecognized when the obligation underlying the liability is extinguished, waived or discharged. Where a financial liability is replaced with another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, this exchange or modification is treated as the derecognition of the original liability accompanied by the recognition of a new liability, with the recognition of any difference in their carrying amounts through profit or loss.

Recognition of income components

Gains and losses from the measurement of and transactions in financial liabilities held for trading are recognized through profit or loss.

13 - Financial liabilities designated as at fair value

Classification

This item reports financial liabilities designated as at fair value through profit or loss under the option permitted to entities in IFRS 9 (the “fair value option”). More specifically, financial liabilities may be irrevocably designated as at fair value through profit or loss if it eliminates or significantly reduces an accounting mismatch due to a measurement inconsistency or where they contain one or more embedded derivatives.

Recognition

Financial liabilities at fair value through profit or loss are initially recognized at the issue date at their fair value, which normally corresponds to the price paid. If the price is different from the fair value, the financial liability is recognized at its fair value and the difference between the price and the fair value is recognized in the income statement.

Measurement and recognition of income components

After initial recognition, financial liabilities reported under this item are measured at fair value in accordance with the following rules:

- if the change in fair value is attributable to a change in the credit risk of the liability, it shall be recognized in other comprehensive income (equity) and is not subsequently recycled through profit or loss;
- all other changes in fair value shall be recognized through profit or loss under “Net gain (loss) of other financial assets and liabilities measured at fair value through profit or loss: a) financial assets and liabilities designated as at fair value”.

Pursuant to IFRS 9, this accounting method shall not be applied if would create or enlarge an accounting mismatch in the income statement. In this case, the gains or losses related to the liability falling under this item shall be recognized through profit or loss.

Derecognition

Financial liabilities are derecognized when the obligation underlying the liability is extinguished, waived or discharged. Where a financial liability is replaced with another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, this exchange or modification is treated as the derecognition of the original liability accompanied by the recognition of a new liability, with the recognition of any difference in their carrying amounts through profit or loss.

14 - Foreign currency transactions

Classification

In addition to those explicitly denominated in a currency other than the euro, foreign currency assets and liabilities also include those that have indexing clauses linked to the exchange rate of the euro with a specific currency or with a certain basket of currencies.

Recognition

Transactions in a foreign currency are initially recognized in the functional currency by translating the amount in the foreign currency into the functional currency at the exchange rate prevailing on the date of the transaction.

For the purposes of translation, foreign currency assets and liabilities are divided into monetary items (classified under current items) and non-monetary items (classified under non-current items). Monetary items comprise cash and assets and liabilities to be received or paid in fixed or determinable amounts of money. Non-monetary items are characterized by the absence of a right to receive, or an obligation to deliver, a fixed or determinable amount of money.

Measurement

At the reporting date, foreign currency items are measured as follows:

- monetary items are translated at the exchange rate prevailing at the reporting date;
- non-monetary items measured at historic cost are translated at the exchange rate prevailing at the transaction date;
- non-monetary items measured at fair value are translated using the exchange rate prevailing at the reporting date.

Recognition of income components

Exchange rate differences relating to financial assets/liabilities other than those designated as at fair value and those mandatorily measured at fair value through profit or loss are recognized in the income statement under the item “Net gain (loss) on trading activities”. Exchange rate differences relating to the two categories referred to above are recognized in under the item “Net gain (loss) of other financial assets and liabilities measured at fair value through profit or loss”. In addition, if the financial asset is measured at fair value through other comprehensive income, exchange rate differences are allocated to the relevant valuation reserve.

Exchange rate differences resulting from the settlement of monetary items or from the translation of monetary items at exchange rates other than the initial translation rate, or translation of the previous financial statements, are recognized through profit or loss in the period in which they emerge.

When gains or losses relating to a non-monetary item are recognized in equity, the exchange rate difference for the item is also recognized in equity. Likewise, when a gain or less is recognized through profit or loss, the corresponding exchange rate difference is also recognized through profit or loss.

15 – Insurance assets and liabilities

There are no insurance undertakings in the scope of consolidation.

16 – Other information

Employee termination benefits

Following the reform of supplementary pension schemes introduced by Legislative Decree 252 of December 5, 2005, changes were made to the way in which employee termination benefits are recognized. The portion of termination benefits accrued through December 31, 2006 is treated as a defined-benefit plan, since the company is required under law to pay the employee an amount determined pursuant to Article 2120 of the Italian Civil Code.

The portion of termination benefits accrued from January 1, 2007 allocated to a supplementary pension scheme or to the treasury fund managed by INPS (Italy's National Social Security Institute) are treated as a defined-contribution plan since the company's obligation towards the employee ceases upon transfer of the amounts to the fund.

Therefore, starting January 1, 2007, the Group:

- continues to recognize the obligation accrued at December 31, 2006 in accordance with the rules for defined-benefit plans, i.e. using the projected unit credit method. This means that it measures the obligation for benefits accrued by employees using actuarial techniques, projecting into the future the amount to pay at the time the employment relationship is termination and discounting the accrued portion. To this end, the projected unit credit method considers each individual service period as the originator of an additional unit of termination benefits to be used in constructing the final obligation by projecting future outflows on the basis of statistical analysis of historical developments and the demographic curve, discounting those flows using a market interest rate. Total actuarial gains and losses are recognized, in line with the provisions of IAS 19, in equity, while the interest cost component of the change in the defined benefit obligation is recognized in profit or loss;
- recognizes the obligation for portions accrued starting January 1, 2007, payable to a supplementary pension scheme or to the treasury fund managed by INPS, on the basis of the contributions owed in each period, as a defined contribution plan for employee service, in profit or loss. More specifically, in the case of termination benefits payable to a supplementary pension scheme that treatment begins at the time of the choice or, if the employee does not exercise any option, as from July 1, 2007.

Recognition of revenue

Revenue is recognized when realized or, in the case of the sale of goods or services, in relation to the extent to which the performance obligation has been satisfied, as specified below.

Specifically:

- interest is recognized on an accruals basis using the contractual interest rate or the effective interest rate where the amortized cost method is applied;
- default interest, if any, is recognized through profit or loss only upon receipt;
- dividends are recognized in the income statement when their distribution is authorized;
- commissions for revenue from services are recognized in relation to the effective provision of the services to a customer, as discussed in greater detail below;
- revenue from the placement of funding instruments, calculated on the basis of the difference between transaction price and the fair value of the financial instrument, are recognized in the income statement when the transaction is recognized if the fair value can be determined with reference to parameters or transactions recently observed in the same market in which the instrument is traded. If these amounts cannot be easily determined or the instrument is not highly liquid, the financial instrument is recognized in an amount equal to the transaction price, excluding the commercial margin. The difference between this amount and the fair value is taken to profit or loss over the duration of the transaction through the gradual reduction in the valuation model of the corrective factor reflecting the reduced liquidity of the instrument;
- revenue from the sale of non-financial assets are recognized at the time the performance obligation is satisfied with the transfer of the asset, i.e. when the customer obtains control of the asset.

In application of IFRS 15, the following steps are followed in recognizing revenue from contracts with customers:

- identification and analysis of the contract signed with the customer to identify the type of revenue. In some specific cases, multiple contracts may have to be combined and accounted for as a single contract;

- identification of the specific performance obligations in the contract. If the goods/services to be transferred are distinct, they qualify as performance obligations and are accounted for separately;
- determination of the transaction price, considering all the performance obligations in the contract. This price may be a fixed amount, but may sometimes include variable or non-monetary consideration;
- allocation of the transaction price to the performance obligations. The transaction price is allocated to the various performance obligations on the basis of the selling prices of each distinct good or service provided contractually. If it is impossible to determine the standalone selling price, it is necessary to estimate it. The assessment must be carried out as from the start date of the contract (the inception date);
- recognition of revenue when the performance obligation is satisfied. Revenue is recognized following the satisfaction of the performance obligation to the customer, i.e. when the latter obtains control of the good or service. Some revenue is recognized at a point in time, while other is accrued over time. It is therefore necessary to identify the moment in which the performance obligation is satisfied. In the case of performance obligations satisfied over time, revenue is recognized over the reference period, selecting an appropriate method to measure the progress made towards complete satisfaction of the performance obligation".

Accruals and deferrals

Accruals and deferrals reporting costs and revenue accruing in the period on assets and liabilities are recognized as adjustments to the assets and liabilities to which they refer. In the absence of such assets or liabilities, they are recognized under "Other assets" or "Other liabilities".

Expenditure for leasehold improvements

Expenses for refurbishments of buildings belonging to third parties that do not have an independent function or use are conventionally classified under "Other assets". Amortization is performed over the useful life of the right of use in respect of the buildings and amortization charges are reported under other operating expenses.

Determination of amortized cost

Amortized cost is applied to financial assets and liabilities measured at amortized cost and to the income components of financial assets measured at fair value through other comprehensive income.

The amortized cost of a financial asset or financial liability is the value at which it is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest rate is the rate that discounts the contractual flow of future or received payments until the maturity date or the next repricing date to the present value of a financial asset or financial liability.

For instruments bearing a fixed rate or a fixed rate for periods of time, future cash flows are determined on the basis of the specified interest rate over the life of the instrument. For variable-rate financial assets or liabilities, future cash flows are determined on the basis of the last known rate. At each repricing date, the residual amortization and the effective yield over the residual useful life (i.e. until maturity) of the financial instrument are recalculated.

For purchased or originated credit-impaired financial assets ("POCI"), the effective interest rate corrected for credit risk is calculated, discounting estimated future cash flows over the expected life of the financial asset, taking of account all the contractual terms of the asset (e.g. prepayment options, call options, etc.) as well as expected credit losses.

Financial assets and liabilities transacted on market terms are initially recognized at their fair value, which normally corresponds to the amount paid or received including directly attributable transaction costs and fees: internal marginal costs and income not recoverable from customers are considered transaction costs attributable at the time of initial recognition of the instrument.

These ancillary components, which must be attributable to the individual asset or liability, affect the effective return and cause the effective interest rate to differ from the contractual interest rate: therefore, costs and income referable indiscriminately to multiple transactions and related components that they may be recognized during the life of the financial instrument are not included. Furthermore, costs that the Group incurs independently of the transaction, such as administrative, office supplies and communication costs, are not considered in the calculation of the amortized cost.

With particular regard to inflation-linked BTPs - the overall performance of which does not depend solely on its real components but also on the developments in inflation, to which these bonds are indexed[28] - the measurement method adopted provides for the sterilization of the inflation effect in the calculation of the IRR and its inclusion in amortized cost, so as to generate a perfect adjustment of the value of holdings to changes in inflation. Accordingly, the value of the holding increases (or decreases) in proportion to the inflation coefficient, so that at the maturity of the security its value is equal to the redemption value.

More specifically, the methodology applied makes it possible to adjust the average carrying price of the security to the presumable redemption value by varying the associated value of the holdings in a manner consistent with the indexing parameter. In this way, the effect of inflation is accounted for in the year in which it occurs, in line with the accrual principle, and is summed with the real yield on the securities.

Net interest income reflects the contribution linked to both the real yield of the security (coupons and accrued interest) and the inflation component, the latter through the recognition of the portion at amortized cost deriving from the periodic revaluation of the value of the holdings of the securities.

Determination of impairment

Financial assets

At each reporting date, the Group determines whether there is objective evidence that a financial asset or group of financial assets has incurred a significant increase in the related credit risk since initial recognition and requires the definition of a methodology for calculating the expected loss (ECL) and the related risk parameters necessary to calculate it, namely: Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD).

The staging methodology provides for the allocation each exposure/tranche (loans and securities) to the three distinct stages on the basis of the following:

- stage 1: this includes newly issued instruments/tranches and exposures to counterparties classified as performing that, as at the reporting date, have a PD lower than or equal to a given threshold (qualifying for the low credit risk exemption) or have not experienced a significant increase in credit risk with respect to that measured the date of disbursement/purchase. The 12-month expected loss is measured for these positions;
- stage 2: this includes all performing instruments/tranches that, as at the reporting date, simultaneously:
  - have a higher PD than that specified for the low credit risk exemption;
  - have experienced a significant increase in credit risk with respect to the date of disbursement;

  In general, in the absence of a rating/PD at the reporting date the exposure is allocated in stage 2 (without prejudice to the use of additional criteria specifically adopted for the management of particular types of portfolios/positions not covered by the use of an internal rating model). In this case, the lifetime expected loss is measured;
- stage 3: this includes all instruments/tranches associated with loans/securities in default, for which the loss is calculated as the difference between the contractual cash flows and expected cash flows, discounted at the effective interest rate of the instrument (lifetime expected loss), which is essentially unchanged compared with the previous accounting standard.

A so-called grace period is also granted, under which newly disbursed exposures are conventionally classified in stage 1 for the first 3 months of the relationship, unless they derive from forbearance measures.

Furthermore, in order to reduce the volatility of allocations of exposures to the various stages, the mechanisms for transferring exposures between stages envisage a 3-month probation period (the minimum period for which positions are allocated to a given stage), defined as follows:

- an exposure allocated to stage 2 can be transferred to stage 1 if at the reporting date the conditions for allocation to stage 1 are met and at least 3 continuous months have elapsed since the factors that prompted allocation to stage 2 no longer exist;

[28] The overall performance of inflation-linked BTPs depends on two components: an a priori element, i.e. the real yield, and another linked to inflation, which determines the revaluation of coupons and principal. The value of the security is therefore made to evolve as a function of both effects.

- the reclassification as performing of an exposure previously allocated to stage 3 involves direct allocation to stage 2 for at least 3 months following the return to performing status, unless events requiring reallocation to stage 3 should occur.

If at least one of the criteria for classification in stage 2 is activated for a position within the probation period, the probation period recommences from the month in which the criteria that determined the allocation to stage 2 are no longer active.

Performing forborne exposures for which the regulatory probation period of 24 months is already activated and positions that are classified in stage 2 because of the activation of the cluster rule (unrated exposures) are excluded from the application of this criterion.

With regard to the securities portfolio, the methodology for staging performing exposures is based solely on quantitative information consisting in:

- the application of the low credit risk exemption, under which quantitative staging criteria are applied only to positions that, at the measurement date, have a credit risk that exceeds a specific threshold;
- the use of criteria based on a comparison between the 12-month PD conditioned on the origination date and the 12-month PD conditioned on the observation date (current PD). In this case, the criteria are defined on the basis of which the increases in PD represent a significant increase in credit risk such as to give rise to the allocation of the exposure to stage 2;
- a comparison at the observation date between the conditioned PD measure and a specified threshold value such as to give rise to the allocation of the exposure to stage 2 when this threshold is exceeded;
- the verification of the PD/rating measurement at the observation date and at the origination date such as to give rise the allocation to Stage 2 if one of the two pieces of information is missing[29] even if a rating system for evaluating the counterparty is available.

Exposures associated with securities in default are classified in stage 3.

With regard to expected credit loss, the risk parameters necessary for calculating that value have been distinguished by differentiating between the securities portfolio and the loan portfolio.

With regard to the securities portfolio:

- Probability of Default (PD): the PD at 12 months and multi-period PDs used underwent forward-looking conditioning;
- Loss Given Default (LGD): the unconditioned LGD measures used are the same for both stage 1 and stage 2 exposures. More specifically, and unconditioned LGD metric of 45% is used, which subsequently undergoes forward-looking conditioning;
- Exposure At Default (EAD): for the purposes of quantifying the EAD associated with each securities issue, the gross value of the exposure at the reporting dates is generally used.

With regard to the loan portfolio:

- Probability of Default (PD): the approach defined by the Group envisages:
  - the use of internal rating models to determine the transition matrix based on rating classes, conditioned to incorporate forward-looking macroeconomic scenarios and used to obtain lifetime PDs;
  - where an internal rating model is absent, calculating default rates on an annual basis, conditioned to include forward-looking macroeconomic scenarios and used to obtain cumulative lifetime PDs;
- Loss Given Default (LGD): the approach for estimating LGD developed by the Group provides for the determination of historical loss rates on closed impaired positions and the application of the so-called danger rate, conditioned by macroeconomic scenarios;
- Exposure At Default (EAD): the estimation approach for EAD differs by type of portfolio, product and stage to which the exposure has been assigned.

[29] Unless the low credit risk exemption applies.

In order to condition the PD and LGD risk parameters for future macroeconomic scenarios, the Group uses an approach consisting in:

- the estimation of internal “satellite models”, which explain the relationship linking the reference variables, proxies of the risk parameters, to a set of explanatory macroeconomic variables;
- the adoption of macroeconomic scenarios, which describe the possible evolution of the explanatory variables identified in the estimation of the models. The use of at least two different scenarios is envisaged, typically distinguishing them based on the “severity” of the forecasts and associating each of them with a probability of occurrence.

Bad loans, unlikely-to-pay positions, restructured exposures and exposures that are past due or overlimit are considered impaired in accordance with the current rules specified by the Bank of Italy, consistent with the IAS/IFRS and European supervisory regulations (stage 3).

The valuation of financial assets considers the following components: the best estimate of the expected cash flows and interest income, the realizable value of any guarantees net of recovery costs; recovery times, estimated on the basis of contractual time limits where present and on the basis of reasonable estimates in the absence of contractual agreements; the discount rate, equal to the original effective interest rate - for impaired loans outstanding at the transition date, where obtaining the figure was excessively onerous, reasonable estimates were adopted, such as the average rate on loans in the year of classification as non-performing or the restructuring rate.

The measurement of the impaired financial asset using these criteria is conducted on a specific basis under two possible alternative scenarios that assume operational continuity (the “going concern” scenario) or the cessation of operations (“gone concern”) or on a generic basis, using specific defaulted asset LGD models.

Equity securities and units of collective investment undertakings

Equity securities and units of collective investment undertakings, regardless of the accounting portfolio to which they are allocated, do not undergo impairment testing as they are measured at fair value.

Other non-financial assets

Property, plant and equipment and intangible assets with a finite useful life undergo impairment testing if there is evidence that the carrying amount of the asset cannot be recovered. The recoverable amount is determined as the greater of the fair value of the item of property, plant and equipment or the intangible asset net of costs of disposal and the value in use.

As regards real estate, fair value is mainly determined on the basis of an appraisal prepared by an independent expert.

Intangible assets recognized following acquisitions and in application of IFRS 3 at each reporting date undergo impairment testing to determine whether there is objective evidence that the asset may have incurred an impairment loss.

If there is evidence of impairment, intangible assets with a finite life undergo a new valuation to determine the recoverability of the carrying amount. Recoverable amount is determined on the basis of value in use, i.e. present value, as estimated using a rate representing the time value of money, the specific risks of the asset and the margin generated by relationships in place at the valuation date over a time horizon equal to the residual term of those relationships.

Since intangible assets with an indefinite life, represented by goodwill, do not generate autonomous cash flows, they undergo annual testing of their carrying amount for the cash generating unit (CGU) to which the values were allocated in the related business combinations. The amount of any impairment is determined on the basis of the difference between the carrying amount of the CGU and the recoverable amount of the unit, represented by the greater of its fair value, net of costs of disposal, and its value in use.

The carrying amount of the CGU must be determined in a manner consistent with the criteria used to determine its recoverable amount. From the standpoint of a banking enterprise, it is not possible to determine the cash flows of a CGU without considering the flows generated by financial assets and liabilities, given that the latter represent the core business of the company. In other words, the recoverable amount of the CGUs is impacted by those cash flows and, accordingly, the carrying amount of the CGUs must be determined using the same scope of estimation used for the recoverable amount and, therefore, must include the financial assets/liabilities. To that end, these assets and liabilities must be allocated to the CGUs.

Following this approach, the carrying amount of the CGUs can be determined in terms of their contribution to consolidated equity, including non-controlling interests.

The value in use of a CGU is calculated by estimating the present value of the future cash flows that are expected to be generated by the CGU on the basis of criteria and methodological models in line with best market practice and the literature in this field. Those cash flows are determined using the most recent public business plan or, in the absence of such a plan, an internal forecasting plan developed by management.

Normally, the specific forecasting period covers a maximum time horizon of three years. The flow in the final year of the forecasting period is projected forward in perpetuity, using an appropriate growth rate "g" for the purposes of the terminal value.

In calculating value in use, the cash flows must be discounted using a rate that reflects the current time value of money and the specific risks to which the asset is exposed. More specifically, the discount rates adopted incorporate current market values for the risk-free rate and equity premiums observed over a sufficiently long period of time to reflect different market conditions and business cycles.

With specific reference to the rights of use recognized in accordance with IFRS 16, evidence that an asset may have suffered an impairment loss may be associated both with internal factors (deterioration, obsolescence, etc.) and external factors (market value, technological changes, etc.). Failure to exercise a right of use or the subletting of the underlying asset are considered potential indicators of impairment of the right of use.

Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability between willing and knowledgeable market participants in an orderly transaction. In the definition of fair value, a key assumption is that an entity is fully operational (the assumption that an entity is a going concern) and does not have the intention or the need to liquidate, significantly reduce its operations or undertake transactions on unfavorable terms. In other words, fair value is not the amount an entity would receive or would pay in a forced transaction, an involuntary liquidation or a distress sale. Nevertheless, the fair value reflects the credit quality of the instrument as it incorporates counterparty risk.

Financial instruments

Please see section A.4 Fair value disclosures for more information on the methods used to determine the fair value of financial instruments.

Non-financial assets

Investment property is primarily valued using external appraisals, considering transactions at current prices in an active market for similar properties, in the same location and condition and subject to similar conditions for rentals and other contracts.

Financial guarantees

As part of its ordinary banking operations, the Group grants financial guarantees in the form of letters of credit, acceptances and other guarantees. Commission income earned on guarantees, net of the portion representing the recovery of costs incurred in issuing the guarantee, are recognized on an accruals basis under "Fee and commission income", taking account of the term and residual value of the guarantees.

Following initial recognition, the financial guarantees are measured as the greater of the amount of the provision covering the losses determined in accordance with the rules governing impairment and the initial recognition amount (fair value) less (where appropriate) the cumulative amount of the income that the Group has recognized in accordance with IFRS 15 (deferred income).

Any losses and value adjustments on such guarantees are reported under "Net provisions for risks and charges: a) commitments and guarantees issued" in the income statement. Writedowns due to the impairment of guarantees issued are reported under “Provisions for risk and charges: a) commitments and guarantees issued” in liabilities in the balance sheet.

Guarantees are off-balance-sheet transactions and are reported under “Other information” in Part B of the notes to the financial statements.

Business combinations

The transfer of control of an entity (or a group of integrated activities and assets, conducted and managed together) is a business combination.

IFRS 3 requires that an acquirer be identified for all business combinations. The acquirer is the entity that obtains control over another entity or group of activities. If it is not possible to identify a controlling entity using the definition of control described earlier, such as for example in the case of an exchange of equity interests, the acquirer must be identified using other factors such as: the entity whose fair value is significantly greater, the entity that possibly pays cash or the entity that issues new equity instruments.

The acquisition (and therefore the first consolidation of the acquired entity) must be accounted for on the date on which the acquirer actually obtains control over the entity or the assets acquired. When the business combination is achieved in a single exchange transaction, the date of exchange normally coincides with the acquisition date. However, it is always necessary to check for any agreements between the parties that may involve a transfer of control before the exchange date.

The consideration transferred as part of a business combination is determined as the sum of the fair value, at the exchange date, of the assets transferred, the liabilities incurred or assumed and the equity instruments issued by the acquirer in exchange for control.

In transactions involving payment in cash (or when payment is made using financial instruments comparable to cash) the consideration is the agreed price, possibly discounted if payment will be made in installments over a period longer than short term. If payment is made using an instrument other than cash, such as through 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 equity issue.

The consideration in a business combination at the acquisition date includes adjustments subordinated to future events if envisaged in the transfer agreements and only if they are probable, reliably determinable and made within the twelve months following the date of acquisition of control, while indemnities for a reduction in the value of the assets used are not included as they are already considered in the fair value of the equity instruments or as a reduction in the premium or increase in the discount on the initial issue of debt instruments, where applicable.

The costs related to the acquisition are charges that the acquirer incurs to carry out the business combination. By way of example, these include professional fees paid to auditors, experts, legal consultants, fees for appraisals and the auditing of accounts, preparation of information documents required by regulations, as well as consulting costs incurred to identify potential targets for acquisition if it is contractually established that payment is made only in the event of a successful combination, as well as the costs of registration and the issue of debt or equity securities.

The acquirer must account for the costs related to the acquisition as charges in the periods in which these costs are incurred and the services are received, with the exception of the costs of issuing equity or debt securities, which must be recognized in accordance with the provisions of IAS 32.

Business combinations are accounted for using the acquisition method, under which the identifiable assets acquired (including any intangible assets previously not recognized by the acquiree) and the identifiable liabilities assumed (including contingent liabilities) must be recognized at their respective fair values on the acquisition date. Furthermore, for each business combination, any non-controlling interests in the acquiree can be recognized at fair value (with a consequent increase in the consideration transferred) or as a proportion of the share of the non-controlling interests in the identifiable net assets of the acquiree.

If control is obtained in stages, the acquirer shall recalculate the interest previously held in the acquiree at its respective fair value on the acquisition date and record any difference with respect to the previous carrying amount through profit or loss. 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 acquirer), increased by the value of any non-controlling interest (determined as indicated above), and the fair value of the interest previously held by the acquirer, over the fair value of the assets and liabilities acquired must be recognized as goodwill. However, if the latter exceed the sum of the consideration, non-controlling interest and the fair value of the interest previously held, the difference is recognized in profit or loss.

Following initial recognition, goodwill is measured at cost net of accumulated impairment losses. For the purpose of impairment testing, the goodwill acquired in a business combination is allocated, from the acquisition date, to each cash generating unit of the Group that is expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities of the acquired entity are assigned to those units.

If goodwill has been allocated to a cash-generating unit and the entity disposes of part of the assets of the unit, the goodwill associated with the transferred asset is included in the carrying amount of the asset when determining the gain or loss on disposal. The goodwill associated with the transferred asset is determined on the basis of the relative values of the transferred asset and the part retained by the cash-generating unit.

Business combinations can be accounted for provisionally by the end of the reporting period in which the combination occurs, with the accounting to be completed within twelve months of the acquisition date.

If the business combination is carried out for reorganizational purposes, i.e. between two or more entities or businesses that already belong to the same group and the combination does not involve a change in control regardless of the extent of non-controlling interests before and after the business combination (business combinations of entities under common control), the transaction is considered to be without economic substance. Accordingly, in the absence of specific instructions in the IASs/IFRSs and in compliance with the presumptions of IAS 8 which require that - in the absence of a specific standard – an entity shall use of its judgment in applying an accounting policy that provides relevant, reliable, prudent information that reflects the economic substance of the transaction, such combinations are accounted for preserving the values in the financial statements of the acquiree in those of the acquirer.

Mergers are the form of business combination that represents the most complete form of combination, as they involve both the legal and economic unification of the participating parties.

Mergers, whether they are mergers of equals, i.e. with the establishment of a new legal entity following the combination, or the combination of one entity into another surviving entity, are treated in accordance with the criteria illustrated previously, and in particular:

- if the transaction involves the transfer of control of an entity, it is treated as a business combination within the scope of IFRS 3;
- if the transaction does not involve the transfer of control, it is accounted for by preserving the values in the financial statements of the merged entity in the surviving entity.

A.3 – DISCLOSURES ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

In execution of shareholders' resolutions passed in December 2018 and following the establishment and launch of the Iccrea Cooperative Banking Group , at the beginning of 2019 71 mutual banks reconfigured the business model of their financial portfolio, reclassifying about €3.7 billion of securities held under the hold to collect and sell (HTCS) business model to the hold to collect (HTC) business model and reclassifying about €0.3 billion of securities held under the hold to collect (HTC) business model to the hold to collect and sell (HTCS) business model.

No financial assets were reclassified in the years following 2019.

The following table reports the reclassified carrying amount at January 1, 2019 of the reclassified assets as at that date and still recognized at the reporting date as they were not sold or otherwise derecognized during the period.

A.3.1 RECLASSIFIED FINANCIAL ASSETS: CHANGE IN BUSINESS MODEL, CARRYING AMOUNT AND INTEREST INCOME

Type of financial instrument	Original portfolio	New portfolio	Reclassification date	Reclassified carrying amount	Interest income recognized in the period (before taxes)
Debt securities	Financial assets measured at fair value through other comprehensive income	Financial assets measured at amortized cost	31/12/2019	987,008	-

A.4 – FAIR VALUE DISCLOSURE

QUALITATIVE DISCLOSURES

This section provides the disclosures on the fair value of financial instruments as requested under IFRS 13, in particular paragraphs 91 and 92.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the “exit price”) on the principal (or most advantageous) market, regardless of whether that price is directly observable or is estimated using a valuation technique.

Prices on an active market are the best indication of the fair value of financial instruments (Level 1 in the fair value hierarchy). In the absence of an active market or where prices are affected by forced transactions, fair value is determined on the basis of the prices of financial instruments with similar characteristics (Level 2 inputs – the comparable approach) or, in the absence of such prices as well, with the use of valuation techniques that use market inputs to the greatest extent possible (Level 2 inputs – model valuation - mark to model). Where market data is not available, inputs not drawn from the market and estimates and model forecasts may be used (Level 3 inputs – model valuation - mark to model). Where market data is not available, inputs not drawn from the market and estimates and model forecasts may be used (Level 3 inputs – model valuation - mark to model).

For financial instruments measured at fair value, the Group assigns maximum priority to prices quoted on active markets and lower priority to the use of unobservable inputs, as the latter are more discretionary, in line with the fair value hierarchy noted above and discussed in greater detail in section A.4.3 below. The policy establishes the order of priority, the criteria and general conditions used to determine the choice of one of the following valuation techniques:

- mark to market: a valuation approach using inputs classified as Level 1 in the fair value hierarchy;
- the comparable approach: a valuation approach based on the use of the prices of instruments similar to the one undergoing valuation, which are classified as Level 2 in the fair value hierarchy;
- mark to model: a valuation approach based on the use of pricing models whose inputs are classified as Level 2 (in the case of the exclusive use of market observable inputs) or Level 3 (in the case of the use of at least one significant unobservable input) in the fair value hierarchy.

Mark to market

Classification in Level 1 of the fair value hierarchy represents the mark-to-market approach. For an instrument to be classified in Level 1 of the fair value hierarchy, its value must be based solely on quoted prices in an active market to which the Bank has access at the time of valuation (Level 1 inputs).

A quoted price in an active market provides the most reliable evidence of fair value and is used without adjustment to measure fair value.

The concept of active market is a key concept in allocating a financial instrument to Level 1. An active market is a market (or dealer, broker, industrial group, pricing service or regulatory agency) in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Thus, the definition implies that the concept of active market is associated with the individual financial instrument and not the market itself, and it is therefore necessary to conduct materiality tests.

The definition of “active market” is broader than that of “regulated market”: regulated markets are defined as the markets included in the list provided for by Article 63, paragraph 2, of the Consolidated Finance Act (TUF) and in the special section of the same list (see Article 67, paragraph 1, of the TUF). These markets are managed by companies authorized by CONSOB that operate in accordance with the provisions of the TUF and under the supervision of CONSOB itself.

Other markets in addition to regulated markets include organized trading systems (Multilateral Trading Systems and Systematic Internalizers) defined, pursuant to Legislative Decree 58/98, as a “set of rules and structures, including automated structures, which make exchange possible, on an ongoing or periodic basis, in order to collect and transmit orders for transactions in financial instruments and to settle these orders, for the purpose of concluding contracts”: although normally the financial instruments listed on these markets fall within the definition of instruments listed on active markets, there may be situations in which officially listed instruments are not liquid due to low trading volumes. In such cases, quoted prices cannot be considered representative of the fair value of an instrument. Generally speaking, multilateral trading facilities (MTF) can be considered active markets if they are characterized by continuous and significant trading and/or by the presence of binding prices provided by the market maker, such as to ensure the formation of prices that actually represent the fair value of the instrument.

Financial instruments are also listed on regulated markets in other countries, and therefore not regulated by CONSOB, whose prices are available daily. These prices are considered representative of the fair value of the financial instruments insofar as they represent the result of a regular transaction and not only of offers to buy or sell. Finally, other markets, while not regulated, can also be considered active markets (e.g. platforms such as Bloomberg or Markit). Electronic over-the-counter (OTC) trading circuits are considered active markets to the extent that the quotations provided actually represent the price at which a normal transaction would occur. Similarly, the quotes published by brokers are representative of fair value if they reflect the actual price level of the instrument in a liquid market (that is, they are not indicative prices, but rather binding offers).

Ultimately, in order to consider a market active, the significance of the price observed on the market itself is of particular importance and, for this reason, the following factors are considered:

- bid-ask spreads: the difference between the price at which an intermediary undertakes to sell the securities (ask) and the price at which it undertakes to buy them (bid). The larger the spread, the lower the liquidity of the market and therefore the significance of the price;
- breadth and depth of the trading book: the first concept refers to the presence of offers of large dimensions, while the depth of the book means the existence of both purchase and sell orders for numerous price levels;
- number of contributors: number of market participants providing purchase or sell offers for a specific instrument. The larger the number of active market participants, the greater the significance of the price;
- availability of information on the terms and conditions of transactions;
- price volatility: presence of daily prices of the instrument outside a certain range. The lower the volatility of the prices, the greater the significance of the price.

Comparable approach

As already noted, the fair value of financial instruments classified in Level 2 can be determined using two different approaches: the so-called comparable approach, which presupposes the use of prices quoted on active markets for similar assets or liabilities or the prices of identical assets or liabilities on inactive markets, and the model valuation approach (or mark to model), which uses valuation techniques based on observable inputs concerning the instrument itself or similar instruments.

In the case of the comparable approach, measurement is based on the prices of substantively comparable instruments in terms of risk-return, maturity and other trading conditions. The following Level 2 inputs are necessary for use of the comparable approach:

- quoted prices on active markets for similar assets or liabilities;
- quoted prices for the instrument involved or for similar instruments on inactive markets, i.e. markets in which transactions are infrequent, prices are not current, change significantly over time or among the various market makers or on which little information is made public.

If there are quoted instruments that meet all of the comparability criteria indicated here, the value of the Level 2 instrument is considered to correspond to the quoted price of the comparable instrument, adjusted if necessary for factors observable on the market.

However, if the conditions for using the comparable approach directly do not apply, the approach may still be used as an input in Level 2 mark-to-model valuations.

Mark-to-model approach

In the absence of quoted prices for the instrument or for comparable instruments, valuation models are adopted. Valuation models must always maximize the use of market inputs. Accordingly, they must make priority use of observable market inputs (e.g. interest rates and yield curves observable at commonly quoted intervals, volatilities, credit spreads, etc.).

In the absence of directly or indirectly observable inputs or where they are insufficient to determine the fair value of an instrument, inputs that are not observable on the market be used (discretionary estimates and assumptions). With the consequent allocation of the estimate obtained to Level 3 of the fair value hierarchy.

The mark-to-model technique therefore does not give rise to a single classification within the fair value hierarchy. Depending on the observability and materiality of the inputs used in the valuation model, an instrument could be assigned to Level 2 or Level 3.

A.4.1 FAIR VALUE LEVELS 2 AND 3: VALUATION TECHNIQUES AND INPUTS USED

The Group uses mark-to-model approaches in line with methods that are generally accepted and used in the industry. The valuation models comprise techniques based on the discounting of future cash flows and the estimation of volatility. They are reviewed both during their development and periodically thereafter in order to ensure their full consistency with the valuation objectives.

In the absence of quoted prices on active markets, financial instruments are measured as follows:

- bonds are measured using a discounted cash flow model adjusted for the credit risk of the issuer. The inputs used are yield curves and credit spreads for the issuer. The discount rule based on the guarantor’s yield curve is applied to these securities, failing which the sectoral curve corresponding to the rating of the security (or of the guarantor in case of unavailability) and the guarantor’s product sector is used. The inputs used include yield curves and any illiquidity spread;
- structured bonds are measured using a discounted cash flow model that incorporates valuations from option pricing models, adjusted for the credit risk of the issuer. The discount rule based on the guarantor’s yield curve is applied to these securities, failing which the sectoral curve corresponding to the rating of the security (or of the guarantor in case of unavailability) and the guarantor’s product sector is used. The inputs used include yield curves and any illiquidity spread, volatility surfaces and the correlation matrix for the underlyings;
- asset backed securities (ABS) are measured using the discounted sum of expected future cash flows. The cash flow model estimates future developments in the underlying asset portfolio, taking account of payment reports, market data and model input parameters, applying the priority of payments to obtain the expected future cash flows for the notes (interest and principal). Once the expected cash flows have been obtained, the PV of each individual note is obtained by discounting these flows using the discount margin method for variable-rate securities, or the discount yield for fixed-rate securities. The inputs used include, in addition to the government securities yield curve, the illiquidity spread;
- derivatives on interest rates are measured using discounted cash flow models, within the multi-curve framework based on OIS discounting;
- derivatives involving options on rates, such as caps/floors and European swaptions, are measured using the Bachelier model, which uses the volatility matrix for these instruments and interest rates as market input parameters, in accordance with the multi-curve measurement framework based on OIS/BC Discounting;
- equity and CIU derivatives are valued using the Black&Scholes models (or models based on it, such as the Rubinstein model for forward starts and the Nengju Ju model for Asian options), which includes an estimate of volatility through interpolation by maturity and strike prices on a volatility matrix, as well as the inclusion of dividends. The inputs used are the price of the underlying equity, the volatility surface and the interest rate dividend curve. The estimate of the value uses the OIS/BC discounting approach;
- derivatives on exchange rates are valued using a discounted cash flow approach for plain-vanilla contracts or a Garman and Kohlhagen model for European options on exchange rates. The inputs are spot exchange rates and the forward points curve and volatility surfaces for plain-vanilla options. The estimate of the value uses the OIS/BC discounting approach;
- inflation derivatives, such as zero-coupon indexed inflation swaps and CPI swaps, are measured using a discounted cash flow approach, which in turn are measured on the basis of the term structure of inflation and seasonal factors (CPI Cash Flow Model), a in accordance with the multi-curve measurement framework based on OIS/BC discounting;
- equity securities are measured at fair value estimated using models applied in valuation practice or using balance sheet, income or mixed methods or with reference to direct transactions in the same security or similar securities observed over an appropriate span of time with respect to the valuation date. They are measured at cost if their carrying amount is below the materiality thresholds set by the Group both at individual and

consolidated level and in cases where the cost represents a reliable estimate of fair value (e.g. because the most recent information to evaluate fair value is not available);

- investments in CIUs other than open-end harmonized funds are generally valued on the basis of the NAVs (adjusted where necessary with a specific liquidity adjustment if not fully representative of the fair value) made available by the asset management companies. These investments include private equity funds, real estate investment funds, bond funds and loan-based funds (impaired and performing)
- medium/long-term loans to customers are measured on the basis of a mark-to-model process using the discounted cash flow approach for the positions and other models for estimating option components where applicable;
- for medium/long-term liabilities, represented by securities for which the fair value option was chosen, the fair value is determined alternatively by either discounting the residual contractual cash flows using the zero-coupon yield curve, by applying the asset swap method or by using other yield curves deemed representative of the Bank's credit standing;
- for tax credits pursuant to the Cure Italy and Revival Decrees, the fair value is estimated by constructing two discount factor vectors applicable to, respectively, tax credits held by the Parent Company and by the mutual banks. The fair value of each credit designated as held under the Other or HTCS business models is obtained by multiplying the nominal value of the portion of the credit applicable to future portions of each year by the appropriate discount factor.

Significant unobservable inputs used in valuing instruments in Level 3 mainly include:

- estimates and assumptions underlying the models used to measure investments in equity securities and units in CIUs;
- Probability of Default (PD) and Loss Given Default (LGD): the parameters are derived from the impairment model. They are used to measure financial instruments for disclosure purposes only;
- credit spreads: the figure is extrapolated to create sector CDS curves using regression algorithms on the basis of a panel of single-name CDS curves. The figure is used to value financial instruments for disclosure purposes only;
- the liquidity spreads used in the mark-to-model measurement of ABS.

The Group also provides for the possibility of applying valuation adjustments to the prices of financial instruments when the valuation technique used does not capture factors that market participants would use in estimating fair value, for example when it is necessary to ensure that the fair value reflects the value of a transaction that could actually be carried out in a market.

The factors impacting the need for an adjustment include the complexity of the financial instrument; the credit standing of the counterparty; and the presence of any collateral agreements. In particular, the Group uses a method for calculating the CVA/DVA (Credit Value Adjustments/Debt Value Adjustments) in order to adjust the calculation of the fair value of uncollateralized derivatives in order to take account of counterparty risk (non-performance risk). The CVA/DVA is not calculated when collateral agreements have been formalized and are operational for derivatives positions.

With particular regard to units held in unlisted alternative investment funds (so-called AIFs),a liquidity adjustment is determined to be applied to the Net Asset Value (NAV) of the unlisted funds held.

The methodological approach adopted provides for the consideration, in line with market best practice, of the following main elements:

- the average holding period of the individual unlisted funds before they can be sold;
- the characteristics of the individual assets held by the fund and their level of volatility in the holding period considered (degree of uncertainty);
- the level of risk aversion reflected in a prudent threshold which, with reference to the distribution of the possible returns/final value of the asset/portfolio considered, makes it possible to measure any divergence from their expected value.

The use of these elements made it possible to estimate a discount with respect to the NAV, calculated as a percentage adjustment of the risk premium linked to the uncertainty concerning potential unfavorable changes in value before their realization while also taking account of the management costs of the funds not incorporated in the NAVs of the individual unlisted funds.

For these interim financial statements, the percentage adjustment applied was respectively 4.1% for real estate funds, 11.5% for private debt–bad loan funds, 5.0% for private debt – NPL UTP funds, 3.9% for private debt – Performing loan funds, 2.3% for private debt – bond funds and 8.1% for private equity funds.

A.4.2 VALUATION PROCESSES AND SENSITIVITY

The Group conducted an analysis of the potential sensitivity of the valuations of instruments classified in Level 3 and measured at fair value on a recurring basis to changes in the unobservable market parameters.

Level 3 exposures to financial instruments are mainly represented by units in CIUs, property, plant and equipment and equity securities.

The sensitivity analysis of unobservable inputs is conducted through a stress test of all significant unobservable inputs for the different types of assets. The tests are used to determine the potential changes in the fair value by category of asset attributable to changes in the determination of unobservable inputs (such as the volatility and the correlation of the recovery rates of the clusters for the NPL component of funds and the distribution haircut for the real estate component.

This analysis demonstrated that the sensitivity impacts were not material.

A.4.3 FAIR VALUE HIERARCHY

Under the provisions of IFRS 13, all fair value valuations must be classified within the three levels that delineate the valuation process on the basis of the characteristics and significance of the inputs used:

- Level 1: unadjusted quoted prices on an active market. Fair value is drawn directly from quoted prices observed on active markets. A financial instrument is considered to be quoted on an active market if prices are readily and regularly available and represent actual market transactions carried out on normal terms on a regulated market or MTF;
- Level 2: inputs other than the quoted prices noted above that are observable on the market either directly (prices) or indirectly (derivatives on prices). Fair value is determined using valuation techniques that provide for: a) the use of market inputs indirectly connected with the instrument being valued and derived from instruments with similar risk characteristics or quoted on inactive markets (the comparable approach); or b) that use observable inputs;
- Level 3: inputs that are not observable on the market. Fair value is determined using valuation techniques that use significant unobservable inputs, such as non-binding quotes provided by infoproviders (Mark to Model approach).

The following are normally considered Level 1:

- shares, debt securities and units of CIUs listed on regulated markets. Units of CIUs include mutual investment funds (UCITS, AIFs and restricted FIAs), SICAVs/SICAFs and ETPs (Exchange Traded Products);
- debt securities listed on Multilateral Trading Facilities (MTF) which meet the “specific requirements for multilateral trading systems” set out in MiFID II;
- debt securities whose fair value is equal to the unadjusted prices provided by brokers/market makers from an active market for an identical instrument and executable at the declared level;
- Units of CIUs whose value (NAV) is provided directly by the market operator;
- listed derivative financial instruments and issued financial liabilities whose fair value at the valuation date corresponds to the price quoted on an active market.

The following are normally considered Level 2:

- debt securities issued by national and international issuers that are not listed on an active market and are measured using approaches that mainly employ observable market inputs;
- debt securities whose fair value is equal to the prices provided by brokers/market makers determined with a valuation model based on observable market inputs;
- OTC financial derivatives entered into with institutional counterparties for which the main inputs are observable market data;

- units of CIUs whose prices are provided by the issuing entity (the so-called “soft NAV”) or whose fair value is adjusted using pricing models based on observable market inputs;
- insurance policies and interest-bearing postal bonds whose fair value is approximated, respectively, by the surrender and redemption value, which under applicable regulations represent the exit prices for those instruments.

Finally, the following are normally considered Level 3:

- debt securities not listed on an active market and measured using approaches that mainly employ unobservable inputs;
- debt securities whose fair value is equal to the prices provided by brokers/market makers determined with a valuation model based on unobservable inputs;
- equity securities and issued financial liabilities for which there are no prices quoted on active markets at the valuation date and which are mainly valued using techniques based on unobservable market data;
- OTC financial derivatives entered into with institutional counterparties and measured using pricing models similar to those used for Level 2 valuations but from which they differ in the degree of observability of the inputs used in the pricing techniques;
- financial derivatives entered into with customers for which the fair value adjustment taking account of default risk is significant with respect to the total value of the financial instrument;
- units of CIUs whose prices are provided by the issuing entity (the so-called “soft NAV”) or whose fair value is adjusted using pricing models not based entirely on observable market inputs.

The fair value of tax credits under the “Cure Italy” and “Revival” Decrees is treated as Level 3.

In general, transfers of financial instruments between Level 1 and Level 2 in the fair value hierarchy only occur in the event of changes in the market in the period considered. For example, if a market previously considered active no longer meets the minimum requirements for being considered active, the instrument will be reclassified to a lower level; in the opposite case, it will be raised to a higher level.

A.4.4 OTHER INFORMATION

The circumstances referred to in paragraphs 48, 93 letter (i) and 96 of IFRS 13 do not apply to the Group’s financial statements as the Group is not managing groups of financial assets and liabilities on the basis of its net exposure to a specific market risk (or risks) or to the credit risk of a specific counterparty and the highest and best use of a non-financial asset does not differ from its current use.

QUANTITATIVE DISCLOSURES

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 INPUT LEVEL

	30/06/2024			31/12/2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss	479,730	594,507	370,342	494,834	639,833	359,567
a) financial assets held for trading	114,349	84,385	236	92,514	134,522	264
b) financial assets designated as at fair value	322,706	-	1,147	315,788	-	1,289
c) other financial assets mandatorily measured at fair value	42,675	510,122	368,959	86,532	505,311	358,015
2. Financial assets measured at fair value through comprehensive income	7,004,370	546,036	53,124	7,192,758	446,739	53,914
3. Hedging derivatives	228	1,131,984	-	443	950,814	-
4. Property, plant and equipment	-	472	360,418	-	-	360,826
5. Intangible assets	-	-	-	-	-	-
Total	**7,484,328**	**2,272,999**	**783,884**	**7,688,036**	**2,037,386**	**774,307**
1. Financial liabilities held for trading	14,278	71,158	-	9,559	102,028	-
2. Financial liabilities designated as at fair value	-	-	-	-	-	-
3. Hedging derivatives	206	158,014	-	176	220,301	-
Total	**14,484**	**229,172**	**-**	**9,735**	**322,329**	**-**

PART B - INFORMATION ON THE CONSOLIDATED BALANCE SHEET

ASSETS

SECTION 1 - CASH AND CASH EQUIVALENTS – ITEM 10

1.1 CASH AND CASH EQUIVALENTS: COMPOSITION

		Total 30/06/2024	Total 31/12/2023
a) Cash		630,259	733,523
b) Current accounts and demand deposits with central banks		706,996	3,956,181
c) Current accounts and demand deposits with banks		224,474	266,718
	Total	**1,561,729**	**4,956,422**

The item "Demand deposits with central banks", a decrease compared with the end of the previous year, includes deposits with the Bank of Italy, including €615 million attributable to overnight deposits, €13 million attributable to the Guarantee Scheme operated by Parent Company and €80 million connected with the instant payments service. The decrease is mainly attributable to the closure at the start of the year of an overnight deposit of €3.8 billion that had been established at the end of 2023.

SECTION 2 - FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS – ITEM 20

2.1 FINANCIAL ASSETS HELD FOR TRADING: COMPOSITION BY TYPE

	Total 30/06/2024			Total 31/12/2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. On-balance-sheet assets						
1. Debt securities	**112,447**	**11**	**13**	**80,356**	**6,325**	**13**
1.1 structured securities	15,082	6	10	6,212	5	10
1.2 other debt securities	97,365	5	3	74,144	6,320	3
2. Equity securities	**1,205**	**-**	**-**	**1,758**	**-**	**-**
3. Units in collective investment undertakings	**418**	**5,223**	**114**	**10,080**	**14**	**105**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 repurchase agreements	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-
Total (A)	**114,070**	**5,234**	**127**	**92,194**	**6,340**	**118**
B. Derivatives						
1. Financial derivatives	**279**	**79,151**	**109**	**320**	**128,182**	**145**
1.1 trading	279	79,151	109	320	128,182	145
1.2 associated with fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
2.1 trading	-	-	-	-	-	-
2.2 associated with fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	**279**	**79,151**	**109**	**320**	**128,182**	**145**
Total (A+B)	**114,349**	**84,385**	**236**	**92,514**	**134,522**	**263**

The sub-item A.1 – 1.2 "other debt securities" mainly includes government securities held for trading in the amount of about €76 million, an increase of €26 million compared with the end of the previous year.

The sub-item B.1 – 1.1 reports the market value of the derivatives originated by Group operations in the amount of €80 million, a decrease compared with the end of the previous year.

2.3 FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE: COMPOSITION BY TYPE

	Total 30/06/2024			Total 31/12/2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1.Debt securities	**322,706**	**-**	**-**	**315,788**	**-**	**-**
1.1 structured securities	-	-	-	-	-	-
1.2 other debt securities	322,706	-	-	315,788	-	-
2. Loans	**-**	**-**	**1,147**	**-**	**-**	**1,289**
2.1 structured	-	-	-	-	-	-
2.2 other	-	-	1,147	-	-	1,289
Total	**322,706**	**-**	**1,147**	**315,788**	**-**	**1,289**

The item 1.2 “other debt securities”, unchanged from the end of the previous year, includes the balance for securities in which the liquidity from the Guarantee Scheme operated by Parent Company is invested.

2.5 OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE: COMPOSITION BY TYPE

	Total 30/06/2024			Total 31/12/2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**4,127**	**22,956**	**2,288**	**20,463**	**20,067**	**4,790**
1.1 structured securities	3,096	3,528	-	2,981	500	-
1.2 other debt securities	1,031	19,428	2,288	17,482	19,567	4,790
2. Equity securities	**34,530**	**30,732**	**7,569**	**32,949**	**28,110**	**9,843**
3. Units in collective investment undertakings	**4,018**	**72,347**	**330,890**	**33,120**	**66,672**	**310,972**
4. Loans	**-**	**384,087**	**28,212**	**-**	**390,462**	**32,410**
4.1 repurchase agreements	-	-	-	-	-	-
4.2 other	-	384,087	28,212	-	390,462	32,410
Total	**42,675**	**510,122**	**368,959**	**86,532**	**505,311**	**358,015**

The item includes financial instruments that under IFRS 9 do not meet the requirements for measurement at amortized cost or at fair value through other comprehensive income (unit in CIUs, insurance policies, postal savings bonds, debt securities and loans failing to pass the SPPI test).

The decrease in debt securities is mainly attributable to securities matured or sold during the period.

The largest components of loans reported under 4.2 “Other” include insurance policies underwritten by the banks of the Group in the amount of about €332 million and interest-bearing postal bonds in the amount of about €38 million, essentially unchanged over the previous year.

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: COMPOSITION BY TYPE

	Total 30/06/2024			Total 31/12/2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**6,970,916**	**123,826**	**10**	**7,166,410**	**22,633**	**18**
1.1 structured securities	425,692	39,745	-	346,087	-	-
1.2 other debt securities	6,545,224	84,081	10	6,820,323	22,633	18
2. Equity securities	**33,454**	**422,210**	**53,114**	**26,349**	**424,106**	**53,896**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**7,004,370**	**546,036**	**53,124**	**7,192,759**	**446,739**	**53,914**

The item “Debt securities” mainly includes government securities.

“Equity securities - Level 2” includes the equity investment in the Bank of Italy in the amount of €375 million. The remainder of equity securities mainly includes non-controlling interests.

3.3 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: GROSS VALUE AND TOTAL WRITEOFFS

	Gross amount					Total writeoffs				
	Stage 1	of which: instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	Total partial writeoffs *
Debt securities	7,011,374	6,695,820	90,279	10	-	(2,520)	(4,391)	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 30/06/2024	**7,011,374**	**6,695,820**	**90,279**	**10**	**-**	**(2,520)**	**(4,391)**	**-**	**-**	**-**
Total 31/12/2023	**7,109,883**	**6,871,800**	**86,762**	**18**	**-**	**(2,692)**	**(4,910)**	**-**	**-**	**-**

** Value to be reported for information purposes*

SECTION 4 - FINANCIAL ASSETS MEASURED AT AMORTIZED COST - ITEM 40

4.1 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN OF LOANS AND RECEIVABLES WITH BANKS

	Total 30/06/2024						Total 31/12/2023					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stage 1 and 2	Stage 3	of which: purchased or originated credit-impaired	Level 1	Level 2	Level 3	Stage 1 and 2	Stage 3	of which: purchased or originated credit-impaired	Level 1	Level 2	Level 3
A. Claims on central banks	**1,015,857**	**-**	**-**	**-**	**-**	**1,015,857**	**1,947,030**	**-**	**-**	**-**	**-**	**1,947,030**
1. Fixed-term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Reserve requirements	1,015,847	-	-	X	X	X	1,947,020	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	10	-	-	X	X	X	10	-	-	X	X	X
B. Due from banks	**1,912,588**	**-**	**-**	**1,395,415**	**177,229**	**335,500**	**2,228,913**	**-**	**-**	**1,453,271**	**93,965**	**655,558**
1. Financing	373,795	-	-	-	37,048	335,500	709,190	-	-	-	52,354	655,558
1.1 Current accounts and demand deposits	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Fixed-term deposits	70,604	-	-	X	X	X	32,525	-	-	X	X	X
1.3. Other financing:	303,191	-	-	X	X	X	676,665	-	-	X	X	X
- Repurchase agreements	1,979	-	-	X	X	X	-	-	-	X	X	X
- Finance leases	218	-	-	X	X	X	240	-	-	X	X	X
- Other	300,994	-	-	X	X	X	676,425	-	-	X	X	X
2. Debts securities	1,538,793	-	-	1,395,415	140,181	-	1,519,723	-	-	1,453,271	41,611	-
2.1 Structured securities	634,119	-	-	615,450	23,110	-	553,588	-	-	550,734	49	-
2.2 Other debt securities	904,674	-	-	779,965	117,071	-	966,135	-	-	902,537	41,562	-
Total	**2,928,445**	**-**	**-**	**1,395,415**	**177,229**	**1,351,357**	**4,175,943**	**-**	**-**	**1,453,271**	**93,965**	**2,602,588**

“Claims on central banks” total about €1 billion (down more than €900 million compared with the previous year) and include the balance of the Group banks’ reserve requirement managed on behalf of the mutual banks by the Parent Company.

The sub-item “debt securities” comes to €1.5 billion, slightly up from the end of the previous year, and is attributable to bank bonds held by the Group.

4.2 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN BY PRODUCT OF LOANS AND RECEIVABLES WITH CUSTOMERS

	Total 30/06/2024						Total 31/12/2023					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stage 1 and 2	Stage 3	of which: purchased or originated credit-impaired	Level 1	Level 2	Level 3	Stage 1 and 2	Stage 3	of which: purchased or originated credit-impaired	Level 1	Level 2	Level 3
1. Loans	**92,032,179**	**969,670**	**4,036**	**-**	**3,597,696**	**92,681,009**	**89,870,160**	**1,011,479**	**4,619**	**-**	**380,675**	**93,998,699**
1.1. Current accounts	5,964,288	98,419	33	X	X	X	6,289,793	93,912	43	X	X	X
1.2. Repurchase agreements	3,471,630	-	-	X	X	X	874,600	-	-	X	X	X
1.3. Medium/long term loans	68,595,149	762,927	2,870	X	X	X	68,644,743	810,902	3,266	X	X	X
1.4. Credit cards, personal loans and loans repaid by automatic deductions from wage	2,547,022	13,007	-	X	X	X	2,375,829	13,456	-	X	X	X
1.5. Finance leases	3,457,916	63,493	-	X	X	X	3,556,259	61,957	-	X	X	X
1.6. Factoring	643,968	8,116	-	X	X	X	807,002	7,584	-	X	X	X
1.7. Other loans	7,352,206	23,708	1,133	X	X	X	7,321,934	23,668	1,310	X	X	X
2. Debt securities	**49,538,196**	**101**	**-**	**46,313,009**	**864,236**	**1,062,644**	**50,418,240**	**160**	**-**	**46,752,115**	**773,437**	**1,150,262**
2.1. Structured securities	693,031	-	-	639,964	36,783	2,630	564,858	43	-	494,568	48,794	8,820
2.2. Other debt securities	48,845,165	101	-	45,673,045	827,453	1,060,014	49,853,382	117	-	46,257,547	724,643	1,141,442
Total	**141,570,375**	**969,771**	**4,036**	**46,313,009**	**4,461,931**	**93,743,654**	**140,288,400**	**1,011,639**	**4,619**	**46,752,115**	**1,154,112**	**95,148,961**

Loans to customers classified here came to about €142.5 billion, up €1.2 billion on the previous year.

The balance of "loans" increased by €1.2 billion on the end of 2023. The item "Repurchase agreements" came to €3.5 billion and mainly include amounts connected with transactions with the Clearing & Guarantee Fund, up by €2.6 billion on the end of 2023. Medium/long-term loans, amounting to €69.4 billion, are mainly granted to households and non-financial companies and slightly decreased by about €0.1 billion. Current accounts also declined by about €0.3 billion compared with the end of the previous year.

"Debt securities" classified here came to €49.5 billion, down by €0.9 billion on the end of 2023, and mainly include about €48 billion of government securities.

4.4 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: GROSS AMOUNT AND TOTAL WRITEOFFS

		Gross amount					Total writeoffs				Total partial writeoffs *
		Stage 1	of which: instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
Debt securities		50,763,928	48,418,684	414,784	1,531	-	(12,484)	(89,239)	(1,430)	-	-
Loans		85,539,957	8,552,142	8,657,752	3,558,510	11,527	(314,857)	(461,021)	(2,588,840)	(7,491)	(422,902)
Total	**30/06/2024**	**136,303,885**	**56,970,826**	**9,072,536**	**3,560,041**	**11,527**	**(327,341)**	**(550,260)**	**(2,590,270)**	**(7,491)**	**(422,902)**
Total	**31/12/2023**	**135,973,495**	**50,722,686**	**9,461,791**	**3,641,064**	**12,785**	**(364,244)**	**(606,699)**	**(2,629,424)**	**(8,167)**	**(487,052)**

** Value to be reported for information purposes*

SECTION 5 – HEDGING DERIVATIVES - ITEM 50

5.1 HEDGING DERIVATIVES: COMPOSITION BY TYPE OF CONTRACT AND LEVEL OF INPUT

	FV 30/06/2024			NV	FV 31/12/2023			NV
	Level 1	Level 2	Level 3	30/06/2024	Level 1	Level 2	Level 3	31/12/2023
A. Financial derivatives								
1. Fair value	228	1,128,295	-	14,044,706	443	947,589	-	11,995,796
2. Cash flows	-	3,689	-	512,500	-	3,226	-	317,000
3. Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives								
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
Total	**228**	**1,131,984**	**-**	**14,557,206**	**443**	**950,815**	**-**	**12,312,796**

Key
NV=notional value

The increase in the balances compared with 2023 is mainly attributable to an increase in such operations and the increase in swap rates observed during the period, reflecting the nature of the items hedged, mainly represented by fixed-rate long-term loans and fixed-rate securities.

SECTION 6 - VALUE ADJUSTMENTS OF FINANCIAL ASSETS HEDGED GENERICALLY – ITEM 60

6.1 VALUE ADJUSTMENTS OF HEDGED ASSETS: COMPOSITION OF HEDGED PORTFOLIOS

	Total 30/06/2024	Total 31/12/2023
1. Positive adjustments	**8,290**	**19,962**
1.1 of specific portfolios:	8,290	19,962
a) financial assets measured at amortized cost	8,290	19,962
b) financial assets measured at fair value through comprehensive income	-	-
1.2 comprehensive	-	-
2. Negative adjustments	**(727,229)**	**(657,789)**
2.1 of specific portfolios:	(727,229)	(657,789)
a) financial assets measured at amortized cost	(726,387)	(656,898)
b) financial assets measured at fair value through comprehensive income	(842)	(891)
2.2 comprehensive	-	-
Total	**(718,939)**	**(637,827)**

The item refers to the negative value adjustment of macro-hedged assets and is correlated with the positive fair value of macro-hedging derivatives shown in Table 5.1 - Hedging derivatives.

SECTION 7 – EQUITY INVESTMENTS – ITEM 70

7.1 EQUITY INVESTMENTS: INFORMATION ON INVESTMENTS

	Registered office	Operational headquarters	Type of relationship	Investment		% of votes
				Investor	% holding	
A. Joint ventures						
B. Companies subject to significant influence						
BCC Vita SpA	Milan	Milan	Significant influence	Iccrea Banca SpA	49%	49%
BCC Assicurazioni SpA	Milan	Milan	Significant influence	Iccrea Banca SpA	49%	49%
Pitagora SpA	Turin	Turin	Significant influence	Iccrea Banca SpA	9.9%	9.9%
Numia Group SpA	Milan	Milan	Significant influence	Iccrea Banca SpA	40.0%	40.0%
Vorvel SIM SpA	Milan	Milan	Significant influence	Iccrea Banca SpA	20.0%	20.0%
Polo Verde Srl	Cremona	Cremona	Significant influence	Credito Padano Banca di Credito Cooperativo SC	25.0%	25.0%
Foro Annonario Gest Srl	Cesena	Cesena	Significant influence	Credito Cooperativo Romagnolo BCC di Cesena e Gatteo SC	25.0%	25.0%
Solaria Srl	Grosseto	Grosseto	Significant influence	Banca TEMA - Terre Etrusche e di Maremma SC	40.0%	40.0%
Hbenchmark Srl	Altavilla Vicentina	Altavilla Vicentina	Significant influence	Iccrea Banca SpA	10.0%	10.0%
BDP Assicura Srl	Calcinaia	Calcinaia	Significant influence	Banca di Pisa e Fornacette Credito Cooperativo SC	10.0%	10.0%

7.2 SIGNIFICANT EQUITY INVESTMENTS: CARRYING AMOUNT, FAIR VALUE AND DIVIDENDS RECEIVED

	Carrying amount	Fair value	Dividends received
A. Joint ventures			
B. Companies subject to significant influence			
BCC Vita SpA	87,235		
BCC Assicurazioni SpA	9,454		
Pitagora SpA	11,384	-	377
Numia Group SpA	197,078	-	6,306
Total	**305,151**	**-**	**6,683**

7.6 ASSESSMENTS AND SIGNIFICANT ASSUMPTIONS FOR ESTABLISHING THE EXISTENCE OF JOINT CONTROL OR SIGNIFICANT INFLUENCE

“Part A – Accounting Policies, “Section 3 – Scope and methods of consolidation” of the notes to the financial statements sets out the general criteria for the assessment and significant assumptions made in establishing whether or not we exercise joint control or significant influence over an investee company or another entity.

SECTION 9 - PROPERTY, PLANT AND EQUIPMENT – ITEM 90

9.1 OPERATING PROPERTY, PLANT AND EQUIPMENT: COMPOSITION OF ASSETS CARRIED AT COST

	Total 30/06/2024	Total 31/12/2023
1. Owned assets	**1,602,946**	**1,644,937**
a) land	289,833	300,398
b) buildings	1,096,787	1,124,112
c) movables	57,017	57,903
d) electronic systems	69,319	75,980
e) other	89,990	86,544
2. Assets acquired under finance leases	**231,656**	**235,851**
a) land	1,823	1,830
b) buildings	212,402	216,977
c) movables	287	116
d) electronic systems	8,540	10,957
e) other	8,604	5,971
Total	**1,834,602**	**1,880,788**
of which: obtained through enforcement of guarantees received	1,359	1,180

The rights of use acquired under leases for buildings are attributable almost entirely to the leases of properties used as branches and spaces used to host ATMs or offices.

9.2 INVESTMENT PROPERTY: COMPOSITION OF ASSETS CARRIED AT COST

	Total 30/06/2024				Total 31/12/2023			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Owned assets	**146,434**	**-**	**890**	**160,391**	**146,803**	**-**	**890**	**160,393**
a) land	29,610	-	267	29,723	29,618	-	267	29,582
b) buildings	116,824	-	623	130,668	117,185	-	623	130,811
2. Right-of-use assets acquired under leases	**7,324**	**-**	**-**	**7,324**	**7,324**	**-**	**-**	**7,326**
a) land	-	-	-	-	-	-	-	-
b) buildings	7,324	-	-	7,324	7,324	-	-	7,326
Total	**153,758**	**-**	**890**	**167,715**	**154,127**	**-**	**890**	**167,719**
of which: obtained through enforcement of guarantees received	31,798	-	-	32,281	32,236	-	6	32,469

9.4 INVESTMENT PROPERTY: COMPOSITION OF ASSETS AT FAIR VALUE

	Total 30/06/2024			Total 31/12/2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Owned assets	**-**	**-**	**360,890**	**-**	**-**	**360,826**
a) land	-	-	645	-	-	645
b) buildings	-	-	360,245	-	-	360,181
2. Right-of-use assets acquired under leases	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
Total	**-**	**-**	**360,890**	**-**	**-**	**360,826**
of which: obtained through enforcement of guarantees received	-	-	-	-	-	-

9.5 INVENTORIES OF PROPERTY, PLANT AND EQUIPMENT WITHIN THE SCOPE OF IAS 2: COMPOSITION

	Total 30/06/2024	Total 31/12/2023
1. Inventories of property, plant and equipment obtained through enforcement of guarantees received	**27,285**	**29,862**
a) land	13,038	13,758
b) buildings	8,041	10,019
c) movables	-	-
d) electronic systems	-	-
e) other	6,206	6,085
2. Other inventories of property, plant and equipment	**4,957**	**16,224**
Total	**32,242**	**46,086**
of which: measured at fair value net of selling costs	1,550	1,550

SECTION 10 – INTANGIBLE ASSETS – ITEM 100

10.1 INTANGIBLE ASSETS: COMPOSITION BY CATEGORY

	Total 30/06/2024		Total 31/12/2023	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	**X**	**18,718**	**X**	**39,011**
A.1.1 pertaining to the Group	X	18,718	X	39,011
A.1.2 pertaining to non-controlling interests	X	-	X	-
A.2 Other intangible assets	**133,660**	**5**	**135,575**	**5**
of which software	120,879	-	120,896	-
A.2.1 Assets carried at cost	133,660	5	135,575	5
a) internally generated intangible assets	5,250	-	5,574	-
b) other assets	128,410	5	130,001	5
A.2.2 Assets designated at fair value	-	-	-	-
a) internally generated intangible assets	-	-	-	-
b) other assets	-	-	-	-
Total	**133,660**	**18,723**	**135,575**	**39,016**

Item A.1.1 includes goodwill paid in the acquisition of bank branches by the Group banks (€3.1 million) and goodwill recognized upon first-time consolidation of certain controlling interests (€15.6 million) prior to the formation of the Mutual Banking Group. The change on the end of 2023 is attributable to goodwill recognized at the end of 2023 following the purchase of a majority of the shares of BCC Vita SpA (€20.3 million), derecognized during the 1st Half of 2024 following the sale of 51% of the Company.

Intangible assets mainly comprise software and licenses.

10.3 OTHER INFORMATION

IAS 36 requires that certain types of asset, including goodwill, undergo impairment testing at least annually (in the case of the Iccrea Cooperative Banking Group and the main Italian banking groups, at the end of the calendar year) in order to verify the recoverability of their value.[30]

The standard also establishes that the annual detailed calculation can be considered valid for the purposes of subsequent assessments as long as the probability that the recoverable value of the assets is less than the carrying amount is considered remote. This judgment is essentially based on an analysis of events that have occurred and any circumstances that may have changed since the date of the most recent annual impairment test.

Specifically, IAS 36 requires the performance of certain qualitative and quantitative analyses in the preparation of the interim financial statements in order to identify the possible existence of impairment indicators ("internal" and "external") and consequently whether the conditions have been met for performing impairment tests more frequently than the ordinary annual testing.

In consideration of the foregoing, analyses were performed to verify the presence or absence, compared with the date of approval of the impairment test performed in the preparation of the consolidated financial statements at December 31, 2023, of indicators/events of either an external or internal nature (so-called trigger events) such as to give rise to the need to perform impairment testing for the interim financial report at June 30, 2024.

More specifically, in consideration of the above, the following external factors were analyzed:

- the evolution of the macroeconomic scenario and the forecasts of the banking sector for the medium term with respect to the assumptions underlying the projections considered in the impairment testing at December 31, 2023;
- the components of the discount rate compared between the situation prevailing at the time of the impairment testing exercise and the current situation;

as well as the following internal factors:

- a comparison of the preliminary data at June 30, 2024 and the expected profit forecasts in the 2023 budget for investee companies undergoing assessment.

The analysis performed found no evidence of impairment for the assets involved.

[30] In the financial statements at December 31, 2023, which readers are invited to consult for more information, impairment tests were conducted to assess the carrying amount of the goodwill recognized by the affiliated banks (€3.1 million gross of impairment of €1 million recognized at the end of the year) and the goodwill recognized in the consolidated financial statements following the acquisition of control over the investees (€15.6 million).

In order to perform impairment testing of the goodwill recognized by the banks, the Group has adopted common criteria and methodological models, in line with best market and theoretical practice, to determine the value in use of the assets. Consistent with the provisions of IAS 36 and taking account of the general principles of reasonableness and demonstrability of the estimates to be used, two distinct approaches have been adopted within the Group (based on the use of a CGU represented, respectively, by the entire company or the branches that originally led to the recognition of goodwill). In the case of the "entire company CGU", the dividend discount model (DDM) - excess capital variant – has been applied. It estimates the value of a company (in this case, the affiliated mutual bank) on the basis of future dividends distributable to shareholders. This method is widely used in accepted valuation practice and supported by the best scholarly work on corporate valuation techniques, with particular regard to companies operating in the financial sector. Affiliates that adopt the "branches acquired CGU" use the discounted cash flow ("DCF") – levered variant. It estimates the value of the economic capital of a company ("equity value") as the sum of the present value of the cash flows distributable to shareholders that it will generate over a specified explicit period for planning projected economic/financial data and of the residual value at the end of that period ("TV"), discounted at a rate equal to the cost of capital ("Ke").

In the measurement of the goodwill recognized in the consolidated financial statements following the acquisition of control over the investee, the CGU is represented by each of these investees. The market multiples method was used to measure the companies, which is based on the assumption that the value of a company can be determined by drawing information from the stock exchange market for companies operating in the same sector of the company being valued ("comparable companies").

SECTION 11 - TAX ASSETS AND LIABILITIES – ITEM 110 OF ASSETS AND ITEM 60 OF LIABILITIES

11.1 DEFERRED TAX ASSETS: COMPOSITION

	30/06/2024		Total	31/12/2023		Total
	IRES	IRAP		IRES	IRAP	
1) Recognized in profit or loss:	**790,089**	**81,012**	**871,100**	**873,671**	**94,863**	**968,534**
a) DTAs pursuant to Law 214/2011	**524,217**	**47,786**	**572,003**	**607,344**	**60,942**	**668,286**
Writedowns of loans to customers	403,122	46,539	449,661	523,328	60,240	583,568
Goodwill and other intangible assets at December 31, 2014	238	43	281	265	50	315
Tax losses/negative value of production pursuant to Law 214/2011	120,857	1,204	122,061	83,751	652	84,403
b) Other	**265,872**	**33,226**	**299,097**	**266,327**	**33,921**	**300,248**
Writedowns of amounts due from banks	2,249	-	2,249	2,190	-	2,190
Writedowns of loans to customers	24,340	8,920	33,260	27,712	10,058	37,770
Goodwill and other intangible assets	3,667	653	4,321	3,977	713	4,690
Tax losses	19,360	-	19,360	21,354	-	21,354
Writedowns of financial instruments	362	280	642	395	136	531
Writedowns from impairment of guarantees issued recognized under liabilities	60,456	148	60,604	62,216	148	62,364
Provisions for risks and charges	93,756	12,384	106,140	87,462	11,554	99,016
Costs of predominantly administrative nature	1,882	18	1,899	2,460	2	2,462
Difference between value for tax purposes and carrying amount of property, plant and equipment and intangible assets	34,641	5,419	40,060	32,703	5,541	38,244
Other	25,158	5,404	30,562	25,858	5,769	31,627
2) Recognized in equity:	**70,034**	**13,770**	**83,804**	**72,773**	**14,313**	**87,087**
a) Valuation reserves	**65,994**	**13,031**	**79,024**	**64,091**	**12,655**	**76,746**
Capital losses on financial assets measured through OCI	65,994	13,031	79,024	64,091	12,655	76,746
b) Other:	**4,041**	**739**	**4,780**	**8,682**	**1,659**	**10,341**
Actuarial gains/losses on provisions for employees	4	-	4	30	-	30
Other	4,036	739	4,775	8,652	1,659	10,311
A. Total deferred tax assets	**860,123**	**94,781**	**954,904**	**946,444**	**109,177**	**1,055,621**
B. Offsetting with deferred tax liabilities	**-**	**-**	**-**	**-**	**-**	**-**
C. Net deferred tax assets - Total item 110 b)	**860,123**	**94,781**	**954,904**	**946,444**	**109,177**	**1,055,621**

The DTAs referred to in Law 214/2011, equal to a total of almost €572 million, declined compared with the end of the previous year and are mainly represented by prepaid taxes attributable to writedowns of loans to customers accounted for up to 2015 and not yet deducted, which can be converted into tax credits in the event of a net loss for the year and/or a tax loss.

DTAs recognized in profit or loss other than those referred to in Law 214/2011 amount to a total €299 million. Among these, the sub-item “Provisions for risks and charges”, which amounts to €106 million, represents the prepaid taxes recognized in respect of provisions for risks and charges that are expected to be deducted in future years. The sub-item “Writedowns of loans to customers”, equal to €33 million, includes the deferred tax assets that can be recognized in respect of the nine-tenths of writedowns on loans to customers recognized at first-time adoption of IFRS 9, which under Law 145 of December 30, 2018 were deducted in tenths.

11.2 DEFERRED TAX LIABILITIES: COMPOSITION

	30/06/2024		Total	31/12/2023		Total
	IRES	IRAP		IRES	IRAP	
1) Deferred tax liabilities recognized in profit or loss	**5,696**	**313**	**6,009**	**5,425**	**321**	**5,746**
Writedowns of loans to customers deducted in tax return	-	-	-	-	-	-
Difference between value for tax purposes and carrying amount of property, plant and equipment and intangible assets	1,302	240	1,542	1,341	248	1,589
Other	4,394	73	4,468	4,084	73	4,157
2) Deferred tax liabilities recognized in equity	**15,740**	**3,109**	**18,849**	**18,994**	**3,735**	**22,729**
Valuation reserves						
Capital gains on financial assets measured through OCI	13,002	2,582	15,584	17,282	3,430	20,712
Revaluation of property	500	83	583	500	86	586
Other	2,238	444	2,682	1,212	219	1,431
A. Total deferred tax liabilities	**21,436**	**3,422**	**24,858**	**24,419**	**4,056**	**28,475**
B. Offsetting with deferred tax assets	**-**	**-**	**-**	**-**	**-**	**-**
C. Net deferred tax liabilities	**21,436**	**3,422**	**24,858**	**24,419**	**4,056**	**28,475**

SECTION 12 - NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE AND ASSOCIATED LIABILITIES - ITEM 120 OF ASSETS AND ITEM 70 OF LIABILITIES

12.1 NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE: COMPOSITION BY TYPE

	30/06/2024	31/12/2023
A. Assets held for sale		
A.1 Financial assets	-	-
A.2 Equity investments	-	-
A.3 Property, plant and equipment	42,954	13,300
of which obtained through enforcement of guarantees received	6,880	7,039
A.4 Intangible assets	-	-
A.5 Other non-current assets	605	-
Total A	**43,559**	**13,300**
of which carried at cost	41,630	11,676
of which measured at fair value level 1	-	-
of which measured at fair value level 2	1,929	1,624
of which measured at fair value level 3	-	-
B. Discontinued operations		
B.1 Financial assets measured at fair value through profit or loss	-	-
- Financial assets held for trading	-	-
- Financial assets designated as at fair value	-	-
- Other financial assets mandatorily measured at fair value	-	-
B.2 Financial assets measured at fair value through other comprehensive income	-	-
B.3 Financial assets measured at amortized cost	-	-
B.4 Equity investments	-	-
B.5 Property, plant and equipment	-	71
of which: obtained through enforcement of guarantees received	-	-
B.6 Intangible assets	-	467
B.7 Other assets	-	4,579,478
Total B	**-**	**4,580,016**
of which carried at cost	-	4,580,016
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 Debt	-	-
C.2 Securities	-	-
C.3 Other liabilities	1,438	-
Total C	**1,438**	**-**
of which carried at cost	1,438	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
D. Liabilities associated with discontinued operations		
D.1 Financial liabilities measured at amortized cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated as at fair value	-	-
D.4 Provisions	-	36
D.5 Other liabilities	-	4,320,923
Total D	**-**	**4,320,959**
of which carried at cost	-	4,320,959
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-

At June 30, 2024 assets held for sale essentially consist of the assets of the subsidiary Sigest, control of which is scheduled to be sold to a non-Group purchaser in the second half of the year.

At December 31, 2023 discontinued operations reported the assets and liabilities of BCC Vita and BCC Assicurazioni, which were consolidated from September 2023 (following the acquisition of control and presented in the consolidated financial statements in accordance with IFRS 5) and deconsolidated in the first half of 2024 following the sale of 51% of the interests.

Please see the description of the operations in the Report on Operations.

SECTION 13 - OTHER ASSETS – ITEM 130

13.1 OTHER ASSETS: COMPOSITION

	Total 30/06/2024	Total 31/12/2023
- Shortfalls, embezzlement and robberies	1,489	1,266
- Trade receivables	54,637	54,693
- Stamp duty and other valuables	920	921
- Gold, silver and other precious metals	1,848	1,858
- Receivables for future premiums on derivatives	9,099	9,798
- Fees and commissions and interest to be received	32,089	30,449
- Tax receivables due from central govt. tax authorities and other tax agencies	432,417	380,303
- Receivables from social security institutions	2,769	1,110
- Tax receivables	3,599,484	3,897,519
- Receivables from employees	1,332	1,692
- Non-recurring transactions (acquisitions)	6,971	7,001
- Items in transit between branches and items being processed	458,969	491,063
- Accrued income not attributable to separate line item	10,012	8,436
- Prepaid expenses not attributable to separate line item	127,156	43,009
- Leasehold improvements	47,472	46,004
- Other (security deposits, assets not attributable to other items)	347,884	286,640
- Balance of illiquid portfolio items	439,120	516,769
Total	**5,573,668**	**5,778,531**

"Tax receivables" reports tax credits connected with the Revival Decree acquired by Group banks following assignment by the direct beneficiaries (the so-called Superbonus 110% program) in the amount of €3.6 billion, down €298 million on the end of the previous year.

The item "Balance of illiquid portfolio items" includes differences between the value dates applied in the various accounts, which are generated during the accounting elimination of the items in respect of the crediting and debiting of portfolios under reserve and after collection, whose settlement date is after the reporting date.

"Items in transit between branches and items being processed" reports assets that for technical/procedural reasons will be allocated definitively in the early days of the subsequent period, such as checks, incoming bank transfers pending or items in transit between banks.

LIABILITIES

SECTION 1 - FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST – ITEM 10

1.1 FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST – DUE TO BANKS: COMPOSITION BY TYPE

	Total 30/06/2024				Total 31/12/2023			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Due to central banks	8,092,109	X	X	X	16,204,661	X	X	X
2. Due to banks	2,010,469	X	X	X	1,718,019	X	X	X
2.1 Current accounts and demand deposits	1,248,912	X	X	X	998,151	X	X	X
2.2 Fixed term deposits	17,883	X	X	X	40,235	X	X	X
2.3 Loans	615,995	X	X	X	602,559	X	X	X
2.3.1 Repurchase agreements	509,231	X	X	X	504,451	X	X	X
2.3.2 Other	106,764	X	X	X	98,108	X	X	X
2.4 Liabilities in respect of commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease liabilities	2,641	X	X	X	2,781	X	X	X
2.6 Other payables	125,038	X	X	X	74,293	X	X	X
Total	**10,102,578**	**-**	**9,000,025**	**1,485,306**	**17,922,680**	**-**	**18,708,219**	**1,172,155**

"Due to central banks" mainly represents financing from the ECB (TLTROs) maturing by December 2024. The decrease of €8.1 billion over the end of the previous year is attributable to the partial repayment of TLTRO funding.

The increase in the item "Due to banks" mainly reflects an increase in current accounts and demand deposits (+€0.3 billion).

1.2 FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST – DUE TO CUSTOMERS: COMPOSITION BY TYPE

	Total 30/06/2024				Total 31/12/2023			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Current accounts and demand deposits	101,629,680	X	X	X	101,641,888	X	X	X
2. Fixed-term deposits	6,228,101	X	X	X	5,202,421	X	X	X
3. Loans	14,074,435	X	X	X	14,577,463	X	X	X
3.1 Repurchase agreements	10,520,020	X	X	X	12,079,638	X	X	X
3.2 Other	3,554,415	X	X	X	2,497,825	X	X	X
4. Liabilities in respect of commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Lease liabilities	234,159	X	X	X	238,783	X	X	X
6. Other payables	824,882	X	X	X	862,364	X	X	X
Total	**122,991,257**	**-**	**8,645,691**	**114,275,096**	**122,522,919**	**-**	**10,166,148**	**109,395,608**

Amounts due to customers increased by €0.5 billion compared with December 2023, mainly reflecting the increase in fixed-term deposits (about €1 billion) partly offset by the net decrease in loans (-€0.5 billion, including the decrease of €1.5 billion in repurchase transactions with the Clearing & Guarantee Fund).

The sub-item "Loans-other" comprises €0.7 billion in respect of a loan from CDP.

1.3 FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST - SECURITIES ISSUED: COMPOSITION BY TYPE

	Total 30/06/2024				Total 31/12/2023			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	8,126,494	6,675,914	1,380,915	-	6,543,286	4,918,795	1,561,411	-
1.1 structured	4,585	-	146	-	4,488	-	216	-
1.2 other	8,121,909	6,675,914	1,380,769	-	6,538,799	4,918,795	1,561,195	-
2. Other securities	6,427,175	-	5,911,920	477,067	5,807,091	-	4,994,783	788,257
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	6,427,175	-	5,911,920	477,067	5,807,091	-	4,994,783	788,257
Total	**14,553,669**	**6,675,914**	**7,292,835**	**477,067**	**12,350,377**	**4,918,795**	**6,556,194**	**788,257**

Securities increased by an overall €2.2 billion compared with the end of 2023, mainly reflecting the issue of new bonds by Group banks (+€1.6 billion, mainly represented by covered bond issues by the Parent Company).

SECTION 2 - FINANCIAL LIABILITIES HELD FOR TRADING - ITEM 20

2.1 FINANCIAL LIABILITIES HELD FOR TRADING: COMPOSITION BY TYPE

	Total 30/06/2024					Total 31/12/2023				
	NV	Fair value			Fair value *	NV	Fair value			Fair value *
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. On-balance-sheet liabilities										
1. Due to banks	2,006	1,972	-	-	1,972	550	549	-	-	549
2. Due to customers	12,619	12,018	-	-	12,018	8,297	8,530	100	-	8,630
3. Debt securities	-	-	-	-	X	-	-	-	-	X
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3. Other	-	-	-	-	X	-	-	-	-	X
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	**14,625**	**13,990**	**-**	**-**	**13,990**	**8,847**	**9,079**	**100**	**-**	**9,178**
B. Derivatives										
1. Financial derivatives	X	288	71,158	-	X	X	480	101,929	-	X
1.1 Trading	X	288	71,158	-	X	X	480	101,929	-	X
1.2 Associated with fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Trading	X	-	-	-	X	X	-	-	-	X
2.2 Associated with fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**288**	**71,158**	**-**	**X**	**X**	**480**	**101,929**	**-**	**X**
Total (A+B)	**X**	**14,278**	**71,158**	**-**	**X**	**X**	**9,559**	**102,029**	**-**	**X**

Key:
NV=nominal value
* Fair value calculated excluding changes in the amount attributable to changes in the creditworthiness of the issuer since the issue date

The sub-item B.1.1 “Financial derivatives – trading” includes the negative value of trading derivatives entered into almost entirely by the Parent Company.

SECTION 4 - HEDGING DERIVATIVES – ITEM 40

4.1 HEDGING DERIVATIVES: COMPOSITION BY TYPE OF HEDGE AND LEVEL OF INPUTS

	Fair value	30/06/2024		NV	Fair value	31/12/2023		NV
	Level 1	Level 2	Level 3	30/06/2024	Level 1	Level 2	Level 3	31/12/2023
A) Financial derivatives	**206**	**158,014**	**-**	**4,180,846**	**176**	**220,301**	**-**	**5,849,130**
1) Fair value	206	136,785	-	3,205,684	176	172,339	-	3,931,383
2) Cash flows	-	21,229	-	975,163	-	47,963	-	1,917,747
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**206**	**158,014**	**-**	**4,180,846**	**176**	**220,301**	**-**	**5,849,130**

Key:
NV=Notional value

Item A. 1) includes the negative fair value of derivatives hedging securities against inflation.

SECTION 5 - VALUE ADJUSTMENTS OF GENERICALLY HEDGED LIABILITIES - ITEM 50

5.1 VALUE ADJUSTMENTS OF HEDGED FINANCIAL LIABILITIES

	Total 30/06/2024	Total 31/12/2023
1. Positive adjustment of financial liabilities	-	-
2. Negative adjustment of financial liabilities	57	560
Total	**57**	**560**

SECTION 6 – TAX LIABILITIES – ITEM 60

See section 11 under assets.

SECTION 8 - OTHER LIABILITIES – ITEM 80

8.1 OTHER LIABILITIES: COMPOSITION

	Total 30/06/2024	Total 31/12/2023
Amounts due to social security institutions and State	53,102	88,503
Trade payables	205,506	192,805
Securities to be settled	11	-
Amounts available to customers	102,063	107,270
Fee and commission expense to settle	26,853	22,340
Liabilities for future premiums on derivatives	2,342	12,462
Tax payables due to tax authorities	416,262	620,018
Payables due to employees	460,200	283,324
Accrued expenses not attributable to separate line item	22,810	21,490
Deferred income not attributable to separate line item	18,432	18,233
Items in transit and items being processed	342,368	264,680
Other (failed purchase transactions, trade payables, insurance liabilities, security deposits, items not attributable to separate line item)	402,274	362,411
Consolidation adjustments	537,175	321,535
Balance of illiquid portfolio items	3,355	228
Dividends to be paid	396	43
Total	**2,593,149**	**2,315,342**

The item “Items in transit and items being processed” includes liabilities that for technical or procedural reasons will be settled in the subsequent period, such as pending outward credit transfers or items in transit between banks.

The item “Tax payables due to tax authorities” reports amounts owed by the Group to these entities other than income taxes. This includes, in addition to amounts in respect of tax returns paid by mutual bank customers and withholdings made by the banks on customer transactions, tax payables accrued by the Group companies in respect of their indirect taxes, such as, for example, stamp duty, tax in lieu, tax on stock exchange contracts, VAT, local taxes, etc.

The item “Balance of illiquid portfolio items” includes differences the value dates applied in the various accounts, which are generated during the accounting elimination of the items in respect of the crediting and debiting of portfolios under reserve and after collection, whose settlement date is after the reporting date.

SECTION 9 - EMPLOYEE TERMINATION BENEFITS – ITEM 90

9.1 EMPLOYEE TERMINATION BENEFITS: CHANGE FOR THE PERIOD

	Total 30/06/2024	Total 31/12/2023
A. Opening balance	**215,977**	**225,719**
B. Increases	**4,274**	**15,821**
B.1 Provisions for the period	3,910	9,211
B.2 Other increases	364	6,610
C. Decreases	**18,749**	**25,563**
C.1 Benefit payments	9,228	15,946
C.2 Other decreases	9,521	9,617
D. Closing balance	**201,502**	**215,977**
Total	**201,502**	**215,977**

The table reports changes in the provision for termination benefits under the Italian severance pay mechanism (*trattamento di fine rapporto*, TFR). It does not report payments to external pension funds and the INPS treasury fund, which are presented in Section 8 "Other liabilities".

The sub-item C.1 "Decreases – Benefit payments" reports uses of the termination benefit provision associated with advances granted in accordance with applicable regulations and national collective bargaining agreements and with terminations of the employment relationship.

SECTION 10 - PROVISIONS FOR RISKS AND CHARGES – ITEM 100

10.1 PROVISIONS FOR RISKS AND CHARGES: COMPOSITION

	Total 30/06/2024	Total 31/12/2023
1. Provisions for credit risk in respect of commitments and financial guarantees issued	302,575	307,960
2. Provisions for other commitments and guarantees issued	-	-
3. Company pension plans	-	-
4. Other provisions for risks and charges	352,725	264,499
4.1 legal disputes	86,315	89,407
4.2 personnel expense	74,516	73,786
4.3 other	191,895	101,307
Total	**655,300**	**572,459**

Item 1. "Provisions for credit risk in respect of commitments and financial guarantees issued" includes provisions for credit risk in respect of commitments to disburse funds and financial guarantees issued that are subject to the impairment rules of IFRS 9.

The sub-item 4.1 "legal disputes" mainly includes provisions for disputes over interest, compound interest, contract terms and banking and investment services, as well as provisions for labor disputes and legal costs for debt collection.

The main provisions recognized under sub-item 4.2 "personnel expenses" include that for the employee loyalty bonus.

The sub-item 4.3 "Other" includes, among other things, a provision of about €26 million for the estimated loss arising from the deferral over ten years of tax credit amounts not matched by a sufficient amount of tax liabilities, following the ratification into law of Decree Law 39 of March 29, 2024 - Prohibition of offsetting of social security and insurance liabilities. It also includes an increase in provisions for charity recognized during the allocation of profit for the previous year.

SECTION 13 - EQUITY - ITEMS 120, 130, 140, 150, 160, 170 AND 180

13.1 "SHARE CAPITAL" AND "TREASURY SHARES": COMPOSITION

As described in Part A Accounting Policies, Section 3 – Scope and methods of consolidation, pursuant to Law 145 of December 30, 2018 ("2019 Budget Act") the Parent Company, Iccrea Banca SpA, and the affiliated mutual banks under the Cohesion Contract represent a single consolidating entity. In the Group's equity, share capital is therefore represented by the share capital of the Parent Company and that of the mutual banks. The intercompany portion, represented by shares of the Parent Company held by the mutual banks belonging to the Group under the provisions of the Cohesion Contract, is reported under treasury shares, as the shares were issued and subscribed by the single consolidating entity.

Share capital is represented by 27,125,759 ordinary shares with a par value of €51.65 each, for a total of €1,401,045,452.

As at the reporting date, share capital of the mutual banks belonging to the Iccrea Cooperative Banking Group amounted to €1,010,276,149 (€894,076,294 net of shares issued pursuant to Article 150-ter by six mutual banks and subscribed by the Parent Company). In accordance with the bylaws of the mutual banks, their share capital is variable as it is composed of shares that in principle can be issued without limit.

13.2 SHARE CAPITAL – NUMBER OF SHARES OF THE PARENT COMPANY: CHANGE FOR THE PERIOD

	Ordinary	Other
A. Shares at the start of the year	**27,125,759**	**-**
- fully paid	27,125,759	-
- partially paid	-	-
A.1 Treasury shares (-)	(26,439,705)	-
A.2 Shares in circulation: opening balance	**686,054**	**-**
B. Increases	**-**	**-**
B.1 new issues	-	-
- for consideration:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- bonus issues:	-	-
- to employees	-	-
- to directors	-	-
- other	-	-
B.2 Sales of own shares	-	-
B.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of own shares	-	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Shares in circulation: closing balance	**686,054**	**-**
D.1 Treasury shares(+)	26,439,705	-
D.2 Shares at the end of the year	27,125,759	-
- fully paid	27,125,759	-
- partially paid	-	-

13.3 SHARE CAPITAL: OTHER INFORMATION

The Group share capital of €2,295,121,720 is represented only by ordinary shares (subscribed share capital, fully paid up.

13.4 EARNINGS RESERVES: OTHER INFORMATION

Group reserves amount to a total €12.5 billion.

In particular, earning reserves amount to €12.5 billion and include, among the largest, the legal reserve in the amount of €13.3 billion well as a negative IFRS 9 reserve of €1.6 billion.

13.5 EQUITY INSTRUMENTS: COMPOSITION AND CHANGE FOR THE PERIOD

The item amounts to €30 million and is represented by six Additional Tier 1 bonds issued by the mutual banks between 2016 and 2018.

SECTION 14 - NON-CONTROLLING INTERESTS – ITEM 190

At the date of these interim financial statements, there were no non-controlling interests in subsidiaries.

PART C - INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

SECTION 1 - INTEREST -ITEMS 10 AND 20

1.1 INTEREST AND SIMILAR INCOME: COMPOSITION

	Debt securities	Loans	Other transactions	Total 30/06/2024	Total 30/06/2023
1. Financial assets measured at fair value through profit or loss	**9,361**	**1,170**	**-**	**10,531**	**8,409**
1.1 Financial assets held for trading	1,542	-	-	1,542	784
1.2 Financial assets designated at fair value	4,219	23	-	4,242	1,710
1.3 Other financial assets mandatorily at fair value	3,600	1,148	-	4,748	5,914
2. Financial assets measured at fair value through other comprehensive income	**91,070**	**-**	**X**	**91,070**	**79,405**
3. Financial assets measured at amortized cost	**699,332**	**2,423,556**	**-**	**3,122,888**	**2,641,919**
3.1 Due from banks	31,232	75,872	X	107,104	82,268
3.2 Loans to customers	668,100	2,347,684	X	3,015,784	2,559,652
4. Hedging derivatives	**X**	**X**	**128,245**	**128,245**	**(13,005)**
5. Other assets	**X**	**X**	**122,621**	**122,621**	**89,431**
6. Financial liabilities	**X**	**X**	**X**	**196**	**3,421**
Total	**799,764**	**2,424,727**	**250,865**	**3,475,551**	**2,809,580**
of which: interest income on impaired financial assets	3	87,368	-	87,371	88,147
of which: interest income on finance leases	X	99,156	X	99,156	98,669

Interest on loans to customers include interest income in respect of loans to customers of €2.3 billion, up by €403 million compared to the end of 2023, mainly reflecting the increase in rates.

Interest income on debt securities came to €800 million and mainly includes interest on securities issued by government entities. The amount represents an increase of €81 million on June 30, 2023 mainly reflecting the above mentioned increase in rates.

"Hedging derivatives" include differences on hedging derivatives adjusting interest income on the hedged financial instruments, securities and loans, the increase of which is associated with the increase in variable rates on hedges of fixed-rate assets.

The amount reported under "Other assets" regards interest income on tax credits associated with government tax incentive programs established in 2020 (the "ecobonus"), an increase on the previous year, partly reflecting an increase in volumes.

1.3 INTEREST AND SIMILAR EXPENSE: COMPOSITION

	Debt	Securities	Other transactions	Total 30/06/2024	Total 30/06/2023
1. Financial liabilities measured at amortized cost	**(1,060,867)**	**(203,240)**	**X**	**(1,264,106)**	**(849,001)**
1.1 Due to central banks	(259,578)	X	X	(259,578)	(315,858)
1.2 Due to banks	(30,460)	X	X	(30,460)	(34,684)
1.3 Due to customers	(770,828)	X	X	(770,828)	(385,017)
1.4 Securities issued	X	(203,240)	X	(203,240)	(113,441)
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**(8)**
3. Financial liabilities designated at fair value	**-**	**-**	**-**	**-**	**-**
4. Other liabilities and provisions	**X**	**X**	**(1,863)**	**(1,863)**	**(1,458)**
5. Hedging derivatives	**X**	**X**	**(3,028)**	**(3,028)**	**(366)**
6. Financial assets	**X**	**X**	**X**	**(5,810)**	**(10,904)**
Total	**(1,060,867)**	**(203,240)**	**(4,891)**	**(1,274,807)**	**(861,737)**
of which: interest expense on finance leases	(4,744)	X	X	(4,744)	(4,747)

The increase of the item on the same period of the previous year came to about €413 million, mainly reflecting the net effect of:

- an increase in interest expense on funding from customers of about €386 million (mainly due to higher interest rates and a slight increase in total funding from customers);
- an increase of about €90 million in interest on securities issued;
- a decrease of about €56 million in interest on amounts due to central banks following a decline in the aggregate due to repayments of TLTRO loans.

SECTION 2 - FEES AND COMMISSIONS – ITEMS 40 AND 50

2.1 FEE AND COMMISSION INCOME: COMPOSITION

	Total 30/06/2024	Total 30/06/2023
a) Financial instruments	41,535	46,497
1. Securities placement	8,266	12,744
1.1 With underwriting and/or with irrevocable commitment	-	-
1.2 Without irrevocable commitment	8,266	12,744
2. Order receipt and transmission and order execution for customers	15,432	16,825
2.1 Order receipt and transmission for one or more financial instruments	13,984	15,637
2.2 Order execution for customers	1,448	1,188
3. Other fees and commissions connected with financial instruments	17,836	16,928
of which: trading on own account	361	385
of which: individual portfolio management	17,475	16,543
b) Corporate finance	-	11
1. Merger and acquisition advisory services	-	-
2. Treasury services	-	-
3. Other fees and commissions connected with corporate finance services	-	11
c) Investment advisory services	485	1,494
d) Clearing and settlement	-	-
e) Collective portfolio management	36,783	27,272
f) Custody and administration	4,410	4,002
1. Depository bank	-	-
2. Other fees and commissions connected with custody and administration services	4,410	4,002
g) Central administrative services for collective portfolio management	-	-
h) Trustee services	-	-
i) Payment services	534,665	518,165
1. Current accounts	277,694	276,392
2. Credit cards	21,862	30,353
3. Debit cards and other payment cards	35,980	27,734
4. Credit transfers and other payment orders	91,803	85,776
5. Other fees and commissions connected with payment services	107,326	97,910
j) Distribution of third-party services	146,056	138,030
1. Collective portfolio management	94	74
2. Insurance products	57,545	58,862
3. Other products	88,417	79,094
of which: individual portfolio management	2,841	2,907
k) Structured finance	-	-
l) Securitization servicing	514	616
m) Commitments to disburse funds	-	-
n) Financial guarantees issued	12,616	12,725
of which: credit derivatives	-	-
o) Lending transactions	7,532	6,984
of which: for factoring transactions	2,955	2,499
p) Currency trading	2,653	2,966
q) Goods	-	-
r) Other fee and commission income	33,752	39,012
of which: for management of multilateral trading facilities	-	-
of which: for management of organized trading facilities	-	-
Total	**821,001**	**797,774**

The composition of fee and commission income, totaling €821 million, an increase of about €23 million on June 30, 2023, reflects the operations of the Group's mutual banks, which are typically composed of customer current accounts (€277.7 million), other payment services (€257 million) and distribution of third-party products and services (€146.1 million, including insurance products for €57.5 million).

Fees and commissions concerning item e) collective portfolio management came to €36.8 million, an increase of €9.5 million on June 30, 2023, and regard asset management activities, which are exclusively performed by the Group asset management company. These were accompanied by management fees on individual portfolios of €17.5 million.

2.2 FEE AND COMMISSION EXPENSE: COMPOSITION

	Total 30/06/2024	Total 30/06/2023
a) Financial instruments	(1,984)	(2,698)
of which: trading in financial instruments	(406)	(1,087)
of which: placement of financial instruments	(106)	(49)
of which: individual portfolio management	(1,471)	(1,562)
- Own	(1,426)	(1,452)
- Delegated to third parties	(45)	(110)
b) Clearing and settlement	(693)	(897)
c) Collection portfolio management	-	-
1. Own	-	-
2. Delegated to third parties	-	-
d) Custody and administration	(3,229)	(1,113)
e) Collection and payment services	(119,118)	(105,725)
of which: credit cards, debit cards and other payment cards	(114,542)	(92,986)
f) Securitization servicing	(132)	(1,133)
g) Commitments to receive funds	-	-
h) Financial guarantees received	(1,259)	(1,513)
of which: credit derivatives	-	-
i) Off-premises marketing of financial instruments, products and services	(1,518)	(1,422)
l) Currency trading	(100)	(227)
m) Other fee and commission expense	(11,998)	(11,434)
Total	**(140,031)**	**(126,162)**

SECTION 3 - DIVIDENDS AND SIMILAR REVENUES – ITEM 70

3.1 DIVIDENDS AND SIMILAR REVENUES: COMPOSITION

	Total 30/06/2024		Total 30/06/2023	
	Dividends	Similar revenues	Dividends	Similar revenues
A. Financial assets held for trading	20	7	119	145
B. Other financial assets mandatorily measured at fair value	955	2,524	1,356	698
C. Financial assets measured at fair value through other comprehensive income	19,158	194	18,855	441
D. Equity investments	58	-	602	-
Total	**20,190**	**2,725**	**20,932**	**1,284**

The main components of this item include dividends received on the interest held in the Bank of Italy in the amount of €16.9 million, classified under financial assets measured at fair value through other comprehensive income.

SECTION 4 - NET GAIN (LOSS) ON TRADING ACTIVITIES – ITEM 80

4.1 NET GAIN (LOSS) ON TRADING ACTIVITIES: COMPOSITION

	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (	Net gain (loss) (A+B) – (C+D)
1. Financial assets held for trading	**1,263**	**15,736**	**(670)**	**(4,462)**	**11,867**
1.1 Debt securities	263	5,139	(359)	(815)	4,228
1.2 Equity securities	73	201	(59)	(268)	(53)
1.3 Units in collective investment undertakings	16	198	(46)	(82)	87
1.4 Loans	-	-	-	-	-
1.5 Other	910	10,198	(207)	(3,297)	7,606
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**12,027**
4. Derivatives	**92,901**	**65,882**	**(87,343)**	**(64,194)**	**923**
4.1 Financial derivatives:	92,901	65,882	(87,343)	(64,194)	923
- on debt securities and interest rates	89,493	65,882	(87,266)	(60,578)	7,531
- on equity securities and equity indices	3,408	-	(76)	(3,616)	(284)
- on foreign currencies and gold	X	X	X	X	(6,323)
- other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges connected with fair value option	X	X	X	X	-
Total	**94,164**	**81,618**	**(88,013)**	**(68,655)**	**24,817**

SECTION 5 - NET GAIN (LOSS) ON HEDGING ACTIVITIES – ITEM 90

5.1 NET GAIN (LOSS) ON HEDGING ACTIVITIES: COMPOSITION

	Total 30/06/2024	Total 30/06/2023
A. Gain on:		
A.1 Fair value hedges	322,421	86,767
A.2 Hedged financial assets (fair value)	4,860	183,447
A.3 Hedged financial liabilities (fair value)	7,129	1,116
A.4 Cash flow hedges	369	-
A.5 Assets and liabilities in foreign currencies	-	-
Total income on hedging activities (A)	**334,779**	**271,330**
B. Loss on:		
B.1 Fair value hedges	(39,624)	(195,166)
B.2 Hedged financial assets (fair value)	(294,699)	(74,448)
B.3 Hedged financial liabilities (fair value)	(2,382)	(253)
B.4 Cash flow hedges	(1)	(204)
B.5 Assets and liabilities in foreign currencies	-	-
Total expense on hedging activities (B)	**(336,707)**	**(270,071)**
C. Net gain (loss) on hedging activities (A - B)	**(1,928)**	**1,259**
of which: net gain (loss) of hedges of net positions	-	-

As indicated in Part A “Accounting policies” of these explanatory notes, for the purposes of accounting for the results of hedging, the Group has exercised the option provided for in paragraph 7.2.21 of IFRS 9 to continue applying the provisions on hedge accounting envisaged by IAS 39.

SECTION 6 - GAIN (LOSS) ON DISPOSAL OR REPURCHASE – ITEM 100

6.1 GAIN (LOSS) ON DISPOSAL OR REPURCHASE: COMPOSITION

	Total 30/06/2024			Total 30/06/2023		
	Gains	Losses	Net gain (loss)	Gains	Losses	Net gain (loss)
Financial assets						
1. Financial assets measured at amortized cost	90,868	(40,898)	49,970	80,597	(32,229)	48,368
1.1 Due from banks	1,968	(1,778)	190	301	(340)	(39)
1.2 Loans to customers	88,900	(39,120)	49,780	80,296	(31,889)	48,407
2. Financial assets measured at fair value through other comprehensive income	20,622	(18,019)	2,603	17,250	(26,428)	(9,179)
2.1 Debt securities	20,622	(18,019)	2,603	17,250	(26,428)	(9,179)
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**111,490**	**(58,917)**	**52,573**	**97,847**	**(58,657)**	**39,189**
Financial liabilities measured at amortized cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	100	-	100
3. Securities issued	385	(524)	(139)	435	(2)	433
Total liabilities (B)	**385**	**(524)**	**(139)**	**535**	**(2)**	**533**

This reports the positive or negative balances between the gains and losses realized with the sale of financial assets or repurchase of financial liabilities other than those held for trading or designated as at fair value.

The gain (loss) on disposal amounts to about €52.4 million and is mainly attributable to the disposal of loans by banks of the Group (€34.4 million, up from €25.1 million at June 30, 2023) and to the disposal of debt securities measured at amortized cost and assets measured at FV through other comprehensive income (net €18.2 million, up by about €4 million from 2023).

SECTION 7 - NET ADJUSTMENTS OF OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS – ITEM 110

7.1 NET ADJUSTMENTS OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS: COMPOSITION OF FINANCIAL ASSETS AND LIABILITIES DESIGNATED AS AT FAIR VALUE

	Capital gains (A)	Profits on realization (B)	Capital losses (C)	Losses on realization (D)	Net gain (loss) [(A+B) - (C+D)]
1. Financial assets	**388**	**886**	**(76)**	**(56)**	**1,142**
1.1 Debt securities	381	886	(55)	(56)	1,156
1.2 Loans	7	-	(21)	-	(14)
2. Financial liabilities	**-**	**-**	**-**	**-**	**-**
2.1 Securities issued	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Financial assets and liabilities: foreign exchange rate differences	**X**	**X**	**X**	**X**	**-**
Total	**388**	**886**	**(76)**	**(56)**	**1,142**

The net gain for the item is almost entirely accounted for by securities in which the liquidity of the Guarantee Scheme is invested.

7.2 NET ADJUSTMENTS OF OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS: COMPOSITION OF OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE

7.2 NET ADJUSTMENTS OF OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS: COMPOSITION OF OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE

	Capital gains (A)	Profits on realization (B)	Capital losses (C)	Losses on realization (D)	Net gain (loss) [(A+B) - (C+D)]
1. Financial assets	**19,740**	**4,328**	**(14,791)**	**(3,185)**	**6,092**
1.1 Debt securities	759	418	(2,219)	(19)	(1,062)
1.2 Equity securities	5,574	2,453	(3,613)	(2,822)	1,592
1.3 Units in collective investment undertakings	8,676	1,382	(7,610)	(345)	2,104
1.4 Loans	4,731	76	(1,349)	-	3,458
2. Financial assets: foreign exchange rate differences	**X**	**X**	**X**	**X**	**64**
Total	**19,740**	**4,328**	**(14,791)**	**(3,185)**	**6,156**

SECTION 8 - NET LOSSES/RECOVERIES FOR CREDIT RISK – ITEM 130

8.1 NET LOSSES/RECOVERIES FOR CREDIT RISK IN RESPECT OF FINANCIAL ASSETS MEASURED AT AMORTIZED COST: COMPOSITION

	Losses (1)						Recoveries (2)					
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	Total 30/06/2024	Total 30/06/2023
			Writeoffs	Other	Writeoffs	Other						
A. Due from banks	**(2,032)**	**(254)**	**-**	**-**	**-**	**-**	**1,381**	**517**	**-**	**-**	**(388)**	**443**
- loans	(563)	(66)	-	-	-	-	499	261	-	-	130	(743)
- debt securities	(1,469)	(188)	-	-	-	-	882	257	-	-	(518)	1,186
B. Loans to customers	**(120,528)**	**(123,707)**	**(53,024)**	**(583,668)**	**-**	**(3)**	**170,250**	**165,805**	**371,993**	**73**	**(172,809)**	**(198,989)**
- loans	(117,648)	(121,296)	(53,024)	(583,649)	-	(3)	168,470	162,450	371,993	73	(172,635)	(194,329)
- debt securities	(2,880)	(2,411)	-	(19)	-	-	1,779	3,355	-	-	(174)	(4,659)
Total	**(122,560)**	**(123,961)**	**(53,024)**	**(583,668)**	**-**	**(3)**	**171,631**	**166,322**	**371,993**	**73**	**(173,197)**	**(198,546)**

The value adjustments reported in the “Stage 1” and “Stage 2” columns regard collective writedowns on performing loans.

The value adjustments in the “Stage 3 - Other” column regard analytical writedowns of impaired past-due loans and those classified as unlikely to pay and bad loans, while those reported in the “Stage 3 - Writeoffs” column reflect extinguishing events, with the losses recognized following the definitive derecognition of the financial instruments.

At June 30, 2024 net losses for credit risk in respect of loans to customers came to €173.2 million, a slight decrease compared with the same period in the previous year also in relation to the robust monitoring of non-performing positions implemented by the Group since its establishment, with a coverage ratio for those positions of 72.8%.

8.2 NET LOSSES FOR CREDIT RISK IN RESPECT OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: COMPOSITION

	Losses (1)						Recoveries (2)					
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	Total 30/06/2024	Total 30/06/2023
			Writeoffs	Other	Writeoffs	Other						
A. Debt securities	**(1,605)**	**(1,244)**	**-**	**-**	**-**	**-**	**1,262**	**854**	**-**	**-**	**(733)**	**4,008**
B. Loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- to customers	-	-	-	-	-	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	**(1,605)**	**(1,244)**	**-**	**-**	**-**	**-**	**1,262**	**854**	**-**	**-**	**(733)**	**4,008**

SECTION 9 - GAINS (LOSSES) FROM CONTRACT MODIFICATIONS WITHOUT DERECOGNITION – ITEM 140

9.1 GAINS (LOSSES) FROM CONTRACT MODIFICATIONS: COMPOSITION

The item, a negative €4.9 million, includes the impact of modifications of medium/long-term loan contracts with customers that, in compliance with IFRS 9, do not produce the derecognition of the assets but rather involve the recognition in profit or loss of the changes in the contractual cash flows.

The amounts to not include the impact of contract modifications on expected losses, which is recognized under item 130 – Net losses/recoveries for credit risk.

SECTION 12 - ADMINISTRATIVE EXPENSES – ITEM 190

12.1 PERSONNEL EXPENSES: COMPOSITION

	Total 30/06/2024	Total 30/06/2023
1) Employees	(972,614)	(895,986)
a) wages and salaries	(696,332)	(624,908)
b) social security contributions	(160,984)	(152,335)
c) termination benefits	(5,164)	(11,115)
d) pension expenditure	(5)	-
e) allocation to employee termination benefit provision	(8,955)	(8,236)
f) allocation to provision for post-employment benefits and similar obligations:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payments to external pension funds:	(55,609)	(50,449)
- defined contribution	(55,501)	(50,348)
- defined benefit	(108)	(101)
h) costs from share-based payment plans	-	-
i) other employee benefits	(45,563)	(48,943)
2) Other personnel	(10,322)	(8,748)
3) Board of Directors and members of Board of Auditors	(27,142)	(25,923)
4) Retired personnel	-	-
Total	**(1,010,078)**	**(930,657)**

Group personnel expenses totaled €1 billion in the period, up from the same period in the previous year mainly in relation to the renewal of the national collective bargaining agreement for professional areas and managers in 2023 and an increase in the workforce.

Item 1) g) “payments to external pension funds: - defined contribution” includes the employee TFR fund provisioned and transferred to the national pension fund for the industry.

12.5 OTHER ADMINISTRATIVE EXPENSES: COMPOSITION

	Total 30/06/2024	Total 30/06/2023
Information technology	(103,749)	(106,288)
Property and movables	(41,845)	(40,947)
- rental and fees	(5,599)	(5,826)
- ordinary maintenance	(32,096)	(31,151)
- security	(4,150)	(3,970)
Goods and services	(91,820)	(92,420)
- telephone and data transmission	(29,557)	(29,921)
- postal	(13,296)	(12,983)
- asset transport and counting	(9,207)	(9,521)
- electricity, heating and water	(21,783)	(23,903)
- transportation and travel	(10,858)	(8,111)
- office supplies and printed materials	(5,644)	(6,493)
- subscriptions, magazines and newspapers	(1,474)	(1,488)
Professional services	(93,653)	(80,271)
- professional fees (other than audit fees)	(45,619)	(39,376)
- audit fees	(3,394)	(4,018)
- legal and notary costs	(21,438)	(24,947)
- court costs, information and title searches	(23,202)	(11,930)
Administrative services	(18,337)	(19,751)
Insurance	(11,844)	(11,576)
Promotional, advertising and entertainment expenses	(29,019)	(27,161)
Association dues	(18,431)	(14,869)
Donations	(2,344)	(3,502)
Other	(16,376)	(17,906)
Indirect taxes and duties	(175,590)	(251,732)
Total	**(603,008)**	**(666,423)**

Other administrative expenses totaled €603 million, down from the same period in the previous year mainly due to a decrease in the contribution to the Single Resolution Fund (BRRD), the contribution to the National Resolution Fund for bank crises and the contribution to the Deposit Guarantee Fund for a total amount of about €43 million (€128 million at June 30, 2023). The decrease is mainly attributable to the achievement of the funding ceilings for contributions to these funds.

SECTION 13 - NET PROVISIONS FOR RISKS AND CHARGES – ITEM 200

This section provides details of the provisions and write-backs relating to the following categories of provisions for risks and charges:

- provisions for credit risk in respect of commitments to disburse funds and financial guarantees issued falling within the scope of IFRS 9;
- other provisions for risks and charges.

13.1 PROVISIONS FOR CREDIT RISK IN RESPECT OF COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED: COMPOSITION

	30/06/2024		
	Provisions	Reallocation of excesses	Total
Commitments to disburse funds Stage 1	(17,049)	16,416	(633)
Commitments to disburse funds Stage 2	(9,697)	7,361	(2,336)
Commitments to disburse funds Stage 3	(20,319)	21,378	1,060
Financial guarantees issued Stage 1	(5,641)	8,967	3,326
Financial guarantees issued Stage 2	(5,596)	6,822	1,226
Financial guarantees issued Stage 3	(10,850)	14,336	3,486
Total	**(69,151)**	**75,280**	**6,129**

The item includes net provisions in respect of commitments to disburse funds assumed by the Group banks in respect of the Deposit Guarantee Fund and the Temporary Fund.

13.3 NET PROVISIONS FOR OTHER RISKS AND CHARGES: COMPOSITION

	30/06/2024		
	Provisions	Reallocation of excesses	Total
Legal disputes	(9,765)	4,626	(5,139)
Other	(29,107)	2,408	(26,699)
Total	**(38,872)**	**7,034**	**(31,838)**

The item “Other” mainly includes provisions in the amount of about €26 million for the estimated loss arising from the deferral over ten years of tax credit amounts not matched by a sufficient amount of tax liabilities, following the ratification into law of Decree Law 39 of March 29, 2024 - Prohibition of offsetting of social security and insurance liabilities.

SECTION 14 - NET ADJUSTMENTS OF PROPERTY, PLANT AND EQUIPMENT - ITEM 210

14.1 NET ADJUSTMENTS OF PROPERTY, PLANT AND EQUIPMENT: COMPOSITION

	Depreciation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a + b - c)
A. Property, plant and equipment				
1 Operating assets	(89,881)	(39)	-	(89,919)
- Owned	(60,129)	(39)	-	(60,168)
- Right-of-use assets in respect of leases	(29,751)	-	-	(29,751)
2 Investment property	(1,774)	-	-	(1,774)
- Owned	(1,774)	-	-	(1,774)
- Right-of-use assets in respect of leases	-	-	-	-
3 Inventories	X	(634)	-	(634)
B. Assets held for sale	**X**	**-**	**-**	**-**
Total	**(91,654)**	**(673)**	**-**	**(92,327)**

SECTION 15 - NET ADJUSTMENTS OF INTANGIBLE ASSETS - ITEM 220

15.1 NET ADJUSTMENTS OF INTANGIBLE ASSETS: COMPOSITION

	Amortization (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a + b - c)
A. Intangible assets				
of which: software	(19,410)	-	-	(19,410)
1 Owned	(23,053)	-	-	(23,053)
- generated internally by the Bank	(909)	-	-	(909)
- other	(22,144)	-	-	(22,144)
2 Acquired under finance leases	-	-	-	-
B. Assets held for sale	**X**	**-**	**-**	**-**
Total	**(23,053)**	**-**	**-**	**(23,053)**

SECTION 16 - OTHER OPERATING EXPENSES/INCOME - ITEM 230

16.1 OTHER OPERATING EXPENSES: COMPOSITION

	Total 30/06/2024	Total 30/06/2023
Charges connected with lease services (consultants, insurance, taxes and duties, capital losses)	(12,280)	(13,061)
Reductions in assets and prior-year expenses not attributable to separate line item	(7,674)	(11,643)
Costs of outsourced services	(51)	(11)
Settlement of disputes and claims	(148)	(395)
Amortization of expenditure for leasehold improvements	(4,919)	(4,657)
Other charges for corporate finance operations	-	-
Other charges	(6,204)	(8,355)
Consolidation adjustments	(150)	-
Total	**(31,426)**	**(38,122)**

16.2 OTHER OPERATING INCOME: COMPOSITION

	Total 30/06/2024	Total 30/06/2023
A) Cost recovery	**140,910**	**135,564**
Recovery of taxes	116,113	104,774
Recovery of sundry charges	11,641	16,819
Insurance premiums	1,241	1,322
Recovery of rental expense	41	3
Recovery of costs from customers	4,635	4,596
Recovery of costs on bad loans	7,239	8,051
B) Other income	**68,937**	**65,669**
Insourcing revenues	9,097	8,487
Property rental income	2,412	2,281
Reductions in liabilities and prior-year income not attributable to separate line item	15,668	16,130
Other income from finance leases	8,096	7,613
Other income	28,472	25,060
Accelerated processing fees	5,192	5,360
Consolidation adjustments	-	738
Total	**209,847**	**201,233**

The recovery of taxes and duties (stamp duty and tax in lieu), totaling €116.1 million, mainly regard current accounts, credit cards, savings passbooks and certificates of deposit.

SECTION 17 - PROFIT (LOSS) FROM EQUITY INVESTMENTS - ITEM 250

17.1 PROFIT (LOSS) FROM EQUITY INVESTMENTS: COMPOSITION

	Total 30/06/2024	Total 30/06/2023
1) Joint ventures		
A. Gains	-	-
1. Revaluations	-	-
2. Gains on disposals	-	-
3. Writebacks	-	-
4. Other income	-	-
B. Losses	-	-
1. Writedowns	-	-
2. Impairment	-	-
3. Losses on disposal	-	-
4. Other expenses	-	-
Net profit (loss)	**-**	**-**
2) Entities under significant influence		
A. Gains	8,165	10,431
1. Revaluations	7,365	4,731
2. Gains on disposals	-	-
3. Writebacks	-	-
4. Other income	800	5,700
B. Losses	(1,545)	(597)
1. Writedowns	(1,545)	-
2. Impairment	-	-
3. Losses on disposal	-	-
4. Other expenses	-	(597)
Net profit (loss)	**6,620**	**9,834**
Total	**6,620**	**9,834**

The item reports the financial impact of the equity measurement of investments in associates as well as the effect of the recognition of the earn-out of €0.8 million connected with the sale to FSI of the investment in BCC Pay (today Numia SpA) during 2022.

SECTION 18 - NET ADJUSTMENT TO FAIR VALUE OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS - ITEM 260

18.1 NET ADJUSTMENT TO FAIR VALUE (OR REVALUED AMOUNT) OR ESTIMATED REALIZABLE VALUE OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS: COMPOSITION

	Revaluations	Writedowns	Exchange rate differences		Net result
			Positive	Negative	
	(a)	(b)	(c)	(d)	(a-b+c-d)
A. Property, plant and equipment	**955**	**(891)**	**-**	**-**	**64**
A.1 Operating assets:	-	-	-	-	-
- Owned	-	-	-	-	-
- Acquired under finance leases	-	-	-	-	-
A.2 Investment property:	955	(891)	-	-	64
- Owned	955	(891)	-	-	64
- Acquired under finance leases	-	-	-	-	-
A.3 Inventories	-	-	-	-	-
B. Intangible assets	**-**	**-**	**-**	**-**	**-**
B.1 Owned:	-	-	-	-	-
- Internally generated	-	-	-	-	-
- Other	-	-	-	-	-
B.2 Acquired under finance leases	-	-	-	-	-
Total	**955**	**(891)**	**-**	**-**	**64**

The item reports gains/losses on the measurement of the properties contributed to consolidated real estate funds.

SECTION 20 - GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS - ITEM 280

20.1 GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS: COMPOSITION

	Total 30/06/2024	Total 30/06/2023
A. Property	(333)	(111)
- Gains on disposal	275	157
- Losses on disposal	(608)	(269)
B. Other assets	(82)	(29)
- Gains on disposal	164	251
- Losses on disposal	(247)	(281)
Net gain (loss)	**(415)**	**(141)**

SECTION 21 - INCOME TAX EXPENSE FROM CONTINUING OPERATIONS – ITEM 300

21.1 INCOME TAX EXPENSE FROM CONTINUING OPERATIONS: COMPOSITION

	Total 30/06/2024	Total 30/06/2023
1. Current taxes (-)	(108,019)	(55,979)
2. Change in current taxes from previous period (+/-)	(7,195)	2,579
3. Reduction of current taxes for the period (+)	-	7
3.bis Reduction of current taxes for the period for tax credits under Law 214/2011 (+)	-	1,033
4. Change in deferred tax assets (+/-)	(97,014)	(103,186)
5. Change in deferred tax liabilities (+/-)	(252)	6,946
6. Income taxes for the period (-) (-1+/-2+3+3bis+/-4+/-5)	**(212,480)**	**(148,600)**

SECTION 22 - PROFIT (LOSS) AFTER TAXES ON DISCONTINUED OPERATIONS - ITEM 320

22.1 PROFIT (LOSS) AFTER TAXES ON DISCONTINUED OPERATIONS: COMPOSITION

	Total 30/06/2024	Total 30/06/2023
1. Revenue	-	-
2. Expense	-	-
3. Result of measurement of groups of assets and associated liabilities	-	-
4. Gain (loss) on realization	38,571	-
5. Taxes and duties	(9,029)	-
Profit (loss)	**29,542**	**-**

The item mainly reports the net profit from the disposal in the period of 51% of the insurance companies BCC Vita and BCC Assicurazioni, whose assets and liabilities at December 31, 2023 were classified as held for sale in accordance with IFRS 5.

22.2 BREAKDOWN OF INCOME TAXES OF DISCONTINUED OPERATIONS

	Total 30/06/2024	Total 30/06/2023
1. Current taxes (-)	(9,029)	-
2. Change in deferred tax assets (+/-)	-	-
3. Change in deferred tax liabilities (-/+)	-	-
4. Income taxes for the period (-1+/-2+/-3)	**(9,029)**	**-**

SECTION 23 - PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS – ITEM 340

23.1 BREAKDOWN OF ITEM 340 “PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS”

	Total 30/06/2024	Total 30/06/2023
Consolidated equity investments with significant non-controlling interests		
1. Coopersystem Società Cooperativa		1,237
2. Other investments		(9)
Total		**1,228**

Following the disposal of the investment in Coopersystem during 2023, there are no non-controlling interests in the Group.

PART D - CONSOLIDATED COMPREHENSIVE INCOME

BREAKDOWN OF COMPREHENSIVE INCOME

		30/06/2024	30/06/2023
10.	**Net profit (loss) for the period**	**1,055,962**	**796,584**
	Other comprehensive income not recyclable to profit or loss	**(936)**	**3,618**
20.	Equity securities designated as at fair value through other comprehensive income:	(8,242)	6,983
	a) fair value changes	(1,035)	6,844
	b) transfers to other elements of equity	(7,207)	139
30.	Financial liabilities measured at fair value through profit or loss (change in credit risk):	-	-
	a) fair value changes	-	-
	b) transfers to other elements of equity	-	-
40.	Hedges of equity securities designated as at fair value through other comprehensive income:	-	-
	a) fair value changes (hedged instrument)	-	-
	b) fair value changes (hedging instrument)	-	-
50.	Property, plant and equipment	-	-
60.	Intangible assets	-	-
70.	Defined-benefit plans	5,612	(2,056)
80	Non-current assets held for sale	-	-
90.	Valuation reserves of equity investments accounted for with equity method	-	-
100.	Financial income or expense in respect of insurance contracts issued	-	-
110.	Income taxes on other comprehensive income not recyclable to profit or loss	1,694	(1,309)
	Other comprehensive income recyclable to profit or loss	**3,273**	**86,927**
120.	Hedging of investments in foreign operations:	-	-
	a) fair value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
130.	Foreign exchange differences:	-	-
	a) value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
140.	Cash flow hedges:	16,992	30,205
	a) fair value changes	13,143	31,655
	b) reversal to income statement	(165)	(2,766)
	c) other changes	4,014	1,317
	of which: result on net positions	-	-
150.	Hedging instruments (undesignated elements):	-	-
	a) fair value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
160.	Financial assets (other than equity securities) measured at fair value through other comprehensive income:	(12,678)	98,043
	a) fair value changes	(18,645)	79,560
	b) reversal to income statement	6,596	18,434
	1. adjustments for credit risk	430	(3,906)
	2. gain/loss on realization	6,166	22,340
	c) other changes	(629)	49
170.	Non-current assets and disposal groups held for sale:	-	-
	a) fair value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
180.	Valuation reserves of equity investments accounted for with equity method:	(16)	190
	a) fair value changes	-	190
	b) reversal to income statement	-	-
	1. impairment adjustments	-	-
	2. gain/loss on realization	-	-
	c) other changes	(16)	-
190.	Financial income or expense in respect of insurance contracts issued:	-	-
	a) fair value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
200.	Financial income or expense in respect of cessions in reinsurance	-	-
	a) fair value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
210.	Income taxes on other comprehensive income recyclable to profit or loss	(1,025)	(41,511)
220.	**Total other comprehensive income**	**2,337**	**90,545**
230.	**Comprehensive income (item 10+220)**	**1,058,299**	**887,128**
240.	Consolidated comprehensive income pertaining to non-controlling interests	-	1,228
250.	**Consolidated comprehensive income pertaining to shareholders of the Parent Company**	**1,058,299**	**885,900**

PART E - RISK AND RISK MANAGEMENT POLICIES

INTRODUCTION

The Iccrea Cooperative Banking Group conducts its business in accordance with the principles of prudence and risk containment, based on the need for stability associated with banking activity and the main characteristics of the mutual banks and their customers. Consistent with these principles, the Group pursues its growth objectives in accordance with the needs of the mutual banking system, ensuring, through balanced risk management, reliable and sustainable generation of value over time.

The risk governance policies represent the reference model in organizational and process development and in the systematic execution of all the operational and business activities performed by Group companies and are an integral part of the risk management process (RMP) adopted by the Group, ensuring sound and prudent management and supporting sustainable implementation of the overall risk strategy. The internal control system (ICS) governs the RMP, ensuring the completeness, appropriateness, functionality (in terms of effectiveness and efficiency) and reliability of the policies in a context of strict consistency with the risk appetite framework defined at Group level.

The Risk Management function operates within the internal control system.

THE RISK MANAGEMENT FUNCTION

The Chief Risk Officer area is responsible at the Group level for the key elements of the overall Risk Management Framework: identification, measurement, monitoring and mitigation of corporate risks. It is responsible for the governance and execution of second-level controls connected with risk management, consistent with the internal control system adopted by the Group. It is the contact for the corporate bodies of the Parent Company for matters within its scope of responsibility, providing an integrated and composite vision of both the first and second pillar risks assumed and managed by the individual entities and by the Group as a whole.

In 2024 the organizational structure of the Risk Management function of the Parent Company underwent further fine-tuning, both in terms of the evolution of the overall structure (in order to strengthen specific risk management arrangements for climate and environmental risks and to consolidate management of the Group's "non-financial risks" within a single unit – i.e. ICT, information security, operational and reputational risks) and the refinement of existing arrangements. The current organizational arrangements provide for:

- a *"Risk Governance" unit*, that (i) oversees all risk governance issues for the Group in respect of the affiliated banks, the companies within the direct scope and the Parent Company, including the management of the EWS and stress testing framework for the purposes of the Guarantee Scheme (ii) performs activities connected with the preparation of the area's annual activity plan and the institutional reporting document submitted to the corporate bodies and the supervisory authorities; (iii) coordinates and monitors strategic projects for the CRO area, as well as overseeing activities pertaining to the CRO area. This unit is sub-divided into the following organizational units:
  - "Mutual Bank Risk Management" (Northern Area, Central Area, Southern Area), which have organizational responsibility for the overall execution of the Risk Management activities outsourced for the macro-area; represent the top management structure for the Risk Management controls of the area, which is responsible for the execution the outsourced second-level control activities for risk management; ensuring the coordination of the managers in charge of the Risk Management functions of the affiliated banks;
  - "Mutual Bank Risk Governance", which ensures the applicability of the methodological framework for risk governance processes and the specific risks on the individual level of the affiliated banks, supporting the Group Risk Governance and Group Risk Management units in the definition and maintenance of the processes in order to facilitate their operational implementation with the mutual banks. With regard to the individual profile of the affiliated banks, the unit is responsible for the development, updating and periodic implementation of the methodological and operational systems underlying the EWS and Stress Test framework for Guarantee Scheme purposes, developing appropriate tools for their operations;
  - "Group Risk Governance", which defines and maintains the methodological framework of the Group's Risk Governance processes (RAF/RAS, ICAAP, Recovery Plan, stress testing, OMR, contribution of the Risk Management function to remuneration policies and the incentive system). The unit also governs the Risk Management units of the supervised direct scope (DS) entities (i.e. banking, financial and asset management companies), which are responsible for performing outsourced risk management and control activities (RM activities), ensuring the coordination of RM managers (i.e. DS RM) and the respective teams responsible for providing RM services.

- a “*Group Risk Management*” unit, which (i) supervises and coordinates the organizational units dedicated to the individual risk categories, which within their areas of responsibility are involved in the development and maintenance of the methodological framework for the assumption and management of specific risks and their respective control arrangements, as well as the assessment and monitoring of those risks, the identification of any risk mitigation measures; (ii) acting through the Validation function, the unit validates models developed internally to quantify risks; (iii) establishes the operational guidelines for the specialized units of the Risk Management function in their interactions with the Risk Management units of the affiliated banks and the direct-scope companies. This unit is sub-divided into the following organizational units:
  - Credit Risk Management
  - Financial Risk Management
  - Climate & Environmental Risk Management
  - Validation;
- a “*Non-Financial Risk Management*” unit, which is responsible for the management and oversight of ICT and security risks, operational risks and reputational risks at the Group level (“non-financial risks”). It ensures that such risks are identified, measured, assessed, managed, monitored, as well as maintained within or returned to a level consistent with the specified risk propensity framework.

The main duties performed by the Risk Management function are the following:

- defining and developing the framework for the assumption and management of risks pertaining to the Group, which is composed of (i) organizational structures and corporate processes (operating, administrative and business), including line controls; (ii) risk governance policies (policies, limits, responsibilities); (iii) methodologies and risk measurement and assessment criteria, (iv) support tool applications. In this area, the Risk Management function ensures that the framework for the assumption and management of risks is compliant with applicable regulations, in line with market best practice, functional in respect of internal operational conditions and consistent with the business plan, the budget and the Risk Appetite Framework (RAF), the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP) of the Group;
- developing the Risk Appetite Framework and its operational implementation (the Risk Appetite Statement) at the consolidated level and, with the support of the affiliated banks and Group companies, at the individual level, consistent with capital adequacy objectives (ICAAP) and the adequacy of the liquidity profile (ILAAP) of the Group;
- acting as a control center for monitoring the risk profile of the individual affiliated banks and the companies in the direct scope for which risk management activities are performed on a centralized basis under an outsourcing arrangement governed by specific service agreements. This control center operates through the dedicated risk management units within the central organizational arrangements and, for the affiliated banks only, uses the mechanisms of the Early Warning System and the Guarantee Scheme. In this area, the Risk Management function:
  - handles the development and updating of the methodological framework and develops tools for managing the Guarantee Mechanism, as well as analyzing, controlling, assessing and monitoring the affiliated banks within the scope of EWS management processes and proposes their risk classification;
  - is responsible, through the action of its local units as well, for the determination and adoption by each affiliated bank of strategies, policies and principles for the assessment and measurement of the risks identified at the Group level.
- monitoring developments in the risk profile and the various types of risk to which the Group as a whole and its individual members are exposed, verifying the ongoing consistency between the actual risk assumed and the specified risk objectives. In this context, the Risk Management function:
  - develops methodologies and models for measuring and assessing risks, validating those models, periodically checking their operation, predictive capacity and performance, and their consistency over time with operational practices and regulatory requirements;
  - performs second-level controls of the appropriateness, effectiveness and resilience of the framework for the assumption and management of the risks for which it is responsible, identifying any needs for fine tuning/corrective or evolutionary maintenance and providing support – within the scope of its duties – in implementing the associated actions;

  - identifies any risk developments exceeding the limits set out in the Risk Appetite Statement, in the Risk Governance Policies or in external regulations and, in general, potentially harmful or unfavorable situations in order to assess possible mitigation initiatives to implement;
  - within the RAF/RAS and EWS frameworks, examines the results of the process of determining the capital requirements, analyzing the dynamics involved to verify the overall consistency with the risk profile in the different analytical dimensions considered;
  - analyzes major transactions, expressing a prior opinion on their consistency with the Risk Appetite Statement;
  - assesses, within the scope of its duties, the capital structure in relation to the risks assumed/assumable (ICAAP) and the appropriateness of the Group's liquidity profile (ILAAP);
  - assesses the impact of especially serious events on the Group's exposure to risk and participates in developing strategies to be implemented for the resolution;
  - reports to top management on risk developments in the various operating segments and business areas, providing support to management bodies in defining strategic policy and risk policy and the associated implementation of those policies;
- performing, within the scope of its duties, tasks required for the purpose of supervisory reporting, inspections and regulations.

THE RISK CULTURE

The Group devotes special attention to managing, assessing and understanding risk. All personnel are asked to identify, assess and manage risk within their area of responsibilities. Each employee is expected to perform their duties seriously and with awareness.

The risk culture is inspired by the principles of the risk management model of the Parent Company. It is disseminated to all business units and personnel and is founded on the following pillars:

- the independence of risk functions from business units;
- the establishment and constant updating of risk handbooks and policies, updating risk measurement and estimation approaches to ensure consistency with sector best practices;
- the specification of risk limits;
- the periodic monitoring of (aggregate and non-aggregate) exposures and compliance of approved limits and implementation of appropriate corrective measures where necessary;
- the presence of other support tools to help develop the culture of risk (training courses, remuneration policies and incentives linked to the quality of risk and the results of the Group companies in the long term, systematic and independent Internal Auditing units, etc.).

THE GROUP RISK GOVERNANCE FRAMEWORK

The overall Risk Governance framework developed and adopted by the Group reflects the specific features of the ICBG, whose participatory mechanisms are based on a Cohesion Contract, signed by the banks and participating companies, that provides for internal stability mechanisms characterized by intercompany mutual support agreements regulated specifically by applicable external legislation.

On the basis of the provisions of the Cohesion Contract between the affiliated banks and the Parent Company, the latter constantly monitors the organization and the operating conditions, financial position and performance of the affiliated banks through the Early Warning System (EWS), which is designed to promptly identify any signs of management difficulty and/or failure to comply with the obligations assumed under the Cohesion Contract, recommending or arranging, depending on the specific features of any given case and on the basis of the principle of proportionality, the appropriate intervention measures. The overall framework of the Group's risk governance system is completed by the Risk Appetite Framework (RAF), which is implemented operationally through policies addressing the individual risks to which the Group is exposed and transversal systems involved in the internal assessment the capital adequacy and liquidity profile (ICAAP/ILAAP) and the overall assessment of the recovery capacity in particularly adverse conditions (the Recovery Framework).

The RAF defines - in line with the maximum assumable risk (Risk Capacity), the business model and the Group strategy, the Operational Plan and the company incentive system - the risk objectives or risk appetite (Risk Appetite) and Risk Tolerance thresholds, taking due account of possible adverse scenarios. Starting on the basis of the RAF, consistent operating limits are defined within the overall risk governance policies. The latter in turn represent the internal regulatory expression of the “rules” for the assumption and management of risks and are an integral part of the Risk Management Process (RMP).

The overall architecture of the Risk Appetite Framework, defined in terms of key elements, scope of coverage/application and underlying operating models, is closely interconnected with Group’s key risk governance process, i.e. the Early Warning System. The RAF is implemented individually with regard to the affiliated banks and shares qualitative and quantitative indicators with the EWS, ensuring consistency between the different calibration approaches and the purposes of the two frameworks.

In other words, the RAF is intended to explicate the medium/long-term vision of the desired risk profile for the Group as a whole and for each Group company, defining the risk area within which the management functions must operate in pursuit of corporate strategies. Compared with the RAF, the capital adequacy and liquidity assessment (ICAAP and ILAAP) represents an occasion to verify the stability of the risk appetite choices in terms of their consistency with the capital and liquidity resources available, guiding any subsequent modification of the choices and the resulting overall strategy decisions.

SECTION 1 – RISKS WITHIN SCOPE OF ACCOUNTING CONSOLIDATION

QUANTITATIVE DISCLOSURES

A. CREDIT QUALITY

A.1 IMPAIRED AND PERFORMING CREDIT EXPOSURES: STOCKS, WRITEDOWNS, CHANGES AND DISTRIBUTION BY SECTOR

A.1.1 DISTRIBUTION OF FINANCIAL ASSETS BY PORTFOLIO AND CREDIT QUALITY (CARRYING AMOUNT)

	Bad loans	Unlikely to pay	Impaired past due exposures	Performing past due positions	Other performing positions	Total
1. Financial assets measured at amortized cost	128,913	651,866	189,911	1,449,837	143,052,100	145,472,627
2. Financial assets measured at fair value through other comprehensive income	10	-	-	-	7,094,742	7,094,752
3. Financial assets designated as at fair value	-	-	-	-	323,853	323,853
4. Other financial assets mandatorily measured at fair value	-	-	-	199	441,473	441,672
5. Financial assets held for sale	-	-	-	-	-	-
Total 30/06/2024	**128,923**	**651,866**	**189,911**	**1,450,036**	**150,912,168**	**153,332,904**
Total 31/12/2023	**137,888**	**680,650**	**194,503**	**1,359,182**	**151,082,707**	**153,454,931**

A.1.2 DISTRIBUTION OF CREDIT EXPOSURES BY PORTFOLIO AND CREDIT QUALITY (GROSS AND NET VALUES)

	Impaired assets				Performing assets			Total (net exposure)
	Gross exposure	Total adjustments	Net exposure	Total partial writeoffs	Gross exposure	Total adjustments	Net exposure	
1. Financial assets measured at amortized cost	3,568,449	2,597,760	970,689	422,547	145,379,611	877,674	144,501,937	145,472,627
2. Financial assets measured at fair value through other comprehensive income	10	-	10	-	7,101,654	6,910	7,094,742	7,094,752
3. Financial assets designated as at fair value	-	-	-	-	X	X	323,853	323,853
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	441,672	441,672
5. Financial assets held for sale	-	-	-	-	-	-	-	-
Total 30/06/2024	**3,568,459**	**2,597,760**	**970,699**	**422,547**	**152,481,265**	**884,584**	**152,362,205**	**153,332,904**
Total 31/12/2023	**3,650,630**	**2,637,588**	**1,013,041**	**486,655**	**152,635,168**	**978,547**	**152,441,890**	**153,454,931**

	Assets with evidently poor credit quality		Other assets
	Cumulative losses	Net exposure	Net exposure
1. Financial assets held for trading	-	13	191,997
2. Hedging derivatives	-	-	1,132,212
Total 30/06/2024	**-**	**13**	**1,324,209**
Total 31/12/2023	**-**	**32**	**1,166,567**

* Value to be reported for information purposes

SECTION 2 – RISKS WITHIN SCOPE OF PRUDENTIAL CONSOLIDATION

1.1 CREDIT RISK

QUALITATIVE DISCLOSURES

1. GENERAL ASPECTS

In accordance with the organizational model established at the Iccrea Banking Group level to govern and manage risks, credit risk is managed with an integrated series of processes and associated responsibilities defined within company units and regulated with a comprehensive set of internal rules for credit risk.

The Parent Company determines credit risk management policies at the Group level. More specifically:

- the lines of development for the Group activities are defined in the Strategic Plan and then incorporated in the annual budgets of the subsidiaries;
- the Risk Management function supports the risk assumption phase (policy, assessment and pricing models, quality control, strategic policy analysis) and management (identification, measurement/assessment, monitoring/reporting, mitigation) of the credit risk exposure of the Parent Company and all the Group companies.

With regard to the management and coordination role of the Parent Company, on the basis of the Cohesion Contract – Iccrea Banca assumes responsibility for the following areas: lending rules (principles, policies and processes), credit strategies and credit risk limits, management of large exposures, guidelines for the main credit product categories by customer segment, the monitoring and reporting of portfolio credit risk.

In line with these credit governance rules, the Chief Lending Officer area is responsible for overseeing all lending processes for the Parent Company and the direct-scope companies, from origination to the management of non-performing loans (with the exception of resolved impaired loans) and to exercise management and coordination activities for the affiliated banks.

2. CREDIT RISK MANAGEMENT POLICIES

2.1 ORGANIZATIONAL ASPECTS

Credit risk represents the preponderant component of the overall risks to which the Group is exposed, considering that credit exposures account for a dominant share of assets.

In light of this circumstance and in compliance with the applicable provisions concerning the internal control system (see Bank of Italy Circular No. 285/2013, Part One, Title IV, Chapter 3), the Group has adopted a governance structure and operational arrangements to ensure the adequate monitoring of credit risk in the various phases of the process.

In this respect, the Chief Lending Officer area:

- performs guidance and coordination activities for all phases of the credit process (origination, management, governance of guarantees, monitoring, classification, evaluation and credit recovery);
- ensures the constant updating of the guidelines on credit issues;
- oversees and directs projects related to innovations or upgrading of existing credit processes;
- coordinates any remedial actions requested by the supervisory authorities, top management or the corporate control functions;
- supports the competent Group units in the definition and development of credit products;
- contributes to the definition of the Strategic Plan for the lending area, including the NPE sector;
- defines the NPE Operating Plan, in line with the Group’s strategic guidelines in this area;
- issues, in compliance with the provisions and amount limits specified in the Group Lending Policies and in compliance with the powers attributed in internal rules, credit opinions on performing and non-performing credit transactions from companies within the direct scope and the affiliated banks;

- approves the bank's performing loan transactions, in compliance with the powers attributed in internal rules, submitting them to the higher decision-making bodies of Iccrea Banca where they do not fall within its powers.

From a regulatory perspective, the Group's lending policies uniformly govern all phases of the lending process, leaving the individual affiliated banks independence in implementing the principles and rules set out in the policies issued by the Parent Company on the basis of the specific features of the territory in which operate, their organizational structure and their business model.

In accordance with supervisory regulations (Bank of Italy Circular No. 285/2013), the Risk Management function performs - at both the consolidated and individual legal entity levels - credit risk control activities designed to ascertain that the activities performed in all phases of the lending process ensure the effective monitoring and adequate representation of credit risk, identifying any hidden risks and guiding correct/adequate risk management, classification and evaluation. More generally, the Risk Management function oversees the risk management of the individual entities from a consolidated and individual perspective:

- overseeing the measurement of credit risk from a current and forward-looking perspective, considering both conditions of normal operations and stress scenarios;
- monitoring the capacity of the risk limits, including those defined within the RAF/RAS with regard to the associated credit risk metrics;
- defining and updating the methods and measurement models for credit risk, including those used in the performance of credit stress tests, ensuring their ongoing compliance with regulatory developments and market best practice.

2.2 MEASUREMENT, MANAGEMENT AND CONTROL SYSTEMS

IDENTIFICATION OF RISKS

As noted in the previous section, in compliance with the provisions of Circular no. 285/2013 of the Bank of Italy as updated, the Parent Company determines the strategies, policies and principles for assessing and measuring risks for the Group and ensures the consistency of the internal control systems of the affiliated banks with the strategies, policies and principles established at the Group level, thus exercising the powers of strategic management and coordination aimed at ensuring the unity of the Group's strategic management and control system, as governed by the Cohesion Contract.

With regard to the lending process, Group regulations establish specific principles and guidelines for the analysis of the needs and requirements of clients as well as accurately assessing the credit risk profile. This activity, based on qualitative and quantitative disclosures, focuses on several aspects, including:

- the counterparty as well as the economic context in which it operates (also in respect of "groups of connected clients", when there are any legal or economic connections between with other counterparties);
- the purpose and characteristics of the transaction to be financed;
- the guarantees available;
- other forms of credit risk mitigation.

The Group adopts a counterparty approach in assigning ratings except in specific cases in which the counterparty assessment is supplemented by a product-perspective evaluation, in consideration of any special features of a business. Using rating/scoring models, the Group assigns the counterparty a representative credit rating, adopting an on-line processing procedure, which is typically accessed through the electronic application processing system but also in batch mode, with the latter being adopted for periodic updating of ratings for all Bank customers (the loan position performance rating).

The monitoring process for the performing portfolio is designed to identify the riskiest portion of the portfolio in order to activate prompt management actions to prevent further deterioration of positions.

This process breaks down into a number of management phases, which provide for:

- the (automated or manual) detection of exposures affected by an appreciable increase in credit risk and their allocation to portfolios characterized by an increasing level of risk;
- the intervention of a specialized analyst who, for identified counterparties with material exposures, verifies the effective magnitude of the increase in risk of the identified counterparty;

- the consequent definition of the “monitored” portfolio, which provides for the transfer of decision-making powers to credit management units. These units take proactive steps to involve the relationship manager in developing intervention strategies for the individual customer and the most appropriate risk containment measures.

RISK MEASUREMENT AND ASSESSMENT

For the purpose of calculating prudential requirements for credit risk, the Group uses the standardized approach envisaged under prudential regulations (Regulation (EU) No. 575/2013 of the European Parliament and the Council of June 26, 2013 - CRR).

The adoption of the standardized approach to determine the capital requirement against credit risk involves the subdivision of exposures into portfolios and the application of differentiated prudential treatments to each, possibly using assessments of creditworthiness (external ratings) issued by external agencies (ECAI) or by export credit agencies (ECA) recognized for prudential purposes on the basis of the provisions of Regulation (EU) No. 575/2013.

Depending on the type of counterparty and the sector in which it operates, the Group’s operations also open it to the risk of being excessively exposed to an individual counterparty (single name) or a specific sector/geographical area (geo-sectoral).

For the purposes of determining internal capital for concentration risk for individual counterparties or groups of connected clients, the Group uses the regulatory granularity adjustment (GA) algorithm, based on the Herfindahl index. In accordance with regulatory provisions, the reference portfolio consists of on-balance-sheet and off-balance sheet exposures (the latter considered at their credit equivalent amount) falling within the regulatory portfolios “corporates and other borrowers”, “short-term exposures to corporates” and exposures to corporates included in the asset classes “in default”, “secured by real estate”, “equity exposures” and “other exposures”.

Furthermore, for the purpose of quantifying geo-sectorial concentration risk, the Group adopts the methodology developed by the “Geo-Sectoral Concentration Risk Laboratory” of the Italian Banking Association (ABI), which sets geographical and product categories against a national asset allocation benchmark.

The Group periodically performs stress tests for credit and concentration risks in order to assess - in terms of potential losses - the impact of expected risk developments on the financial profile of the Group and the individual entities under both normal and adverse operating conditions.

The stress test methods are based on regulatory practices and are applied in various management and risk governance processes, starting with the capital adequacy assessment process (ICAAP), as well as in the performance of supervisory exercises.

The methodological and calculation structure of credit stress tests is based on the use of internal risk models and parameters and incorporates a credit risk projection approach (transitions between stages/risk states) and determination of related losses over the scenario years (12-month or lifetime expected credit loss) based on the measurement of IFRS 9 impairment.

The projections of the estimates for the scenario years are performed considering the macroeconomic scenario assumptions in the adopted scenarios (in baseline or adverse conditions), using internally developed models (“satellite” models), which estimate the relationship between risk factors and developments in macroeconomic variables.

RISK MONITORING AND CONTROL

In accordance with supervisory regulations (Bank of Italy Circular no. 285/2013), the Risk Management function performs - at both the consolidated and individual legal entity levels - credit risk control activities designed to ascertain that the activities performed in all phases of the lending process ensure the effective monitoring and adequate representation of credit risk, identifying any hidden risks and guiding correct/adequate risk management, classification and evaluation. These activities are accompanied by the ongoing controls of the Risk Management function through analysis of developments in the exposure to credit risk of the Group as a whole and of the individual entities.

The Internal Audit unit performs third-level controls, which are designed to identify violations of procedures and regulations and to periodically assess the comprehensiveness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the internal control system in relation to the nature and magnitude of the risks involved.

The locus of the strategic and operational management of credit risk is the Group's Risk Appetite Statement, through a comprehensive system of risk objectives and limits (appetite, tolerance and capacity) at both the consolidated and individual entity levels, with compliance ensured by the monitoring and control activities of the function.

Monitoring and reporting on the credit risk profile is characterized by activities that involve both the business functions and the control functions, in accordance with their respective responsibilities. In particular, monitoring is ensured both by aggregate portfolio performance analyzes and by analyzes carried out on individual positions.

The Risk Management function monitors the credit risk profile – at both the consolidated and individual affiliated bank and Group company level, using an analytical framework and related reporting based on a system of key risk indicators. It is designed to monitor the loan portfolio, at both the time exposures are taken on and during their lifetime, the outcomes of which are reported regularly to top management. In this context, the analytical methods and the related reporting undergo constant fine-tuning in order to represent the drivers underlying developments in credit risks in an ever more effective manner, reflecting changes in the regulatory environment as well as management requirements and to support decision-making.

Risk Management has also centrally defined the "Credit Risk Control 285" framework. This is intended to govern, based on the set of governance, management and control mechanisms adopted by the Group for credit risk, the analysis, identification and control activities performed by the Risk Management function pursuant to Circular 285.

Over the six-month cycle, the performance of this activity involved the preliminary definition of an operational policy qualifying the functional elements for calibrating and targeting risk control activities. Following the definition of this operational policy and in compliance with the provisions of other internal regulations, mass controls were conducted for the Group's credit portfolios, as well as sample checks (single file) of individual credit exposures. The completion of the activities also included reporting to the corporate bodies.

2.3 METHODS FOR MEASURING EXPECTED CREDIT LOSSES

The Group has adopted a framework for determining impairment based on risk assessment models and the corresponding parameters used in operational and management practices by the Parent Company and individual Group entities. In accordance with the provisions of IFRS 9, the methods for measuring expected losses on impaired exposures are based on the following elements:

- a 3-stage (stage allocation) approach, based on changes in credit quality, defined on a model of 12-month expected loss or lifetime expected loss if a significant increase in credit risk is detected. The standard provides for three different categories that reflect the deterioration in credit quality since initial recognition:
  - stage 1: financial assets originated and/or purchased that do not exhibit objective evidence of impairment at the date of initial recognition or that have not experienced a significant deterioration in their credit quality since the date of initial recognition (significant increase in credit risk) or which have low credit risk (low credit risk exemption);
  - stage 2: financial assets whose credit quality has deteriorated significantly since the date of initial recognition;
  - stage 3: financial assets that exhibit objective evidence of loss at the reporting date. The population of these exposures is consistent with those considered "impaired" under IAS 39.
- application of "point-in-time" formulations of the parameters for measuring credit risk for the purpose of calculating impairment;
- calculation of lifetime expected credit loss for exposures not classified in stage 1, using lifetime parameters;
- inclusion of forward-looking conditioning in the calculation of ECL, considering the average loss from each scenario and the associated probability-weighted likelihood of each outcome;
- staging and transfers of financial assets between the stages.

In accordance with the standard, the Iccrea Group allocates each asset/tranche to one of the following three stages:

- stage 1, which includes all performing positions/tranches that at the reporting date meet the condition for the low credit risk exemption, or that do not show a significant increase in credit risk with respect to the level measured at the date of disbursement or purchase;
- stage 2, which includes all performing positions/tranches that at the time of assessment simultaneously meet the following two conditions: (i) they have a PD greater than the threshold, (ii) they have experienced a

significant increase in credit risk with respect to the level measured at the origination date. In the absence of a rating/PD at the reporting date, exposures are generally allocated to stage 2 (without prejudice to the additional considerations and practices addressed below);

- stage 3, which includes all exposures that, as at the evaluation date, are classified as non-performing under the default definition adopted and governed by specific internal rules in conformity with supervisory regulations.

The staging method of the Group was developed on the basis of the following drivers.

The method developed for the loan portfolio envisages:

- the use of the low credit risk (LCR) criterion, under which credit risk is deemed to have not increased significantly if the exposure shows a low level of credit risk at the reporting date, essentially defined as a PD threshold at the reporting date equal to the investment grade threshold;
- the use of quantitative criteria based on rating/scoring systems, involving the analysis and comparison of the PD/rating at origination with the PD/rating at the reporting date. This identifies, on the basis of thresholds of significance defined in terms of the number of notches that a rating has changed, any significant increase in credit risk on the position.
- the use of qualitative staging criteria to identify the riskiest positions in the performing portfolio. These criteria have been defined independently of the use (or not) of the quantitative criteria referred to in the previous point and are based on the identification of objective evidence of impairment, such as the presence of forbearance measures, watchlist positions or positions more than 30 days past due.

The staging methodology developed for the securities portfolio is applicable to the entire portfolio of debt securities outstanding at the reporting date for the various Group entities. Not included in the calculation of impairment, and therefore not subject to the staging mechanism, are shares, equity investments, units of collective investment undertakings, securities classified as held-for-trading and debt securities that do not pass the benchmark test and the SPPI test.

The approach adopted for the securities portfolio provides for the use of the principle of the low credit risk exemption, which allocates exposures with a conditional 12-month PD below the investment grade threshold to stage 1. Positions with a conditional 12-month PD above that threshold are allocated to stage 2.

Group entities with a securities portfolio use the external ratings of an ECAI at the tranche level. For the purpose of assigning a rating to securities exposures at the reporting date, only ECAIs with which a valid information-use agreement is in place are used.

Starting from the allocation of exposures in the different stages, the calculation of expected losses (ECL) is carried out, at the level of each position, on the basis of the estimated risk parameters (EAD, PD, LGD) using internal management models, performed in compliance with the requirements of the applicable accounting standard.

In particular, for the purposes of determining the probability of default (PD), the approach adopted for both the loan portfolio and the securities portfolio envisages:

- the transformation of the “through-the-cycle” PD into (or calculation of) the “point-in-time” (PIT) PD on the time horizon for the most recent historical observations;
- the inclusion of forward-looking scenarios through the application of multipliers representing macroeconomic forecasts to the PIT PD and the definition of a series of possible scenarios and the associated probability of occurrence that incorporate future macroeconomic conditions in the estimates;
- the transformation of the 12-month PD into a lifetime PD in order to estimate the PD term structure over the entire residual life of the loans.

Loss given default (LGD) is determined using a “block” approach, determined by the combination of parameters relating respectively to the pre-litigation phase (probability of reclassification as bad loans, exposure delta, performing LGD closure) and litigation (loss given bad loan). With regard to the securities portfolio, the unconditioned LGD measures are the same for both stage 1 and stage 2 exposures. In particular, an unconditioned LGD measure of 45% is used, subsequently subjected to forward-looking conditioning, consistent with the scenarios and probabilities of occurrence used to condition the PD, as discussed below.

Exposure at Default (EAD) is calculated on the basis of the amortized cost schedules of the individual relationships for both loans and debt securities. For exposures relating to margins, EAD is determined by applying a specific Credit Conversion Factor (CCF) to the nominal value of the position.

For the purposes of calculating ECL under IFRS 9, the risk parameters are estimated from a forward-looking perspective through conditioning to macroeconomic scenarios. The approach adopted consists in the use of forecast values for the exogenous macroeconomic variables in the satellite models estimated internally and the associated conditioning approach for each forecast year. In order to reflect the different forward-looking riskiness of the positions assessed in the ECL estimates, those satellite models are differentiated for the PD by type of counterparty, sector of economic activity and geographical area (where relevant); and for LGD by segment, presence/absence of guarantee and vintage of the bad loan using a panel data approach. To determine the macroeconomic conditioning measures to be applied in the calculation, three types of scenarios are used.

In particular, the following scenarios are considered with probabilities of occurrence defined in accordance with the indications provided by the reference provider (Prometeia):

- best case with a probability of occurrence equal to 20%,
- baseline cast with a probability of occurrence equal to 50%,
- plausible worst case with probability of occurrence equal to 30%.

From the close of the financial statements at December 31, 2023, the calculation of the IFRS 9 ECL of the Group’s performing credit exposures has included implementation of the following:

- the amendments produced as part of the 2023 planning of the Credit Risk Models Evolution (CRME) program;
- the updates of the overlay component applied to the calculation of ECL, representative of the out-of-model component, in order to add an additional degree of prudence in the light of the uncertainty of the macroeconomic environment.

In line with the actions implemented by the Group during 2023 and the first quarter of 2024, as from the June 2024 interim report watchlist management within the IFRS 9 stage allocation process has involved: i) the recalibration of the criteria for identifying signs of a material risk of counterparty deterioration; ii) the start of the watchlist operating process in PEG2. The customers identified using these criteria are processed via PEG2 and transmitted to the IFRS 9 environment, following analysis by the position managers within the specific management work flow provided for in the IT procedure.

As noted above, from the close of December 2023, changes concerning the internal EAD (Exposure at Default) estimation model were implemented, enabling the estimation for certain specified customer segments (enterprises, producer households and individuals) of a credit conversion factor (CCF) in place of the standard regulatory coefficients. The latter are still applied to other counterparty segments not falling within the scope of the estimation exercise. Together with the interventions mentioned above, and in line with the provisions of IFRS 9, adjustments of the ordinary process of updating the risk parameters (PD and LGD Point in Time (PiT)) were implemented. The latter were updated with the latest risk data available, including, where appropriate, specific in-model adjustments in order to take account of possible weaknesses still present in the database and to align the model’s risk assessment of certain sub-portfolios based on backtesting data.

Starting from the close of December 2022, in addition to the ECL (Expected Credit Loss) on performing positions determined with the in-model framework, the Group has also planned the introduction of post-model adjustments (overlays) in order to incorporate even greater prudence for specific sub-portfolios that could be made more fragile from the point of view of creditworthiness by the occurrence of other unexpected events impacting the likely macroeconomic environment. For this reason, with effect from the close of December 2023, the overall management of the portfolio for which overlays are used has been strengthened in order to monitor the manifestation of credit risk and review its composition on a cluster basis.

In this context, a specific reference framework has been structured in order to strengthen the current overlay governance system with regard to the definition, monitoring and review activities within the system. Specifically, with regard to:

- monitoring activity: backtesting was conducted to verify whether the riskiness of the clusters identified in the 2022 financial statements had actually manifested itself. The analysis found that some of the clusters already subject to overlay adjustments, namely “customers with forbearance measures” and “moratoriums expiring after June 30, 2021”, displayed a risk level that was only slightly higher than expected after one year, while recording structural misalignments at the level of individual rating classes. From a conservative perspective, it was decided to manage the risk underlying these portfolios by adopting an in-model adjustment, correcting the underestimation of the risk for some rating classes through an automatic downgrade;
- review activity: given the analysis of current macroeconomic conditions, the existing clusters were reviewed and new potential emerging risks were identified, requiring the definition of new clusters of sub-portfolios considered more fragile following unexpected developments in the macroeconomic environment, which would

therefore be subject to overlay adjustments starting from close of the financial statements at December 31, 2023.

The clusters of sub-portfolios subject to overlay adjustments are the following: i) private individuals with variable rate mortgages in the absence of a cap on the interest rate applied; ii) firms operating in the construction and real estate industries; iii) companies operating in “brown” sectors, which the C&E risk identification and assessment methodology adopted by the Group has attributed a “high” or “very high” exposure to transition risk.

In addition, in compliance with supervisory authority requests, starting from the close of the financial statements at December 31, 2023, the portfolios subject to overlay adjustments have been broken down by risk stages, establishing a consequential analytical relationship between overlay adjustments and stage allocation.

Finally, as part of the conditioning of the IFRS 9 risk parameters, the calculation of allowances at June 30, 2024 included the ordinary updating of the macroeconomic scenarios in accordance with the most recent update of those scenarios (March 2024).

2.4 CREDIT RISK MITIGATION TECHNIQUES

As required by Regulation (EU) no. 575/2013 on prudential requirements for credit institutions and investment firms (CRR), the Group is strongly committed to compliance with all the requirements for the appropriate application of credit risk mitigation (CRM) techniques in accordance with the standardized approach for the calculation of capital requirements both for internal management and regulatory purposes.

The Parent Company has developed specific Group guidelines to support the appropriate use of guarantees and credit risk mitigation techniques for Credit Risk Mitigation (CRM) purposes. Specifically, at Group level the following categories of guarantees eligible for CRM purposes have been identified:

- secured financial guarantees;
- real estate mortgages and property lease transactions involving properties that have the characteristics required by law;
- unsecured guarantees.

Unsecured guarantees eligible for CRM purposes consist of all forms of credit protection provided by the entities (providers) specified in Article 201 of the CRR (central governments, central banks, international organizations, public sector entities, regional governments and local authorities, multilateral development banks, supervised intermediaries). Accordingly, guarantees issued by natural persons or legal entities not included in the list indicated in the legislation do not fall within the risk mitigation techniques for calculating capital requirements, but are not excluded from the Group’s catalog of guarantees, which comprises not only the guarantees eligible for CRM purposes, but also guarantees not eligible for CRM purposes, as mentioned above.

Credit risk mitigation techniques may include guarantees provided by collective loan guarantee consortia in accordance with applicable regulations in the presence of suitable counter-guarantees (for example the Central Guarantee Fund for SMEs) for the portion they secure.

The different CRM techniques, whether funded or unfunded, are subject to both general and specific eligibility requirements that must be met at the time the guarantee is established and for the entire duration of the guarantee.

The general requirements, which are intended to ensure legal certainty and the effectiveness of the guarantees, mainly concern:

- the binding nature of the legal commitment between the parties and its enforceability in court;
- the technique used to provide the credit protection together with the actions and steps taken and procedures and policies implemented by the lending institution shall be such as to result in credit protection arrangements which are legally effective and enforceable in all relevant jurisdictions. The lending institution shall provide, upon request of the competent authority, the most recent version of the independent, written and reasoned legal opinion or opinions that it used to establish whether its credit protection arrangement or arrangements meet the condition laid down in the first subparagraph” (see Article 194 of the CRR);
- the adoption by the lending institution of all appropriate measures to ensure the effectiveness of the credit protection arrangement and to address the risks related to that arrangement;
- the timeliness with which the guarantee may be liquidated in the event of default.

The specific requirements are established for the individual CRM techniques in relation to their features and are intended to ensure a high level of effectiveness of the credit protection.

The Group has adopted procedures to ensure adequate compliance over time with the general and specific requirements required for CRM techniques. These procedures are be valid and applied by all Group companies in order to avoid possible inconsistencies in the assessment. Checks are also carried out in relation to the current legal value of the documentation submitted, the impact of any changes in the regulatory framework and the consequent initiatives to be taken. Risks related to the ineffectiveness, reduction or termination of the protection ("residual risks") as well as valuation and potential concentration risks in respect of specific guarantors are also controlled and managed.

3. IMPAIRED CREDIT EXPOSURES

3.1 MANAGEMENT STRATEGIES AND POLICIES

According to the EBA definition, non-performing exposures satisfy either or both of the following criteria:

- material exposures which are more than 90 days past due;
- the debtor is assessed as unlikely to pay its credit obligations in full without realization of collateral, regardless of the existence of any past-due amount or of the number of days past due.

Impaired exposures are classified by increasing degree of severity in the following three categories:

- impaired past due and or overlimit exposures: exposures continuously past due or overlimit by more than 90 days in an amount exceeding the materiality thresholds (a relative materiality threshold equal to 1% of the entire exposure and an absolute materiality threshold of €100 or €500 for retail or corporate counterparties respectively;
- unlikely to pay (UTP) exposures: on- and off-balance sheet exposures for which the institution considers that the obligor is unlikely, without recourse to actions such as realizing security, to pay its credit obligations (principal and/or interest);
- default: on- and off-balance sheet exposures to an obligor in a state of insolvency (even if not declared by a court) or a substantially comparable situation, regardless of any expected loss.

With regard to the classification of shared customers, the Parent Company has developed specific operational criteria to be adopted at the Group level to ensure the consistency of classification among the various Group entities. If counterparties are connected by legal and/or financial links, classification as non-performing of one of the connected counterparties gives rise to automatic classification as NPE for certain types of link, while other links trigger an assessment of the strength of the connection and the risk of contagion for the purposes of the possible classification as non-performing of the other borrowers ("default propagation").

The strategy for managing non-performing exposures is set by the Parent Company and is subject to approval and monitoring by its Board of Directors. Specifically, the Parent Company:

- defines the objectives in terms of reducing expected NPE levels at Group level;
- establishes, with the support of the Group companies, the objectives for the individual companies and the related management strategies.

The implementation of the strategy is supported by the Parent Company through the delivery of specialized support services, the provision of tools to facilitate the uniform management of impaired positions and a Group operational plan, which is also approved by the Parent Company's Board of Directors.

All Group companies have developed an internal system for measuring the performance of senior management and the organizational structures dedicated to management of non-performing exposures, based on a number of quantitative and qualitative factors, such as:

- developments in the stock of gross and net non-performing exposures, in line with the Group's Strategic Plan;
- methods for applying forbearance measures;
- the total amount recovered on the loan portfolio with a focus on collections, liquidations and asset sales;
- the aging of positions by recovery management phases;
- the regular performance of agreed restructuring plans;

- the application of writeoffs;
- the reduction of arrears and the improvement of portfolio quality.

The management of NPEs envisages the following categories of management strategies:

1. short- or long-term management actions to support business continuity with the objective of returning positions to performing status or amicable recovery of the exposure;
2. legal action, to be adopted for severely impaired positions for which litigation are undertaken to recover the credit, as the state of crisis appears to be deep-rooted and irreversible;
3. active portfolio reduction, to be applied to impaired positions that, being considered unrecoverable, are included in a disposal strategy, as the state of crisis appears to be deep-rooted and irreversible.

3.2 WRITEOFFS

The Group writes off impaired positions, meaning the derecognition from the financial statements of a loan, or part of a loan, and the consequent recognition of a loss, when it is ascertained that the exposure cannot be collected or it is uneconomic to continue any associated recovery activities under way.

It may occur before the legal action to recover the financial assets are completed and does not necessarily entail waiver of the bank's right to the asset. A writeoff may be total, and therefore regard the entire amount of a financial, or partial (in all those cases in which the claim recognized is smaller than the carrying amount, for example in insolvency proceedings). The amount of the writeoff must always take account of any expenses, including legal costs, accrued and not yet invoiced at the time of analysis.

A writeoff involves:

- the reversal of total writedowns against the gross value of the financial asset;
- for any part exceeding total writedowns, the impairment loss on the financial asset is recognized directly in profit or loss.

Any recoveries from collection after the recognition of the writeoff are recognized in profit or loss as writebacks.

Writeoffs recognized for unrecoverability refer to cases in which the Bank is in possession of documentation certifying the significant probability that the loan may not be recovered, in whole or in part. Specifically, the irrecoverable status of the loan must be attested to by certain and specific circumstances, such as:

- the obligor, co-obligors and/or connected guarantors are untraceable or destitute;
- there has been no recovery from enforcement of guarantees or collateral and seizures;
- the period of limitations has passed;
- insolvency proceedings have been closed with incomplete restitution for the bank, in the absence of further guarantees that could be enforced;
- it is impossible to take further action in consideration of the overall financial position and income situation of the obligors and co-obligors (guarantors included);
- all legal or out-of-court actions have, following a careful examination of updated documentation (by way of partial example, commercial information, title searches, searches, etc.), already been carried out or are deemed inappropriate;
- bad loans with a residual balance after partial repayment in settlement performed in accordance with the procedures and time limits provided for by the resolution approved by the competent bodies;
- amounts from the redetermination of the credit claim.

Writeoffs recognized because further action would be uneconomic occur when it is recognized, and can be demonstrated, that the costs related to the continuation of loan recovery actions (for example: legal, administrative and other costs) would exceed the value of the financial asset that is expected to be recovered.

3.3 FINANCIAL ASSETS PURCHASED OR ORIGINATED CREDIT-IMPAIRED

Financial assets purchased or originated credit impaired (“POCI”) are credit exposures that are impaired upon initial recognition.

Such exposures may arise both from the purchase of impaired credit exposures from third parties or from the restructuring of impaired exposures that involved the grant of new financing that is significant in absolute or relative terms in proportion to the amount of the original exposure.

These exposures are subject to management, measurement and control in accordance with the principles discussed in the previous section of the consolidated notes to the financial statements. In particular, the expected credit losses recorded at initial recognition in the carrying amount of the instrument are reviewed periodically based on the processes described in the preceding sections.

The expected loss for these exposures is always calculated over their lifetime and the exposures are conventionally reported under stage 3, or stage 2 if, following an improvement in the credit quality of the counterparty since initial recognition, the assets are performing.

Such assets are never classified under stage 1 since the expected credit loss must be calculated on a lifetime basis.

4. FINANCIAL ASSETS SUBJECT TO COMMERCIAL RENEGOTIATIONS AND EXPOSURES GRANTED FORBEARANCE MEASURES

Forborne exposures are performing or non-performing exposures that are subject to a forbearance measure granted by the bank to a customer who is already facing a situation of financial difficulty in meeting their payment commitments, or is about to do so, and which the bank would not have granted if that customer had not found themselves in such a situation.

The forbearance measures are granted with the aim of preventing a further deterioration in the customer’s financial condition, helping them to overcome the current difficulties with the grant of more sustainable repayment conditions.

To identify an exposure as forborne, both of the following conditions must occur:

- the bank ascertains the existence of the financial difficulties that the obligor is facing or is about to face (accordingly, if the customer is not facing a situation of financial difficulty, any type of measure in favor of that customer does not constitute a forbearance measure);
- the exposure is the subject of a forbearance measure (renegotiation of the contractual conditions and/or of a repayment or refinancing plan, etc.).

More specifically, the measure granted to the customer is classified as a forbearance measure in the following cases:

- contract modifications granted in favor of a debtor solely in consideration of the debtor’s financial difficulties;
- the grant by the bank of refinancing in order to enable the debtor to totally or partially repay an existing obligation to the bank. This case also includes additional finance operations aimed at the completion-optimization of an existing obligation to the bank.

The attribution of “forborne” to a credit exposure does not represent an additional classification status to those currently provided for in the internal rules of the Group.

Forborne status is associated with the individual exposure. Accordingly, a forborne exposure can be classified as performing forborne or non-performing forborne depending on the status of the counterparty to which these exposures are attributable.

Exposures that meet both of the following conditions are considered forborne performing:

- the debtor is classified as performing before the formalization of the forbearance measures;
- the debtor is not reclassified under impaired exposures as a result of the grant of the forbearance measures.

Exposures that meet at least one of the following conditions are considered forborne non-performing:

- the debtor is classified under impaired exposures before the formalization of forbearance measures;
- the debtor is reclassified under impaired exposures as a result of the grant of the forbearance measures.

QUANTITATIVE DISCLOSURES

A. CREDIT QUALITY

A.1 - IMPAIRED AND PERFORMING CREDIT EXPOSURES: STOCKS, WRITEDOWNS, CHANGES AND DISTRIBUTION BY SECTOR

A.1.4 - PRUDENTIAL CONSOLIDATION - ON-BALANCE-SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO BANKS: GROSS AND NET VALUES

	Gross exposure					Total writedowns and total provisions					Net exposure	Total partial writeoffs*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. On-balance-sheet exposures												
A.1 Demand	**860,035**	**820,309**	**39,726**	**-**	**-**	**235**	**168**	**67**	**-**	**-**	**859,800**	**-**
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	860,035	820,309	39,726	X	-	235	168	67	X	-	859,800	-
A.2 Other	**3,244,365**	**2,883,425**	**312,009**	**1,294**	**-**	**9,405**	**1,461**	**6,659**	**1,286**	**-**	**3,234,960**	**-**
a) Bad loans	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	1,294	X	-	1,294	-	1,286	X	-	1,286	-	8	-
- of which: forborne exposures	520	X	-	520	-	520	X	-	520	-	-	-
c) Impaired past due exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Performing past due exposures	16	1	15	X	-	-	-	-	X	-	16	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing assets	3,243,055	2,883,423	311,993	X	-	8,119	1,461	6,659	X	-	3,234,936	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
Total (A)	**4,104,400**	**3,703,733**	**351,735**	**1,294**	**-**	**9,640**	**1,628**	**6,726**	**1,286**	**-**	**4,094,760**	**-**
B. Off-balance-sheet exposures												
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	2,597,058	573,904	30,566	X	-	81,558	79,580	1,978	X	-	2,515,500	-
Total (B)	**2,597,058**	**573,904**	**30,566**	**-**	**-**	**81,558**	**79,580**	**1,978**	**-**	**-**	**2,515,500**	**-**
Total (A+B)	**6,701,458**	**4,277,637**	**382,301**	**1,294**	**-**	**91,198**	**81,209**	**8,704**	**1,286**	**-**	**6,610,260**	**-**

* Value to be reported for information purposes

A.1.5 - PRUDENTIAL CONSOLIDATION - ON-BALANCE-SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS: GROSS AND NET VALUES

	Gross exposure					Total writedowns and total provisions					Net exposure	Total partial writeoffs *
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. On-balance-sheet exposures												
a) Bad loans	1,434,114	X	-	1,428,890	5,223	1,210,760	X	-	1,206,223	4,538	223,353	417,291
- of which: forborne exposures	306,559	X	-	306,474	85	250,963	X	-	250,899	64	55,596	71,887
b) Unlikely to pay	2,498,361	X	-	2,492,926	5,435	1,667,313	X	-	1,662,889	4,425	831,047	7,188
- of which: forborne exposures	1,238,048	X	-	1,233,957	4,091	849,830	X	-	846,525	3,305	388,219	6,586
c) Impaired past due exposures	358,060	X	-	358,060	-	110,250	X	-	110,250	-	247,811	-
- of which: forborne exposures	45,308	X	-	45,308	-	12,701	X	-	12,701	-	32,607	-
d) Performing past due exposures	1,369,761	601,551	768,194	X	-	90,510	6,290	84,218	X	-	1,279,251	44
- of which: forborne exposures	149,886	478	149,408	X	-	21,689	16	21,672	X	-	128,197	-
e) Other performing assets	150,014,594	142,543,137	6,539,721	X	3,412	939,788	487,900	451,846	X	42	149,074,806	352
- of which: forborne exposures	1,373,278	3,747	1,366,429	X	3,102	103,220	50	103,128	X	42	1,270,058	229
Total (A)	**155,674,890**	**143,144,688**	**7,307,915**	**4,279,876**	**14,070**	**4,018,622**	**494,191**	**536,063**	**2,979,361**	**9,004**	**151,656,268**	**424,875**
B. Off-balance sheet exposures												
a) Impaired	256,152	X	-	256,152	-	97,553	X	-	97,553	-	158,599	-
b) Performing	25,812,369	22,685,635	1,470,727	X	-	120,415	66,409	54,006	X	-	25,691,954	-
Total (B)	**26,068,521**	**22,685,635**	**1,470,727**	**256,152**	**-**	**217,968**	**66,409**	**54,006**	**97,553**	**-**	**25,850,553**	**-**
Total (A+B)	**181,743,412**	**165,830,322**	**8,778,642**	**4,536,028**	**14,070**	**4,236,589**	**560,600**	**590,069**	**3,076,914**	**9,004**	**177,506,821**	**424,875**

* Value to be reported for information purposes

DISCLOSURE ON SOVEREIGN EXPOSURES

The total carrying amount of the Group's exposure to sovereign entities[31] at June 30, 2024 was €55,370 million, represented by €54,243 million in debt securities and €1,126 million in loans.

99.4% of the exposure in debt securities is concentrated with eight countries, including Italy, which, with €50,996 million, represents 94% of the total exposure.

The remaining 0.6% of the total exposure in sovereign securities, equal to €326 million, includes debt securities in respect of 24 other states (including: Portugal for €31 million, Hungary for €21 million, the United States for €17 million and Ireland for €10 million) as well as securities issued by supranational organizations such as the European Union, the European Financial Stability Facility and the European Stability Mechanism for €218 million.

Exposures to sovereign debt securities by country and portfolio

€/thousand

	30/06/2024		
	CARRYING AMOUNT	NOMINAL AMOUNT	FAIR VALUE
ITALY	**50,995,596**	**50,559,925**	**49,697,939**
financial assets held for trading	46,875	47,495	46,875
financial assets designated as at fair value	95,137	97,000	95,137
financial assets measured at fair value through other comprehensive income	5,517,865	5,649,330	5,517,865
financial assets measured at amortized cost	45,335,719	44,766,101	44,038,062
SPAIN	**1,019,187**	**1,038,875**	**1,014,656**
financial assets designated as at fair value	91,814	94,000	91,814
financial assets measured at fair value through other comprehensive income	264,291	261,945	264,291
financial assets measured at amortized cost	663,082	682,930	658,551
GERMANY	**845,902**	**861,890**	**845,507**
financial assets held for trading	10,123	10,100	10,123
financial assets designated as at fair value	4,884	5,000	4,884
financial assets measured at fair value through other comprehensive income	216,673	220,671	216,673
financial assets measured at amortized cost	614,222	626,119	613,826
FRANCE	**661,144**	**675,661**	**660,024**
financial assets held for trading	709	2,000	709
financial assets designated as at fair value	38,318	39,000	38,318
financial assets measured at fair value through other comprehensive income	163,343	166,131	163,343
financial assets measured at amortized cost	458,774	468,530	457,654
BELGIUM	**203,750**	**205,050**	**203,541**
financial assets designated as at fair value	92,553	94,000	92,553
financial assets measured at fair value through other comprehensive income	5,888	5,945	5,888
financial assets measured at amortized cost	105,309	105,105	105,100
AUSTRIA	**119,632**	**142,725**	**120,970**
financial assets measured at fair value through other comprehensive income	9,518	9,620	9,518
financial assets measured at amortized cost	110,113	133,105	111,452
NETHERLANDS	**39,457**	**40,200**	**39,493**
financial assets measured at fair value through other comprehensive income	150	150	150
financial assets measured at amortized cost	39,307	40,050	39,343
ROMANIA	**31,851**	**35,900**	**32,153**
financial assets measured at fair value through other comprehensive income	7,267	7,000	7,267
financial assets measured at amortized cost	24,585	28,900	24,887
OTHER	**326,294**	**346,746**	**325,700**
financial assets held for trading	18,270	19,402	18,270
financial assets mandatorily measured at fair value	-	30	-
financial assets measured at fair value through other comprehensive income	52,985	57,416	52,985
financial assets measured at amortized cost	255,039	269,898	254,444
TOTALE	**54,242,814**	**53,906,972**	**52,939,983**

The following table reports the classification of debt securities in the banking book and their percentage weight in the total portfolio to which they belong.

[31] Sovereign exposures comprise bonds issued by central and local governments or government entities and loans granted to such borrowers.

Exposures to sovereign debt securities by portfolio of financial asset (banking book)

€/thousand

	30/06/2024		
	FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OCI	FINANCIAL ASSETS AT AMORTIZED COST
Carrying amount	322,706	6,237,981	47,606,150
% of total portfolio	99.6%	82.0%	32.7%

Sovereign exposures represented by loans, which total €1,126 million, are nearly all concentrated in Italy.

1.2 MARKET RISKS

1.2.1 INTEREST RATE RISK AND PRICE RISK – SUPERVISORY TRADING BOOK

QUALITATIVE DISCLOSURES

A. GENERAL ASPECTS

The term trading book refers to the portfolio consisting of positions intentionally held for subsequent short-term disposal and/or taken on to benefit from short-term differences between purchase and sales prices, or other changes in prices or interest rates. In general, the supervisory trading book is represented by the positions held under an "other" business model, namely "held for sale", i.e. the portfolio including debt and equity securities, units in collective investment undertakings and derivatives held for trading purposes.

B. MANAGEMENT AND MEASUREMENT OF INTEREST RATE RISK AND PRICE RISK

GOVERNANCE AND ORGANIZATIONAL MODEL

The Parent Company is responsible for the management, coordination and control of market risk management within the entire Iccrea Mutual Banking Group in compliance with the principles of sound and prudent management.

As provided for under the Cohesion Contract, the Parent Company defines market risk management policies, in accordance with the strategic planning and definition of the RAF.

This role is performed through the issue of specific policies and directives and the definition and application of specific governance mechanisms that govern the various stages (definition, approval, monitoring and reporting) that characterize the management of market risks.

RISK MANAGEMENT PROCESSES

Identification of risks

Operations in financial market, especially positions in the trading book, expose the Group to market risks and other subcategories of risk. The identification of risks is mainly carried out in the process of specifying and updating risk models and metrics for market risks, and involves the following activities:

- the specification and updating of risk metrics, i.e. the evolution by the Risk Management department of measurement and monitoring methods on the basis of developments in markets, regulations and best practice;
- the approval process, conducted before the start of operations in a new financial instrument and the associated definition of the procedures for measuring fair value and risks.

Risk measurement and assessment

Risk Management is the main actor in the processes for development and using measurement models and metrics for market risk.

Updates of the models and metrics are identified by Risk Management in the performance of its duties, including analysis of regulatory requirements, market best practices and input from the business units involved (Finance in particular).

For the purpose of calculating capital requirements for market risks, the ICBG uses the standardized approach, in compliance with the relevant supervisory measures.

At the operational level, internal models are used for measurement purposes. The measurement metrics used for operational purposes to measure market risk can be classified as follows:

- probabilistic metrics:

  - Value at Risk (VaR) approach, which represents the main metric owing to its uniformity, consistency and transparency in relation to finance operations;
- deterministic metrics:
  - level metrics (such as, for example, notional amounts and mark to market values), which represent an immediately applicable solution;
  - analysis of sensitivity and Greeks, which are an essential complement to VaR indicators owing to their capacity to capture sensitivity and the direction of financial positions in response to changes in the identified risk factors;
  - stress testing and scenario analysis, which complete the analysis of the overall risk profile, capturing changes due to specified developments in the underlying risk factors (worst case scenarios);
  - loss, which represents the negative financial performance in a specified period of time of both closed and open positions.

Probabilistic metrics

Value at Risk (VaR)

An approach based on historical simulations is used to calculate VaR, (with a sample period of 3 years, confidence level of 99% and holding period of 1 day). The model currently covers the following risk factors:

- interest rates;
- inflation rates;
- exchange rates;
- stocks and stock indices;
- interest rate volatility;
- stock price volatility.

The current model can calculate VaR both for more detailed portfolios and for larger aggregates, permitting considerable granularity in the analysis, control and management of risk profiles and the effects of diversification. The possibility for calculating VaR at multiple levels of synthesis (consistent with the operating strategies of the portfolios and the organizational hierarchy of Finance) and the ability of the model to decompose VaR into different risk determinants make it possible to create an effective system of comparable cross-risk and cross-business limits.

Deterministic metrics

Sensitivity and Greeks of options

Sensitivity measures the risk associated with changes in the theoretical value of a financial position in response to changes in a defined amount of the associated risk factors. It captures the breadth and direction of the change in the form of multiples or monetary changes in the theoretical value without explicit assumptions about the holding period or correlations between risk factors. The main sensitivity indicators currently used are:

- PV01: the change in market value in response to a change of 1 basis point in the zero-coupon yield curve;
- Vega01: a change of 1 percentage point in implied volatilities on interest rates;
- IL01 (sensitivity to inflation): the change in market value in response to a change of 1 basis point in the forward inflation rate curve;
- Vega sensitivity to inflation: a change of 1 percentage point in implied volatilities on forward inflation rates;
- CS01: a change of 1 basis point in credit spreads;
- Delta: the ratio between the expected change in the price of options and a small change in the prices of the underlying financial assets;
- Delta1%: the change in market value in response to a change of 1% in equity prices;

- Delta Cash Equivalent: the product of the value of the underlying financial asset and the delta;
- Vega1%: the change in market value in response to a change of 1% in the implied volatility of equity prices/indices;
- Correlation sensitivity: the change in the market value in response to a 10% change in implied correlations.

Level metrics

The nominal position (or equivalent) is a risk indicator based on the assumption that there is a direct relationship between the size of a financial position and the risk profile.

The nominal position (or equivalent) is determined through the identification of:

- the notional value;
- the market value;
- the conversion of the position in one or more instruments into a benchmark position (the equivalent position);
- the FX open position.

The approach is characterized by extensive use of ceilings in terms of notional/mark-to-market amounts as they represent the value of the assets recognized in the financial statements. These metrics are used to monitor exposures to issuer/sector/country risk for the purposes of analyzing the concentration of exposures.

Stress test and scenarios

Stress tests measure the change in the value of instruments or portfolios in response to unexpected (i.e. extreme) changes in the intensity or correlation of risk factors. Scenario analyses measure the change in the value of instruments or portfolios in response to changes in risk factors in circumstances that reflect actual past situations or expectations of future developments in market variables.

Stress tests and scenario analysis are carried out by measuring the change in the theoretical value of positions in response to changes in the risk factors. The change can be calculated both through the use of linear sensitivity relationships (e.g. deltas) and through the revaluation of positions by applying the specified variations to the risk factors.

Loss

Loss is a risk metric representing the negative financial performance achieved on closed and open positions over a specified period of time.

Loss is determined by identifying, with the specified time interval:

- the component of realized profits and losses;
- the component of latent (unrealized) profits and losses calculated using the mark-to-market/mark-to-model value of open positions.

Loss is equal to the algebraic sum of the two components indicated above, if negative.

In determining loss, foreign currency positions still open are measured at the ECB end-of-day exchange rate.

The metric makes it possible to measure losses connected with the general risk profile of outstanding positions and the management of the portfolio, identifying any deterioration in the profitability of financial operations.

It is helpful in monitoring the performance of the portfolio, given the risk profile assumed, when:

- more sophisticated measurement systems are not present;
- it is impossible to capture all risk factors;
- timely control and management of limits is required.

RISK PREVENTION AND ATTENUATION

Risk Management conducts backtesting of operational measurement models on an ongoing basis. The effectiveness of the calculation model is monitored daily through backtesting, which by comparing the forecast VaR with the corresponding profit or loss shines light on the capacity of the model to accurately capture the variability of the revaluation of the trading positions statistically. This approach makes it possible to:

- strengthen the effectiveness of the dialogue between Risk Management and the front office;
- enhance awareness of the actual performance dynamics of the portfolios;
- break down and interpret the sources and causes of daily changes in P&L;
- identify and monitor any risk factors that are not fully captured by the calculation models adopted.

In addition to the backtesting noted earlier, the effective management of market risks is ensured using a comprehensive system of limits, which is a key tool for the management, control and attenuation of risks. The development of this system, which is a key element of the Risk Management Framework, took account of the nature, objectives and operational complexity of the Group.

The overall system of market risk indicators comprises indicators included in and governed by the RAS and more strictly operational indicators set out in the risk governance policies.

The controls established to manage market risks break down into:

- Level I controls, which are intended to ensure the correct registration and maintenance of transactions over time;
- Level II controls, which are intended to measure, monitor and report the market risk profile and ensure the correct activation of escalation mechanisms;
- Level III controls (Internal Audit), which are intended to identify violations of procedures and regulations and to periodically assess the comprehensiveness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the internal control system in relation to the nature and magnitude of the risks involved.

Risk management and mitigation activities are governed by a set of codified and formalized rules that envisage:

- the activities and actions that must be performed in each operating and business segment in order to manage developments in risks;
- the adoption of measures to manage any irregularities;
- the actions to be taken in the event the risk objectives, tolerances or limits specified in the Risk Appetite Statement are breached;
- the actions to be taken in the event the limits specified in the risk policies are breached.

MONITORING AND REPORTING

The controls performed by Risk Management seek to monitor the Bank’s exposure to market risks on a daily basis, in order to prepare reporting to be sent to the competent units and to monitor/verify the implementation of escalation mechanisms by the trading desks involved if the specified limits are breached. Control activities are based on the assessment and measurement of the risk profile compared with the risk indicators and represents a key control element that regards both the monitoring of specific indicators and verifying and analyzing any breaches of risk appetite and/or risk limit thresholds.

These activities therefore perform an “ex post” control function in relation to the continuous monitoring of all indicators that signal breaches of assigned risk levels, but they also serve an “ex ante” function in signaling the approach of risk profiles towards the threshold/limit/risk propensity levels. Therefore, the effectiveness of monitoring compliance with limits is an instrumental part of:

- the timely identification of risk profile developments that might compromise achievement of the risk targets/tolerances established in determining the RAS/risk limits;
- the prompt activation of recovery plans in response to specified conditions on the basis of the “magnitude” of the over-limit position.

The market risk control and monitoring activities are governed within a set of internal regulations defining the roles and responsibilities of the various actors involved in the process.

At the operational level, communication between operational units and Risk Management occurs on a daily basis through extensive discussion of risk developments, increasing awareness of the risks assumed (in line with defined profit targets) and thereby facilitating the definition of appropriate management decisions.

An additional level of communication is embodied in the reporting system, which represents a decision support tool to provide the various organizational units involved with adequate and timely information on both the strategic and operational levels. The content, level of detail and frequency of the reporting are determined in accordance with the goals and roles assigned to the different recipients so as to ensure easy consultation, immediate perception of the situation and a comprehensive understanding of developments.

In particular, Risk Management performs codified and formalized monitoring and reporting activities within the Risk Appetite Framework and the Risk Policies, with the preparation of periodic reporting to provide appropriate disclosure to the management functions, senior management and the Board of Directors.

QUANTITATIVE DISCLOSURES

1. SUPERVISORY TRADING BOOK: DISTRIBUTION BY RESIDUAL MATURITY (REPRICING DATE) OF ON-BALANCE-SHEET FINANCIAL ASSETS AND LIABILITIES AND FINANCIAL DERIVATIVES

This table has not been completed since an analysis of interest rate and price risk sensitivity has been provided.

2. SUPERVISORY TRADING BOOK: DISTRIBUTION OF EXPOSURES IN EQUITY SECURITIES AND EQUITY INDICES BY MAIN COUNTRIES OF LISTING

This table has not been completed since an analysis of interest rate and price risk sensitivity has been provided.

3. SUPERVISORY TRADING BOOK: INTERNAL MODELS AND OTHER SENSITIVITY ANALYSIS METHODOLOGIES

With regard to market risks on the trading book, which are managed at the Group level by Iccrea Banca, a risk tolerance of €14 million in 1-day VaR with a 99% confidence level has been established. In the first half of 2024 the indicator never breached the limits.

The average VaR of the trading book was equal to €0.44 million, with a minimum of €0.24 million and a maximum of €2.09 million (on May 23, 2024).

At June 30, 2024 the VaR was equal to €0.37 million.

Daily VaR Trading Book	Notional (in €/million) at 30/06/2024	VaR	
		Limit	Risk Profile
GBCI	5,749	14	0.37

The table below shows the sensitivity values by risk factor at June 30, 2024, which correspond to the change in the market value of the trading book as the risk factors change (see the section "Deterministic metrics, *Sensitivity* and Greeks of options").

	Sensitivity Value (in €)	Notes
Interest rates	(10,582)	Sensitivity calculated in relation to 1 bp change
Inflation rates	12,259	
Credit spread	(3,190)	
Equity	61,825	Sensitivity calculated in relation to 1% change in the share price/stock index

1.2.2 INTEREST RATE RISK AND PRICE RISK – BANKING BOOK

QUALITATIVE DISCLOSURES

A. GENERAL ASPECTS, MANAGEMENT AND MEASUREMENT OF INTEREST RATE RISK AND PRICE RISK

GOVERNANCE AND ORGANIZATIONAL MODEL

The Parent Company is responsible for the management, coordination and control of interest rate risk management for the banking book within the entire Iccrea Cooperative Banking Group in compliance with the principles of sound and prudent management.

As provided for under the Cohesion Contract, the Parent Company defines interest rate risk management policies, in accordance with the strategic planning and definition of the RAF.

This role is performed through the issue of specific policies and directives and the definition and application of specific governance mechanisms that govern the various stages (definition, approval, monitoring and reporting) that characterize the management of interest rate risk on the banking book.

RISK MANAGEMENT PROCESSES

Identification of risks

The interest rate and credit spread risk on the banking book is the risk originated by differences in the maturities and in the timing of the repricing of interest rates on the assets and liabilities in the banking book. In the presence of these differences, fluctuations in interest rates giver rise to both a short-term change in expected profit, through the impact on net interest income, and a long-term impact on the economic value of equity, through the change in the market value of assets and liabilities.

Based on the composition of the current banking book and expected developments envisaged in strategic and operational planning, the Group identifies sources of interest rate risk to which it is exposed, classifying them in the following risk sub-categories: the risk connected with changes in risk-free rates (IRRBB – Interest Rate Risk on Banking Book), deriving from mismatches in maturities (for fixed-rate positions) and repricing dates (for variable-rate positions), or changes in the slope or shape of the yield curve (yield curve risk), basis risk, option risk and the risk of changes in credit spreads (Credit Spread Risk on Banking Book - CSRBB).

Risk measurement and assessment

The measurement of interest rate risk on the banking book is based on the current earnings approach and the economic value approach and is carried out for the purpose of:

- continuous monitoring of the risk profile by controlling the overall system of indicators that characterize the IRRBB and CSRBB Framework and the various “additional metrics” that have been defined;
- performing stress testing, which provides for the estimation of the impact of severe but plausible adverse market scenarios on the banking book.

The risk exposure is measured using a static or dynamic approach depending on the assessment approach adopted:

- economic value approach: this seeks to assess the impact of possible adverse changes in interest rates or credit spreads on the economic value of the banking book (economic value of equity), construed as the present value of the expected cash flows of assets, liabilities and off-balance sheet positions within the scope of analysis. Under this perspective, the analysis is conducted using a static “gone concern” approach, in which we assume the run-off of positions at maturity, without any replacement or renewal, or using a dynamic approach, developing projections for new operations that are consistent with the assumptions defined during strategic planning.

- earnings approach: this seeks to assess the potential effects of possible adverse changes in interest rates or credit spreads on the profitability of the banking book, i.e. net interest income, and on fair value changes recognized through profit or loss or OCI. In this perspective, the analysis is conducted using a dynamic "going-concern" approach, with a "constant balance sheet" view, assuming that positions are rolled over at maturity so as to leave the size and composition of the balance sheet unchanged, or a "dynamic balance sheet" view, developing projections for new business that are consistent with the hypotheses defined in strategic planning.

Specific models are adopted in both cases that ensure adequate quantification of the risk associated with positions that exhibit repricing behavior that differs from the contractual profile.

The metrics adopted in the economic value approach to measure the sensitivity of the economic value of the banking book (∆EVE – EVE sensitivity) are based on a full evaluation approach. The change in the expected value of the banking book is calculated using an approach that involves the discounting of the cash flows of items in the book in a base scenario with no interest rate variations and one with interest rate variations. The overall metric can be broken down by time bucket in order to identify the distribution of risk over time ("bucket sensitivity").

In determining EVE, equity must be excluded from the calculation in order to measure the potential change in value of free capital following changes in the yield curves.

The metrics used in the current earnings approach are:

- NII sensitivity: a metric that measures the sensitivity of net interest income. The potential impact on net interest income of changes in risk-free rates or credit spreads is calculated using a method that provides for the comparison, for a selected time horizon, between expected net interest income in the case of a change in interest rates or credit spreads and expected net interest income in a baseline scenario with no such changes;
- Earnings at Risk: a metric aimed at measuring the loss of profitability due to changes in interest rates or credit spreads, considering, in addition to the impact on net interest income, the effects on changes in the fair value of the instruments recognized (depending on their accounting treatment) in profit or loss or directly in equity. The measurement scenarios applied to interest rates are intended to monitor the risk categories to which the Bank may be exposed. Each can be associated with internally developed or regulatory scenarios.
- gap risk: in order to monitor this category of risk, parallel and non-parallel shocks of the risk-free yield curves are used in order to assess the impact on economic value and net interest income. In addition to the scenarios envisaged for regulatory purposes, in the standard outlier test, internally defined scenarios are used based on prudential assessments and historical analyses of observed changes in rates;
- basis risk: the analysis provides for the segmentation of the banking book based on the market parameters to which the items involved are indexed and the analysis of the time series of basis spreads with respect to the pivot rate (€STR) for the purpose of determining the size of the shocks to be applied to each;
- option risk: the analysis includes a preliminary identification of the automatic/behavioral option components in the assets and liabilities of the Bank's banking book and the subsequent:
- historical analysis of the observed changes in volatility, to determine the magnitude of the shocks to be applied for the purpose of quantifying the automatic option risk;
- verification of the impact of interest rate shocks on the behavioral model parameters, for the purpose of quantifying the behavioral option risk.
- CSRBB: internally defined scenarios are used based on prudential assessments and historical analyses of the observed changes in credit spreads.

In order to monitor risk limits, parallel and non-parallel shock scenarios are adopted. To monitor the additional metrics subject to reporting requirements, scenarios involving shocks to the yield curves are also envisaged in addition to those adopted as a reference for the determination of risk limits. As part of stress testing, further scenarios are used on periodic basis to signal potential areas of weakness in the presence of particular market conditions.

Risk prevention and attenuation

Interest rate risk is managed using a comprehensive system of limits, which is a key tool in the management, control and attenuation of risks within the IRRBB and CSRBB Framework, taking account of the nature, objectives and complexity of Group operations.

The system of limits (EWS, RAS and Risk Limits) is defined by the Parent Company in accordance with its management and coordination role and implemented through a cascading process with the subsidiaries (where applicable), in line with the risk management model adopted.

In addition to the above system of limits, a comprehensive system of arrangements and controls contributes to defining the overall control model set out and formalized in the associated policy.

The controls established to manage interest rate risk on the banking book break down as follows:

- Level I controls, which are intended to ensure the correct registration and maintenance of transactions over time;
- Level II controls, which are intended to measure, monitor and report the interest rate risk profile and activate escalation mechanisms;
- Level III controls (Internal Audit), which are intended to identify violations of procedures and regulations and to periodically assess the comprehensiveness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the internal control system in relation to the nature and magnitude of the risks involved.

Monitoring and reporting

The second-level controls, carried out by Risk Management, are aimed at monitoring the Bank's exposure to interest rate risk in order to prepare reporting to be sent to the competent units and to trigger escalation mechanisms with the collaboration of the operating units involved if the specified limits are breached. Control activities are based on the assessment and measurement of the risk profile compared with the risk indicators provided for by the risk governance framework. The effectiveness of monitoring compliance with limits is an instrumental part of:

- the timely identification of risk profile developments that might compromise achievement of the risk limits established;
- the prompt activation of recovery plans in response to specified conditions on the basis of the "magnitude" of the over-limit position.

The interest rate risk control and monitoring activities are performed within the framework of a set of internal regulations. At the operational level, communication between operational units and Risk Management occurs on a daily basis through extensive discussion of risk developments, increasing awareness of the risks assumed (in line with defined profit targets) and thereby facilitating the definition of appropriate management decisions.

An additional level of communication is embodied in the reporting system, which represents a decision support tool to provide the various organizational units involved with adequate and timely information on both the strategic and operational levels. The contents, level of detail and frequency of the reporting are determined in accordance with the goals and roles assigned to the different recipients so as to ensure easy consultation, immediate perception of the situation and a comprehensive understanding of developments.

More specifically, the Risk Management function performs monitoring and reporting activities that are codified and formalized within the Risk Appetite Framework and the risk policies, preparing periodic reports and providing appropriate disclosure to the operating units, top management and the Board of Directors.

Stress test framework

In order to assess the potential impact of market tensions on the profitability and economic value of the banking book, stress test simulations are also conducted in addition to specific measurements of the exposure to risk.

The stress tests are intended to measure the extent to which the exposure to interest rate risk on the banking book could worsen in especially adverse market conditions.

The scenarios used in measuring the exposure to the different sources of risk and in analyzing stress tests are based on both regulatory shocks and, where the regulatory scenarios are not considered fully representative of especially averse conditions, shocks defined internally.

In accordance with regulatory provisions, the Group develops scenarios characterized by larger movements in yield curves than the shocks applied for the continuous monitoring of the IRRBB and the CSRBB in order to test the vulnerabilities of the banking book in the presence of stress conditions.

In line with the applicable regulatory guidelines, the Group has adopted various types of mutually complementary analyses where appropriate:

- sensitivity analysis: analysis of the exposure to the IRRBB and the CSRBB with respect to the marginal impact of different types of shocks, considered separately or jointly, relating to one or more risk factors;
- reverse stress testing: analysis consisting in identifying one or more stress scenarios whose impact leads to a pre-established result identified ex-ante. The reverse stress testing makes it possible to investigate, using a recursive analysis process, the size and probability of occurrence of the events that lead to this result;
- scenario analysis: analysis consisting in the assessment of the Group’s ability to cope with a potential increase in its exposure to IRRBB and CSRBB based on a combination of shocks associated with one or more risk factors in accordance with specific evolutionary stress dynamics.

Depending on the purpose of the analysis, the time horizon of the stress exercise, the speed of propagation of shocks and the approach to be adopted for the projection of operations (static/dynamic) are defined.

For each of the risk categories identified it is possible to define the associated risk factor(s), understood as an exogenous variable whose shock can have a negative impact on the economic value of the banking book and/or on the associated net interest income, in terms of smaller-than-expected loss or profit. In this perspective, the identification of risk factors is a preliminary phase in the definition of the shocks associated with stress scenarios.

All the stress scenarios adopted are generally calibrated using the historical simulation approach, based on prudential percentiles of the empirical distributions associated with the various risk parameters, using expert-based adjustments where appropriate in order to integrate forward-looking elements that are not present in the available historical data. To these scenarios, we add “purely” historical scenarios (i.e. without calculating a percentile of the historical empirical distribution), scenarios defined on a judgmental basis and scenarios provided by external sources (e.g. EBA Stress Test scenario).

QUANTITATIVE DISCLOSURES

1. BANKING BOOK: DISTRIBUTION OF FINANCIAL ASSETS AND LIABILITIES BY RESIDUAL MATURITY (REPRICING DATE)

This table has not been completed since an analysis of interest rate and price risk sensitivity has been provided.

2. BANKING BOOK: INTERNAL MODELS AND OTHER SENSITIVITY ANALYSIS METHODOLOGIES

The interest rate risk on the banking book used for management purposes with regard to sensitivity indicators for economic value and net interest income at June 30, 2024 is reported below.

€/million	Scenario	
	-100 bp	+100 bp
Impact on economic value	+354	-163
Impact on net interest income	-267	+364

1.2.3 EXCHANGE RATE RISK

QUALITATIVE DISCLOSURES

A. GENERAL ASPECTS, MANAGEMENT AND MEASUREMENT OF EXCHANGE RATE RISK

The exchange rate risk management strategy (the FX risk factor) is based on the analysis of market developments and the different currencies in which operations are denominated.

The strategy is differentiated in accordance with the type of operations:

- for major currencies (hard currencies), operators, based on the analysis of economic, macroeconomic and money management data, manage operations both to optimize existing positions and generate a profit;
- for minor currencies (local currencies), exchange rate risk is managed with a view to the total minimization of risks, except in unusual macroeconomic situations, by reducing exposures exceeding the thresholds defined with market operations of the opposite sign.

Trading is carried out on the foreign exchange and foreign exchange derivatives markets both through spot trading and through the management of short/medium-term forward positions (outright operations). The strategy of the desk is therefore aimed at intraday/multiday transactions in order to generate profit from movements in the spot foreign exchange market. Forex swaps are used to engage in forward operations, based on expectations for interest rates and exchange rates, so as to generate a profit from maintaining open short/medium-term positions in foreign currency. Based on its own analyzes, the desk also seeks to improve its profitability by taking positions in options on exchange rates.

All operations are based on techniques and methods defined and agreed at the desk level, based on operating limits assigned to the managers and operational staff that are consistent with the provisions of the risk policies.

B. HEDGING EXCHANGE RATE RISK

Operations are mainly concentrated in major currencies. The Bank adopts a system of daily operating limits on the overall foreign exchange exposure, as well as the net foreign exchange positions in respect of individual currencies. The overall limit is segmented into partial ceilings on the basis of the importance of the various currencies.

1.3 DERIVATIVES AND HEDGING POLICIES

1.3.2 HEDGE ACCOUNTING

QUALITATIVE DISCLOSURES

For the purposes of hedge accounting, the Group applies the provisions contained in IAS 39 since at the time of initial application of IFRS 9 it elected the option provided for in paragraph 7.2.21 of that standard to continue to apply in full the rules of IAS 39 for all types of hedging (micro and macro).

The hedge contracts are transacted on the basis of the provisions of specific company policies and mainly used to manage interest rate risk on the banking book arising from the normal business operations of the individual banks and the Parent Company, pursuing the objective of reducing the risk profile within the limits of the Risk Appetite Framework as defined and quantified by their respective competent bodies. These limits concern the exposure of the Group both in terms of net interest income sensitivity and economic value sensitivity.

In particular, all the hedges established by the affiliated banks with the Parent Company with respect to which the latter enters into an identical and opposite position in derivatives with the market are represented in the same way at the consolidated level: hedges originally established by the affiliated banks regard portfolios of loans to customers, securities holdings and, to a marginal extent, bonds in issue. On the other hand, transactions involving the hedging of loans to customers or securities of a minor nature (mainly by notional amount) between the affiliated banks and the Parent Company, provide for the latter to manage the consequent risk position on a “synthetic” basis, which is reported in the consolidated financial statements through the designation of generic fair value hedges established in respect of interest rate risk. The life cycle of a hedge accounting relationship starts with the so-called “designation” phase. With the designation of the hedging relationship, the company identifies the instruments through which it intends to implement the hedging strategy, as defined by the manager of the risk being hedged and in compliance with the principles established in the Group Hedging Policy, which defines the methods of measuring effectiveness by type of hedge.

Once a hedging relationship has been designated, it must be demonstrated that the hedge is highly effective in offsetting fair value changes attributable to the hedged risk or stabilizing the cash flows attributable to the hedged risk during the period for which the hedge is designated.

The effectiveness of the hedge is demonstrated at the inception date and measured at the periodic reporting dates (March 31, June 30, September 30 and December 31).

The effectiveness of the hedge is measured by conducting so-called effectiveness tests (prospective and retrospective) based on both qualitative and quantitative methods, complying with the criterion of continuity. A hedging relationship is considered effective if at each measurement date both tests (prospective and retrospective) are passed. The failure of the effectiveness test(s) should result in the discontinuance of the hedging relationship, i.e. the termination of hedge accounting.

With regard to the benchmark rate reform introduced with the Benchmarks Regulation (BMR - Regulation no. 2016/1011/EU), please note that:

- the Group’s hedging derivatives are mainly indexed to Euribor, whose calculation methodology was revised in 2019 in order to permit its use even after the reform. More specifically, in order to ensure the rate is compliant with the BMR, the EMMI - European Money Markets Institute - has implemented the transition to a new “hybrid” calculation methodology for Euribor that continues to represent the actual cost of funding for the contributing European banks and is always available and accessible. Consequently, hedges linked to the Euribor are not considered to be impacted by the reform;
- as regards hedging derivatives indexed to the rates affected by the reform (Eonia, Libor), the Group completed the transition in the first half of the year.

A. FAIR VALUE HEDGING

Fair value hedging is used to immunize changes in the fair value, attributable to the different risk factors, of financial assets and liabilities or portions of them, of groups of assets/liabilities, of irrevocable commitments and portfolios of financial assets and liabilities.

The Group adopts both specific hedges (micro fair value hedges) and generic hedges (macro fair value hedges). These hedges therefore apply both to well-identified financial instruments (government securities – both fixed rate and indexed to European and Italian inflation – bond issues, loans and other financing) and to portfolios of fixed-rate and variable-rate financial instruments (government securities, corporate debt securities, performing loans and bonds).

Within the scope of micro fair value hedging, hedges are mainly used for securities holdings and bonds issued, while macro hedging is applied to portfolios of fixed-rate loans, variable-rate loans and a single portfolio of debt securities classified as FVOCI under the HTCS business model.

The main types of derivatives used are represented by plain or structured interest rate swaps (IRS), and asset and yield swaps (ASW) entered into with third parties to ensure compliance with the requirement to externalize risk, which is necessary to qualify for hedge accounting at the consolidated level, in compliance with the provisions of paragraph 73 of IAS 39. These derivatives are not listed on regulated markets, but are traded on OTC markets.

The effects of designating the hedging relationship begin at the inception of the hedge with the identification of the portion and the type of hedged risk, the hedging strategy and the hedging instrument in accordance with the principles the Group has established concerning the methodology used to assess the effectiveness of the hedging relationship.

B. CASH FLOW HEDGING

Cash flow hedging seeks to hedge the exposure to the variability of future cash flows attributable to particular risks associated with balance sheet items or highly probable forecast transactions or to hedge exchange rate risk.

The Group adopts specific hedges of assets (micro cash flow hedge) represented by variable rate (CCTs) and euro inflation-linked government securities and generic hedges (macro cash flow hedges) of variable rate loan portfolios.

C. HEDGING OF INVESTMENTS IN FOREIGN OPERATIONS

In the first half of 2024, the Group did not undertake hedging of exchange rate risk on foreign currency transactions.

D. HEDGING INSTRUMENTS

Designated hedging transactions, with formal documentation identifying the relationship between the hedged instrument and the hedging instrument, are considered effective if at inception and for the entire duration of the hedging relationship changes in the fair value or the cash flows of the hedged instrument are almost completely offset by changes in the fair value or cash flows of the hedging derivative. 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. Therefore, effectiveness is quantified by comparing the aforementioned changes, taking account of the intent pursued by the company at the time the hedge was established.

A hedge is effective when the changes in the fair value (or cash flows) of the hedging instrument almost entirely, i.e. within the specified limits, offset the changes in the hedged instrument for the risk being hedged.

Effectiveness is assessed at each annual or interim reporting date using:

- prospective tests aimed at demonstrating that changes in the fair value or cash flows of the hedging instrument attributable to the hedged risk will be such as to offset changes in the fair value or cash flows of the hedged item. They are performed adopting both qualitative (Critical Term Match) and quantitative methods (“cumulative scenario method” or “linear regression method with curve simulation”);
- retrospective tests aimed at measuring the actual effectiveness of the hedging relationship between the date of designation and the test date, determining the deviation of hedging relationships from the result that would be achieved with a perfect hedge. These tests are performed using quantitative methods, i.e. the dollar offset method and the volatility risk reduction method.

The main causes of ineffectiveness are attributable to the following:

- a misalignment between the notional of the derivative and the nominal of the hedged instrument at the time of the initial designation or generated subsequently, as in the case of partial repayments or full extinguishment of loans or the repurchase of bonds;

- the approach of the expiry of the transaction.

The ineffectiveness of the hedge is recognized promptly for the purposes of:

- determining the impact on profit or loss;
- assessing the possibility of continuing to apply hedge accounting rules.

If the assessments do not confirm the effectiveness of the hedge, the relationship considered terminated as of the last date from which the relationship was shown to be effective. This date coincides with the beginning of the period in which the effectiveness test was failed. However, if the event or the circumstances that led to the hedging relationship no longer meeting the criteria for effectiveness are identified and it is shown that the hedge was effective before the event or change in the circumstances occurred, hedge accounting is discontinued from the date of the event or change in those circumstances. The hedging derivative, if not extinguished, may be designated as a hedging instrument in another relationship that meets the relevant or be reclassified as a trading instrument.

The Group does not use dynamic hedges, as defined in IFRS 7, paragraph 23C.

E. HEDGED ITEMS

At the Group level, hedged items designated as being in a hedge accounting relationship using micro and macro hedges are mainly government securities, bond issues of the Parent Company and loans to customers in the form of residential mortgages and leases as well as a loan to a company within the direct scope of consolidation.

These hedges are both total and partial and the hedged risk is mainly interest rate risk.

Debt securities held

These are hedged using micro fair value hedge, macro fair value hedge and micro cash flow hedge, involving IRSs and ASWs. In fair value hedges, interest rate and inflation risk are hedged for the duration of the obligation, while in cash flow hedges, as discussed above, the risk of changes in the sale price of the underlying instrument is hedged. The effectiveness tests are carried out using the dollar offset method for retrospective assessment and the cumulative scenario method for prospective assessment.

Debt securities issued

The Group currently has active micro fair value hedging relationships for fixed-rate funding, using IRSs as hedging instruments. Interest rate risk is hedged for the life of the obligation.

Fixed-rate loans

The Group has designated micro fair value hedges and macro fair value hedges for interest-rate loans to customers, mainly using amortizing IRSs as hedging instruments. The interest rate risk is hedged for the entire term of the hedged item. For micro-type hedges, the effectiveness tests are carried out using the dollar-offset method for retrospective assessment and the cumulative scenario method for prospective assessment. For macro hedges of loans, the capacity of the portfolio subject to designation is verified with respect to the notional amount outstanding at the reporting date of the corresponding hedging derivative. Having passed this first test, effectiveness is quantified both retrospectively and prospectively by applying the dollar offset method. For macro hedges of leases, the criterion of the lower between the nominal value of the hedged item and the notional of the hedging derivative is adopted for the purpose of measuring the change in the fair value of the hedged item, performing the retrospective effectiveness test by applying volatility risk reduction method.

Variable-rate loans

The Group has designated micro fair value hedges, macro cash flow hedges and macro fair value hedges for variable-rate loans to customers, using caps, floors or collars with an amortizing notional as hedging instruments. The hedged risk is the risk of a rise (decrease) in rates above (below) the strike of the implicit caps (floors) as well as the probability that the benchmark rate is greater (lower) or approaches the strike rate itself. The hedged rate is the contractually determined strike rate for the individual loans granted by the Bank. The identity of the individual loans making up the hedged portfolio in terms of strike rate level compared with Euribor flat (net of the spread), indexing parameter, date of observation of the indexing parameter, frequency of the individual caplet (frequency of repayments of the amortization plan) is a necessary condition. For micro hedges, the effectiveness tests are carried out using the dollar offsetting method for the retrospective profile and the cumulative scenario for the prospective profile. For macro hedges of loans, the capacity of the designated portfolio is checked first of all with respect to the notional value, at the reporting date, of the corresponding hedge derivative and therefore, after passing this first test, effectiveness is quantified retrospectively and prospectively by applying the dollar offsetting method.

1.4 LIQUIDITY RISK

QUALITATIVE DISCLOSURES

A. GENERAL ASPECTS, MANAGEMENT AND MEASUREMENT OF LIQUIDITY RISK

GOVERNANCE AND ORGANIZATIONAL MODEL

The Parent Company is responsible for the management, coordination and control of liquidity risk management within the entire Iccrea Cooperative Banking Group in compliance with the principles of sound and prudent management.

In exercising this role, the Parent Company determines the governance model and mechanisms that govern the various stages involved in the management of liquidity and oversight of the associated risks, as well as interactions between business and control units in order to ensure an appropriate level of liquidity at the consolidated and individual levels at the intraday, short and medium/long-term time horizons.

As provided for by the Cohesion Contract, the Parent Company also defines liquidity risk management policies, in accordance with the strategic planning and definition of the RAF.

RISK MANAGEMENT PROCESSES

Liquidity risk is identified and monitored at the consolidated and individual levels using the operational and structural maturity ladder (in order to identify possible negative liquidity gaps in relation to specified maturity structure) and the overall liquidity indicator system (RAS, risk limits and monitoring indicators), designed to quickly identify potential strains.

The process of revising the methodologies, the different assumptions underlying the measurements and the thresholds/limits set for liquidity indicators, carried out at least annually, enables the alignment of the overall Liquidity Risk Framework and the indicator system with specific developments in the Group and market conditions.

Identification of risks

The liquidity risk identification phase can be broken down by the length of the observation horizon:

- operational liquidity – divided into two complementary levels:
  - intraday and very short-term liquidity*:* monitored on a daily basis in order to identify sources of risk that impact the Bank’s ability to promptly balance very short-term cash inflows and outflows and maintain a volume of liquidity sufficient to ensure compliance with the liquidity coverage ratio (LCR) requirement;
  - short-term liquidity: identification of sources of risk that impact the Bank’s ability to meet its expected and unexpected payment obligations over a short-term horizon (up to 12 months);
- structural liquidity - identification of structural mismatches between assets and liabilities maturing at more than 1 year and integration with short-term liquidity management as well as planning of actions and preventing the future creation of short-term liquidity shortfalls.

The Group’s liquidity profile, and therefore its exposure to liquidity risk, is closely related to the business model adopted, the composition of the balance sheet - in terms of assets, liabilities and off-balance sheet items - as well as the related maturity profile.

The process of identifying and classifying the risk factors connected with the operational and structural liquidity profiles seeks to define the elements that, in terms of risk exposure, could trigger a deterioration in the Group’s liquidity position when endogenous and/or exogenous stress events occur.

Liquidity risk can be generated by various factors both internal and external to the Bank. The sources of liquidity risk can therefore be divided into the following macro-categories:

- endogenous: represented by adverse events specific to the Bank (e.g. a deterioration in the Bank's credit standing and loss of confidence by creditors);
- exogenous: when the origin of the risk is attributable to adverse events that cannot be directly controlled by the Bank (political crises, financial crises, catastrophic events, etc.) that give rise to liquidity tensions in the markets;
- combinations of the previous factors.

Measurement of risks

Measuring liquidity risk involves the activities performed to observe and quantify on a comprehensive, accurate and timely basis the exposure to such risk over the selected observation horizon.

Measuring the exposure to liquidity risk is based on an assessment of expected cash inflows and outflows – and the consequent deficits or surpluses – in the various residual maturity bands that make up the maturity ladder, in order to:

- monitor the risk profile in "business as usual" conditions, overseeing the overall system of indicators that characterize the Liquidity Risk Framework;
- execute stress testing, which involves the determination of the liquidity position in severe but plausible adverse scenarios, assessing the impact at the consolidated and individual levels.

The risk position is measured with the use of models, specific indicators and additional metrics developed either internally or established in regulations.

The analysis of the maturity profiles depends substantially on assumptions about the future cash flows associated with the various assets and liabilities, both on-balance-sheet and off-balance-sheet, which take account of the economic maturities of the balance sheet elements rather than contractual dates, without neglecting the application of reasonable prudence criteria.

The risk position is measured using static and dynamic approaches, in line with the provisions of the company budget/strategic plan concerning the assets, liabilities and equity items in the financial statements, as well as off-balance-sheet transactions.

On the basis of the desired time horizon, the Group develops two maturity curves: operational and structural.

The operational maturity ladder is used to monitor the short-term liquidity position and is determined both in a business-as-usual scenario and in a stress scenario by applying prudential run-offs to contractual cash flows generated by assets and liabilities and to the margins of credit lines.

The intraday liquidity position is measured with metrics aimed at monitoring the maximum use of liquidity on an intraday basis, the reserves available at the beginning of each business day to meet liquidity requirements, gross payments sent and received and "time-specific" obligations.

The treasury position is measured on a daily basis by quantifying the liquidity reserves (i.e. counterbalancing capacity, or CBC) and using them to cover any possible negative liquidity balance over the reference time horizon.

This system for monitoring Group operational liquidity makes it possible to monitor:

- management of access to the payments system (operational liquidity management);
- management of the liquidity outflow profile;
- the size and degree of use of liquidity reserves (analysis and active management of the maturity ladder);
- the active management of collateral (cash-collateral management, i.e. refinanceable securities and bank loans);
- the integration of short-term liquidity management actions with structural liquidity requirements.

The structural maturity ladder is used to monitor the overall liquidity position at the consolidated and individual levels at medium/long-term. It is determined by applying prudential run-offs to contractual cash flows generated by assets and liabilities and to the margins of credit lines. The projection of cash inflows and outflows at the various time bands in the ladder is carried out using two distinct approaches in relation to the purpose of the analysis:

- the first approach identifies cash flows based on the contractual maturities of the items considered;

- the second approach is based on the adoption of behavioral assumptions, with specific regard to the modeling of demand items and margins on the credit lines granted in both a business-as-usual scenario and in a stress scenario.

This tool is essential for obtaining a view of Group funding requirements and an understanding of the liquidity risk associated with execution of the funding plan, thereby preventing the emergence of future liquidity strains. In addition, the structural maturity ladder makes it possible to control:

- the management of maturity transformation in accordance with the guidelines established by management;
- support for the funding decisions in the funding plan.

Risk prevention and attenuation

Liquidity risk is managed using a comprehensive system of limits, which is a key tool in the management, control and attenuation of risks within the Liquidity Risk Framework. The definition of this system took account of the nature, objectives and complexity of operations.

The system of limits (EWS, RAS, risk limits) is defined by the Parent Company consistent with its policy-setting and coordination role and subsequently deployed in accordance with a structured cascading process to the subsidiaries (where applicable) consistent with the liquidity risk management model adopted.

The system of limits is also accompanied by a comprehensive system of systems and controls that contribute to defining the overall control model set out and formalized in the associated policy.

The controls established to manage liquidity risk break down as follows:

- Level I controls, which are intended to ensure the correct registration and maintenance of transactions over time;
- Level II controls, which are intended to measure, monitor and report the liquidity profile and activate escalation mechanisms;
- Level III controls (Internal Audit), which are intended to identify violations of procedures and regulations and to periodically assess the comprehensiveness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the internal control system in relation to the nature and magnitude of the risks involved.

Monitoring and reporting

Second-level controls, which are performed by Risk Management, are intended to monitor the exposure to liquidity risk in order to prepare reports for transmission to the competent units and to initiate the escalation mechanisms, in collaboration with the management functions, should the specified limits be exceeded. Control activities is based on the assessment and measurement of the positioning of the risk indicators established by the Risk Governance framework. The effectiveness of monitoring compliance with limits is an instrumental part of:

- the timely identification of risk profile developments that might compromise achievement of the established risk limits;
- the prompt activation of recovery plans in response to specified conditions on the basis of the “magnitude” of the over-limit position.

Liquidity risk control and monitoring activities are carried out within the internal self-regulatory framework. At an operational level, communication between the management functions and Risk Management takes place daily through in-depth discussions on risk developments that increase awareness of the profiles of the risks assumed (in accordance with the specified profitability objectives), thus facilitating the definition of appropriate management decisions.

An additional level of communication is embodied in the reporting system, which represents a decision support tool to provide the various organizational units involved with adequate and timely information on both the strategic and operational levels. The content, level of detail and frequency of the reporting are determined in accordance with the goals and roles assigned to the different recipients so as to ensure easy consultation, immediate perception of the situation and a comprehensive understanding of developments.

In particular, Risk Management performs codified and formalized monitoring and reporting activities within the Risk

Appetite Framework and the Risk Policies, with the preparation of periodic reporting to provide appropriate disclosure to the management functions, senior management and the Board of Directors.

Stress test framework

The Group's liquidity position is monitored in the normal course of business and under stress conditions. For the latter, a stress test framework has been defined on the basis of the indicators that characterize the Liquidity Risk Framework.

The stress test analyses are used to measure the degree to which the liquidity position can deteriorate in the event of especially adverse market conditions, thereby enabling verification of its robustness.

Accordingly, the objectives of the stress testing are:

- to verify the capacity to cope with unexpected liquidity crises in the first period in which they occur, before activating initiatives to modify the structure of assets or liabilities;
- to assess vulnerabilities in the liquidity profile, evaluating possible connections between the various risk categories as part of the periodic monitoring process;
- to calibrate the specific risk thresholds for the RAS and Risk Limit indicators for operational and structural liquidity, verifying whether the level of existing limits enables the maintenance of a level of liquidity that ensures that any coverage actions do not compromise the Group's business strategies;
- to identify, in preparing the recovery plan, scenarios that would compromise the survival of the Group if appropriate recovery actions were not taken;
- to test the effectiveness of mitigation actions envisaged under the Contingency Funding & Recovery Plan for "near-default" scenarios to be taken in adverse situations in order to limit the Group's exposure to liquidity risk;
- to verify the feasibility of the funding plan, taking due account of the findings of the stress analysis.

In accordance with regulatory provisions, the Group develops scenarios characterized by stress scenarios associated with the occurrence of systemic or idiosyncratic events in order to test potential liquidity vulnerabilities.

In line with the applicable regulatory guidelines, the Group has adopted various types of mutually complementary analyses:

- sensitivity analysis: analysis of liquidity position to the marginal impact of different types of shocks, considered separately or jointly, relating to one or more risk factors;
- scenario analysis: analysis consisting in the assessment of the Bank's ability to cope with a potential deterioration in its liquidity profile based on a combination of shocks associated with one or more risk factors in accordance with specific evolutionary stress dynamics;
- reverse stress testing: analysis consisting in identifying one or more stress scenarios whose impact leads to a pre-established result identified ex-ante. The reverse stress testing makes it possible to investigate, using a recursive analysis process, the size and probability of occurrence of the events that lead to this result.

Depending on the purpose of the analysis, the time horizon of the stress exercise, the speed of propagation of shocks and the approach to be adopted for the projection of operations (static/dynamic) are defined.

The types of stress test that characterize the framework provide for the occurrence of sever but plausible events (scenarios) that can be classified into three categories:

- stress scenarios caused by a systemic event, i.e. an event (or combination of events) reflecting specific macroeconomic variables whose occurrence generates/involves adverse consequences for the entire financial system and/or the real economy and therefore for the Iccrea Cooperative Banking Group;
- stress scenarios caused by specific events (idiosyncratic), i.e. an event (or combination of events) whose occurrence generates/involves highly adverse consequences for the Group. In defining those events, a specific analysis was conducted, considering the specific organizational, operational and risk features that distinguish the Group;
- stress scenarios generated by a combination of specific and systemic events, i.e. the occurrence of combined events within the same scenario.

The underlying methodological approach for the construction of the systemic and idiosyncratic stress scenarios envisages the identification of the individual types of liquidity risk and the funding/lending items affected by those risks, so as to estimated inflows and outflows for the purpose of highlighting liquidity gaps and verifying the stability of the risk indicators and the ability of the Group to cope with any liquidity strains.

For each scenario, the Group has incorporated shocks generated by the main risk variables, which have been identified on the basis of a logic consistent with the overall stress test framework, enabling the association of specific levels of propagation and the related impact on the indicators.

For example, systemic events considered in constructing the scenarios include:

- a financial market shock that involves a significant change in the level of interest rates;
- a systemic shock that involves a drastic reduction in access to the money market;
- a liquidity squeeze on the interbank market;
- a recession;
- the default of systemically important counterparties.

Idiosyncratic events considered in constructing scenarios include:

- outflows of liquidity caused by substantial withdrawals of deposits by counterparties;
- the occurrence of reputational events that make it difficult to renew funding sources;
- adverse movements in the prices of asset to which the bank is most exposed;
- significant loan losses.

In determining and constructing combined stress scenarios, the framework provides for a targeted combination of systemic and idiosyncratic events in order to increase the severity of the stress exercises.

1.5 OPERATIONAL RISKS

QUALITATIVE DISCLOSURES

A. GENERAL ASPECTS, MANAGEMENT AND MEASUREMENT OF OPERATIONAL RISKS

Operational risk means the risk of losses caused by the inadequacy or malfunction of procedures, human resources and internal systems or the occurrence of external events. For example, such losses include those caused by fraud, human error, operational interruptions, system unavailability, breach of contract and natural disasters.

In view of the operations that characterize the Iccrea Cooperative Banking Group, it is exposed to operational risks across the entire organization, including IT risks.

Within the regulatory framework, the deregulation and the globalization of financial and payment services, together with the progressive refinement of the financial technology supporting transactions, are making the activities of the entities belonging to the Group, and thus the associated operational risk engendered by ordinary operations, increasingly complex. The increased complexity of the Group with the arrival of the affiliated banks as well as the growing use of highly automated technology under way in the Group can, in the absence of modifications of the control system, transform the risk of manual errors and data processing errors into the risk of significant system malfunctions, given the increasing recourse to integrated IT infrastructure and applications.

In addition, the growing use of electronic money and electronic or on-line payments generates other potential risks (for example, internal and external fraud, system security, customer data processing and IT and cyber risks) whose comprehensive mastery and mitigation, both upstream and in terms of response and containment, represents a strategic and enabling factor in the development of the business and a prerequisite for ensuring compliance with regulatory and payment-circuit requirements.

In addition, the presence of banks and financial companies in the Group, delivering services on a mass scale (both within the Group and to firms and the public) makes it necessary to ensure an appropriate structure and constant evolution of the system of internal controls and constant attention to preventing the risk of rules violations, incurring administrative penalties, etc.

The various types of operational risk to which the Iccrea Group is structurally exposed include IT risk and reputational risk. This is associated with the banking activities carried out with the public and financial and institutional counterparties, as well as the numerous national and international regulations to which the Group is subject.

GOVERNANCE AND ORGANIZATIONAL MODEL

The organizational model of the Risk Management function, adopted since the launch of the Iccrea Cooperative Banking Group, has undergone development and progressive evolution with a view – among other things – to optimizing the dissemination of risk management directives to the affiliated banks and overseeing the performance of the Risk Management function’s activities at the Parent Group, the Operational & Reputational Risk Management unit has been established and charged with centralized responsibility for policy-making and coordinating the operational and reputational risks for the Iccrea Cooperative Banking Group as a whole.

In the second half of 2023, the organizational structure of the CRO Area underwent fine-tuning in order to strengthen specific controls for the management of ICT and security risks consistent with supervisory expectations and the findings of the OSI IT activities that involved the Parent Company between the end of 2022 and the beginning of 2023. In this regard, a dedicated ICT & Security Risk Management unit was created within the CRO staff in order to enhance the effectiveness of actions in the sector, ensuring maximum substantive and formal compliance with the EBA Guidelines and the Circular 285/2013 (40th update). The IT & cyber risk activities previously carried out by the Operational, Reputational & IT Risk Management unit have been folded into the new unit, with a further extension of activities in the “Information Security Risk” area.

These units operate as a specialist hub for operational, reputational and IT risks, supporting the risk management functions of the companies within the direct scope and the affiliated banks.

The evolution of the organizational structure of the CRO area begun in 2023 continued in the first half of 2024. In order to consolidate control of the Group’s non-financial risks within a unified organizational arrangement, the governance and management activities for ICT, IT security, operational and reputational risks were incorporated within a single Non-Financial Risk Management In the first half of 2024, reporting directly to the CRO. It pursues maximum operational effectiveness and leverages the synergies between the different risk profiles of the segment, taking due account of the significant evolution of regulation and the context now under way.

With regard to current Group governance arrangements for the internal control system, the Risk Committee of the Board of Directors of the Parent Company provides support to that Board with regard to risks and the internal control system, including aspects concerning the frameworks for the management of operational reputational and IT risks.

In particular, the Board Risk Committee:

- supports activities to verify the correct implementation of Group strategies, compliance with policies for the governance and management of operational, reputational and IT risk, requesting any appropriate technical analyses and acquiring the necessary documentation for the evaluation of management and mitigation actions for the risks involved;
- conducts a preliminary review of the annual activity programs and reports of the operational, reputational and IT Risk Management unit submitted to the Board of Directors;
- expresses its assessment, prior to approval by the Board of Directors, of Group policies on operational, reputational and IT risks.

OPERATIONAL RISK MANAGEMENT POLICIES

Consistent with the risk management process, the operational, reputational and ICT & security risk management frameworks are structured into the following phases:

- identification of risks (knowledge): a set of activities directed at identifying operational, reputational and IT risks by assessing the factors that drive their dynamics, taking account of the dual perspective of events that have already occurred (i.e. operational loss and incident data) and potential risk (assessed through the collection of business expert opinion).
- evaluation/measurement of identified risks (awareness): a set of activities for assessing/measuring Group operational, reputational and IT risks.
- risk prevention and attenuation (strategy): a set of activities for the ex-ante identification of the possible ways of preventing and mitigating unfavorable developments in the dynamics of operational, reputational and IT risks. Definition of actions to prevent the occurrence of unfavorable events and mitigate the effects of the manifestation of events connected with operational, reputational and IT, and the implementation of measures to ensure that possible risk scenarios underlying operations evolved within the tolerated risk appetite levels defined for specific operating or business segments.
- monitoring and reporting (tracking and control): a set of activities to monitor the Group's risk profile and deliver comprehensive reporting to provide timely, accurate and appropriate support to the decision-making process underlying "Risk Prevention and Mitigation" and "Risk Management and Mitigation".
- risk management and mitigation (reaction and proactivity): a set of activities and actions to support the management of operational, reputational and IT risks, implement actions to prevent the occurrence of adverse events and to attenuate the effects of events related to risks, and to constantly monitor the results of the activities performed. This phase concerns the management of operational, reputational and IT risks subsequent to the preventive measures taken in the strategic assumption of risk, responding to developments (operating losses or changes in the risk profile) that impact the level of risk determined ex ante.

The operational and reputational assessment framework outlined above also includes legal risk and is integrated with that for assessing IT risk (IT Risk Management Framework), in line with the relevant regulations.

The monitoring and control of operational, reputational and IT risks is characterized by activities that involve both business functions and control functions in their respective areas of responsibility. The Risk Management function prepares the necessary reporting in this area, bringing it to the attention of the various internal users (Board bodies, senior management, operating units).

IDENTIFICATION, MEASUREMENT AND ASSESSMENT OF RISKS

For the purpose of calculating capital requirements for operational risk, the Iccrea Cooperative Banking Group mainly uses the Basic Indicator Approach (BIA),[32] which provides for the application of a fixed percentage (15%) to the average of the last three observations of the "relevant indicator" determined in accordance with the provisions of the CRR.

Following the creation of the Iccrea Cooperative Banking Group, and the consequent affiliation of the mutual banks, the components of the operational, reputational and IT risk management framework have been adopted by the companies in the direct scope of the Group and by the affiliated banks.

The methodological aspects underlying the management framework and the related procedures for application to the Group companies were formalized and first approved at the end of 2019, and updated in the following years, as part of specific Group Policies (Operational Risk Management Framework, IT Risk Management Framework, Loss Data Collection, Operational Risk Self-Assessment – OR-SA - and the ICT & Security Risk Management Framework and IT Risk Assessment – IT-RA), which are currently adopted by all Group companies. In 2024, further activities leading up to the development of the application system to support operational, reputational and IT risk management activities continued.

The loss data collection process has currently been adopted by all the Group companies that contribute, with a specified frequency, to the collection of historical events and losses through the Group application solution, which is available to both the companies within the direct scope of the Group and the affiliated banks.

As regards the assessment processes for operational risks (OR-SA) and IT risk (IT-RA), the identification and assessment of prospective risks have been conducted on the basis of a specified work plan for certain companies within the direct scope and for the affiliated banks. As regards IT risk, the annual ICT & Security risk profile assessment was completed in April 2024, which involved the IT services and components managed by BCC Sistemi Informatici, BCC Sinergia and Iccrea Banca.

In addition, throughout the first half of 2024, consistent with efforts the previous year and in step with the evolution of the management framework and the release of applications, the informational and training effort for the Operational, Reputational and ICT & Security Risk Management framework continued, with specific attention being paid to operating approaches and support applications. The Risk Management function also supported the collection of operational loss events at the Group level for QIS and COREP regulatory reporting purposes, and made a contribution in its areas of expertise to the stress testing provided for in the ICAAP.

RISK PREVENTION AND ATTENUATION

The units involved in operations perform first-level controls to assess and report any irregularities associated with operational issues.

Second-level control units oversee the appropriateness and effectiveness of the organizational and management arrangements taken to address operational, reputational and IT risk within the Group's internal control systems. These include the Operational, Reputational and IT Risks, Compliance and Anti-Money-Laundering units both of the Parent Company and the individual subsidiaries and affiliated banks. These units are active in planning the system and, above all, in verifying its ongoing operation, assessing its adequacy and effectiveness in managing internal and external risks.

Internal Audit performs third-level controls, which are intended to identify violations of procedures and regulations and to periodically assess the comprehensiveness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the internal control system in relation to the nature and magnitude of the risks involved.

The locus of the strategic and operational management of credit risk is the Group's Risk Appetite Statement, through a system of monitoring thresholds and limits (tolerance and capacity), with compliance ensured by the monitoring and control activities of the competent units.

The Group RAS sets out (specifying the legal entities within scope) the main indicators of operational and reputational risks (such as maximum operational loss and findings of risk assessment activities), supplemented by specific indicators for ICT & Security risks (such as the Vulnerability Management Ratio or the Third Party Cloud Ratio).

[32] One affiliated bank adopts the Traditional Standardized Approach (TSA).

Monitoring and reporting

The monitoring and control of operational, reputational and IT risks is characterized by activities that involve both business functions and control units and functions in their respective areas of responsibility. In particular, these activities are governed by the unified management framework described earlier and defined within the applicable policies.

In this area, the Risk Management function prepares the necessary periodic reporting, bringing it to the attention of the various internal structures involved (Board of Directors, senior management, operating units).

Risk management and mitigation

Operational, reputational and IT risk management and mitigation activities are governed by a set of codified and formalized rules that include:

- the activities and actions that must be performed in each operating and business segment in order to manage developments in the risks assumed;
- the adoption of a set of measures for managing the problems found as part of the risk assessment framework;
- the actions to be taken in the event of breaches of monitoring thresholds or risk tolerances and the risk limits set out in the Risk Appetite Statement;
- the actions to be taken in the event of breaches of the limits defined in risk policies.

QUANTITATIVE DISCLOSURES

As provided for in Circular 285/2013 of the Bank of Italy as updated, for reporting purposes the Group calculates operational risks using the Basic Indicator Approach.

Under the Basic Indicator Approach, the capital requirement is calculated by applying a regulatory coefficient to an indicator of the volume of business, which in the case of Iccrea is the relevant indicator.

In particular, the Group capital requirement, equal to 15% of the average of the last three observations of the relevant indicator at the end of the previous year, amounted to €792 million.

RELEVANT INDICATOR	VALUE
- at December 31, 2023	5,927,046
- at December 31, 2022	5,446,508
- at December 31, 2021	4,458,790
Relevant indicator average	**5,277,448**
Regulatory coefficient	**15%**
Capital requirement	**791,617**

PART F - INFORMATION ON CONSOLIDATED CAPITAL

SECTION 1 - CONSOLIDATED CAPITAL

A. QUALITATIVE DISCLOSURES

The Group's strategic priorities include monitoring the amount and dynamics of its capital. Capital constitutes the first bulwark against the risks associated with operations and the main reference parameter for assessments of the Group's solvency by supervisory authorities and investors. It contributes positively to the formation of operating income, funds the Group's technical and financial fixed assets and supports dimensional growth, representing a decisive element in the development phases.

Managing capital adequacy at the consolidated and individual levels involves defining the scale and optimal combination of different capital instruments, in compliance with regulatory constraints and consistent with the risk profile assumed by the Group.

The notion of capital adopted by the Group in its assessments is the "own funds" aggregate as established with Regulation (EU) No. 575/2013 (CRR), broken down into the three components of Common Equity Tier 1 (CET 1), Tier 1 and Tier 2. The capital thus defined, the main resource for supporting corporate risks according to prudential supervisory regulations, is the best foundation for the effective management of risk, both from a strategic and operational standpoint, as it a financial resource capable of absorbing the possible losses produced by the Group's exposure to all the risks it has assumed.

Current and forward-looking capital adequacy is therefore monitored in two spheres:

- regulatory capital to cover Pillar I risks;
- total internal capital to cover Pillar II risks, for ICAAP purposes.

In the evolutionary sizing of the Group's own funds, the specific policies for allocating the net profit of the affiliated banks play an important role, seeking to support the constant strengthening of reserves. In compliance with the specific sector regulations, these banks allocate a large majority of their net profits to indivisible reserves. Capital adequacy compliance is pursued not only through careful policies for the distribution of the available component of profits but also through the prudent management of investments, in particular loans, in line with risk represented by counterparties and the related capital requirements, and with plans for strengthening capitalization based on the expansion of the shareholder base and the issue by the Parent Company of subordinated liabilities or additional equity instruments eligible for inclusion in the relevant own funds aggregates.

More specifically, in order to constant maintain its capital adequacy, the Group has deployed processes and tools to determine the level of internal capital adequate to face any type of risk assumed, as part of an assessment of the current, prospective and "stressed" exposure that takes account of corporate strategies, growth objectives and developments in the reference context.

A careful assessment of the compatibility of projections is carried out annually as part of the process of setting budget targets. Depending on the expected developments in balance sheet and income statement aggregates, any necessary initiatives are taken at this stage to ensure financial balance and the availability of financial resources consistent with the strategic and development objectives of the individual entity and the Group as a whole.

Compliance with supervisory requirements and the consequent adequacy of capital is verified on a quarterly basis. The aspects subject to verification are mainly the ratios connected with the Group's financial structure (loans, impaired exposures, non-current assets, total assets) and the degree of risk coverage.

Additional specific analyzes for the purpose of the preventive assessment of capital adequacy are carried out when necessary prior to extraordinary operations such as mergers and acquisitions, or the sale of assets.

The minimum capital requirements are those established by applicable supervisory regulations (Article 92 of the CRR), according to which the Common Equity Tier 1 ratio must be at least 4.5% of total risk weighted assets ("CET1 capital ratio"), Tier 1 capital must represent at least 6% of total risk weighted assets ("Tier 1 capital ratio") and total own funds must be at least 8% of total weighted assets ("Total capital ratio").

In addition, the competent supervisory authorities periodically issue a specific decision regarding the capital requirements that the Group must comply with following the prudential review and evaluation process ("SREP") conducted pursuant to Article 97 et seq. of Directive 2013/36/EU (CRD IV).

In particular, Article 97 of the CRD IV establishes that the competent authorities shall periodically review the arrangements, strategies, processes and mechanisms that groups and supervised banks implement to face the risks to which they are exposed. With the SREP, the competent authorities therefore review and evaluate the process of determining capital adequacy conducted internally by the Group, analyze its risk profile individually and from an aggregate perspective, including under stress conditions, and assess its contribution to systemic risk; assess the corporate governance system, the operation of corporate bodies, the organizational structure and the internal control system; and verifies compliance with all prudential rules.

With regard to the outcome of the Supervisory Review and Evaluation Process (SREP), on November 30, 2023, the supervisory authorities notified Iccrea Banca of results of the SREP decision, which establishes the prudential requirements to be respected at the consolidated level with effect from January 1, 2024 (broken down into own funds requirements and qualitative requirements). With this decision, the supervisory authorities established consolidated own funds requirements for 2024:

- an additional Pillar 2 requirement (P2R) of 2.53% (of which 3 bps for the NPE P2R which could be lowered by the end of the year subject to certain conditions) of which a minimum of 56.25% to be held in the form of Common Equity Tier 1, CET1) and 75% in the form of Tier 1 capital;
- a recommendation for Pillar 2 Guidance (P2G) of 1.25%, which should consist entirely of Common Equity Tier 1 capital and held in addition to the Overall Capital Requirement (OCR).

Given the above, for 2024 the Iccrea Cooperative Banking Group is therefore required to meet:

- a Total SREP Capital Requirement (TSCR) of 10.53%;
- an OCR equal to 13.115%;
- a Target Requirement (including P2G) of 14.405%.

With regard to the Group's affiliated banks, the SREP decision did not impose own funds requirements to be met on an individual basis. Therefore, in order to comply with the aforementioned consolidated requirements, mechanisms have been provided for their allocation at individual level within the main risk governance processes (i.e. RAF, EWS), compatibly with the capital resources of each affiliated bank, thus ensuring that the Group's strategies and capital constraints are also reflected at the individual level.

B. QUANTITATIVE DISCLOSURES

B.1 CONSOLIDATED EQUITY: BREAKDOWN BY TYPE OF ENTITY

The table reports the components of equity at carrying amount, adding the Group’s equity to that pertaining to non-controlling interests, broken down by the type of consolidated entity. More specifically:

- the column, “Prudential consolidation” reports the amount resulting from consolidation of the companies belonging to the banking group, gross of the financial effects of any transactions that may have been performed with other companies included within the scope of consolidation; fully-consolidated subsidiaries, other than those in the “Banking Group”, are measured using the equity method here;
- the column “Other entities” reports the amounts resulting from consolidation, including financial effects deriving from transactions carried out with companies that are part of the banking group;
- the column “Consolidation eliminations and adjustments” shows the adjustments necessary to obtain the figures reported in the financial statements.

	Prudential consolidation	Insurance undertakings	Other entities	Consolidation eliminations and adjustments	Total
1. Share capital	2,295,122	-	-	-	2,295,122
2. Share premium reserve	153,509	-	-	-	153,509
3. Reserves	12,497,767	-	-	-	12,497,767
4. Equity instruments	30,139	-	-	-	30,139
5. (Treasury shares)	(1,383,958)	-	-	-	(1,383,958)
6. Valuation reserves:	100,213	-	-	-	100,213
- Equity securities designated as at fair value through other comprehensive income	12,876	-	-	-	12,876
- Hedges of equity securities designated as at fair value through other comprehensive income	-	-	-	-	-
- Financial assets (other than equity securities) measured at fair value through other comprehensive income	(133,531)	-	-	-	(133,531)
- Property, plant and equipment	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Hedging of investments in foreign operations	-	-	-	-	-
- Cash flow hedges	(2,037)	-	-	-	(2,037)
- Hedging instruments [undesignated elements]	-	-	-	-	-
- Foreign exchange differences	-	-	-	-	-
- Non-current assets held for sale	-	-	-	-	-
- Financial liabilities designated as at fair value through profit or loss (change in own credit rating)	-	-	-	-	-
- Actuarial gains (losses) on defined benefit plans	(34,547)	-	-	-	(34,547)
- Share of valuation reserves of equity investments accounted for using equity method	1,457	-	-	-	1,457
- Special revaluation laws	255,995	-	-	-	255,995
7. Net profit (loss) for the period (+/-)	1,055,962	-	-	-	1,055,962
Total	**14,748,754**	-	-	-	**14,748,754**

B.3 VALUATION RESERVES FOR FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: CHANGE FOR THE PERIOD

	Debt securities	Equity securities	Loans
1. Opening balance	**(125,073)**	**18,395**	-
2. Increases	**25,544**	**3,637**	-
2.1 Fair value gains	15,210	2,930	-
2.2 Writedowns for credit risk	1,186	X	-
2.3 Reversal to profit or loss of negative reserves: from realization	9,148	X	-
2.4 Transfers to other components of equity (equity securities)	-	9	-
2.5 Other changes	-	698	-
3. Decreases	**34,002**	**9,156**	-
3.1 Fair value losses	27,694	3,471	-
3.2 Writebacks for credit risk	737	-	-
3.3 Reversal to profit or loss of positive reserves: from realization	5,024	X	-
3.4 Transfers to other components of equity (equity securities)	-	5,005	-
3.5 Other changes	547	680	-
4. Closing balance	**(133,531)**	**12,876**	-

B.4 VALUATION RESERVES FOR DEFINED-BENEFIT PLANS: CHANGE FOR THE PERIOD

Valuation reserves for defined-benefit plans were a negative €34.5 million. The following table reports changes in the period as a result of changes in financial assumptions and the time value effect.

	30/06/2024
1. Opening balance	**(39,149)**
2. Increases	**5,847**
2.1 Actuarial gains from changes in financial assumptions	4,645
2.2 Actuarial gains from changes in demographic assumptions	8
2.3 Actuarial gains from experience adjustments	502
2.4 Other increases	692
3. Decreases	**235**
3.1 Actuarial losses from changes in financial assumptions	13
3.2 Actuarial losses from changes in demographic assumptions	51
3.3 Actuarial losses from experience adjustments	169
3.4 Other decreases	1
4. Tax effect	(1,010)
5. Closing balance	**(34,547)**

SECTION 2 – OWN FUNDS AND CAPITAL RATIOS

See the disclosures on own funds and capital adequacy in the Third Pillar disclosures.

PART G - BUSINESS COMBINATIONS

SECTION 1 – TRANSACTIONS CARRIED OUT DURING THE PERIOD

No business combination transactions were carried out during the period that resulted in the acquisition of control pursuant to IFRS 3.

For corporate reorganization purposes, Banca Patavina Credito Cooperativo di Sant'Elena e Piove di Sacco was merged into BCC di Verona e Vicenza Credito Cooperativo – Società Cooperativa, giving rise to BCC Veneta SC with accounting effect from January 1, 2024.

In compliance with accounting practice for transactions of this kind, the merger was accounted for on an unchanged values basis and had no impact on the consolidated financial statements.

SECTION 2 – TRANSACTIONS AFTER THE CLOSE OF THE PERIOD

In January 2024 the ECB authorized the merger of Cassa Rurale ed Artigiana dell'Agro Pontino – Banca di Credito Cooperativo - Società Cooperativa into Banca di Credito Cooperativo di Roma – Società Cooperativa, with effect from July 1, 2024.

Furthermore, on March 28. 2024 the Board of Directors of Iccrea Banca assessed and authorized the partial non-proportional demerger of Banca di Pisa e Fornacette Credito Cooperativo - Società cooperativa per azioni with the transfer to:

- Banca di Pescia e Cascina Credito Cooperativo – Società Cooperativa of a group of 4 branches;
- Banco Fiorentino – Mugello Impruneta Signa – Credito Cooperativo of a group of 10 branches.

The demerger is expected to be completed by December.

The above transactions will have no impact on the consolidated financial statements as they have been carried out on an unchanged values basis solely for corporate reorganization purposes.

SECTION 3 – RETROSPECTIVE ADJUSTMENTS

The section has not been completed because there were no such positions as of the reporting date.

PART H - TRANSACTIONS WITH RELATED PARTIES

1. INFORMATION ON THE REMUNERATION OF KEY MANAGEMENT PERSONNEL

The following table provides information on the remuneration paid in the first half of 2024 to key management personnel as required by IAS 24. Key management personnel are managers who have the power and responsibility, directly or indirectly, for the planning, management and control of the Group's activities, including the directors and members of the supervisory bodies.

	30/06/2024				
	Short term benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments
Key management personnel	4,501	132	-	-	-

2. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

For the purposes of the preparation of these disclosures, pursuant to IAS 24 a related party is a person or entity who is related to the entity preparing the financial statements.

In application of that standard, the related parties of the Group include:

- unconsolidated subsidiaries;
- associated companies and their subsidiaries;
- key management personnel of the Group;
- members of the immediate family of key management personnel and companies controlled, alone or jointly, by key management personnel or members of their immediate family;
- post-employment benefit plans for Group employees.

The Iccrea Cooperative Banking Group has adopted a document governing the principles and rules applicable to related party transactions in compliance with supervisory regulations contained in Circular no. 263/2006 of the Bank of Italy.

Transactions between the Group and corporate officers regard normal Group operations and were carried out, where applicable, applying the terms reserved for all employees. Transactions with subsidiaries not consolidated on a line-by-line basis and transactions with associated companies regarded ordinary operations within a multi-functional banking organization.

In compliance with supervisory regulations, all transactions carried out by Group companies with their related parties were carried out in compliance with the principles of substantive and procedural fairness, on terms analogous to those applied to transactions with independent non-Group counterparties. No unusual or atypical transactions were carried out by Group companies with related parties, nor were any such transactions carried out with other counterparties.

The following table summarizes transactions and their financial effects carried out in the first half of 2024 with the related parties of the Group other than fully consolidated intercompany transactions.

	30/06/2024			
	Unconsolidated subsidiaries	Associated companies	Key management personnel	Other related parties
Financial assets	295,977	374,203	986	4,299
Total other assets	592	9,801	-	29
Financial liabilities	7,728	278,334	1,743	10,330
Total other liabilities	453	3,326	-	300
Commitments and financial guarantees issued	1,343	345,383	71	467
Commitments and financial guarantees received	-	-	840	5,912
Provisions for doubtful accounts	-	6,605	-	-

	30/06/2024			
	Unconsolidated subsidiaries	Associated companies	Key management personnel	Other related parties
Interest income	944	1,816	26	111
Interest expense	(148)	(5,027)	(26)	(65)
Dividends	-	-	-	-
Fee and commission income	277	174,963	4	16
Fee and commission expense	(127)	(113,035)		-
Net gain (loss) on trading activities	-	-	-	-
Net gain (loss) on hedging activities	-	-	-	-
Other operating expenses/income	121	12,695	(104)	(1,475)
Writedowns/writebacks of impaired financial assets	17	(72)	-	-

During the period, the Group did not conduct any transactions classifiable as of “greater importance” on non-ordinary or non-market or standard terms and conditions.

Major transactions with unconsolidated subsidiaries and associated entities included:

- loans to the vehicle Iccrea Covered Srl attributable to the liquidity generated from collections on the loans underlying the securitization in the amount of €274.7 million;
- commitments to provide financing to BCC Vita in the amount of €269.5 million, as set out in the partnership arrangements between Iccrea Banca and the BNP Paribas Group.

PART I - SHARE-BASED PAYMENTS

The Iccrea Cooperative Banking Group has no payment agreements based on its own equity instruments in place.

PART L - OPERATING SEGMENTS

A. PRIMARY REPORTING BASIS

The companies within the Group mainly operate exclusively in the following segments:

- Institutional: business conducted with institutional counterparties (mutual banks, other banks and public institutions), such as payment services, financial intermediation (trading and capital markets), and foreign activities, as well as additional support services for affiliated banks. The segment includes the operations of the Parent Company, BCC Sistemi Informatici, BCC Gestione Crediti, BCC Sinergia, BCC Beni Immobili, Sigest and BCC POS;
- Corporate: business focused mainly on financing small and medium-sized companies that are customers of the mutual banks. The segment includes the operations of BCC Leasing, BCC Rent&Lease, BCC Factoring and BCC Financing;
- Retail: mainly asset management activities on an individual and collective basis for retail customers (BCC Risparmio&Previdenza), consumer credit (BCC CreditoConsumo) and the traditional banking activities of Banca Sviluppo;
- Mutual banks: includes all of the mutual banks that have joined the Group and the associated Guarantee Scheme.

The following reports a summary income statement and key financial aggregates by business segment. The column reporting inter-segment transactions includes intercompany eliminations between the companies included in different segments.

A.1 DISTRIBUTION BY BUSINESS SEGMENT: INCOME STATEMENT

	CORPORATE	INSTITUTIONAL	RETAIL	MUTUAL BANKS	INTER-SEGMENT TRANSACTIONS	TOTAL
Net interest income	55,080	139,266	34,679	2,026,076	(54,358)	2,200,744
Net fee and commission income	4,993	37,251	42,455	612,891	(16,620)	680,970
Other financial expense and income	1,150	23,717	11	40,444	40,215	105,538
Gross income	**61,223**	**200,234**	**77,146**	**2,679,412**	**(30,763)**	**2,987,251**
Net value adjustments	10,921	(12,596)	2,258	(179,449)	(0)	(178,866)
Net gains (losses) on financial operations	**72,143**	**187,638**	**79,403**	**2,499,963**	**(30,763)**	**2,808,385**
Operating expenses	(34,791)	(118,866)	(31,967)	(1,354,666)	(35,464)	(1,575,754)
Other costs and revenues	-	8,319	-	(976)	(1,074)	6,269
Profit/(loss) from continuing operations before tax	**37,352**	**77,091**	**47,436**	**1,144,320**	**(67,300)**	**1,238,900**
Income tax for the period on continuing operations	(12,691)	(5,291)	(15,414)	(177,922)	(1,161)	(212,480)
Profit (loss) after tax on continuing operations	**24,661**	**71,800**	**32,022**	**966,398**	**(68,461)**	**1,026,420**
Profit (loss) after tax on discontinued operations		29,542				29,542
Profit/(loss) for the period	**24,661**	**101,342**	**32,022**	**966,398**	**(68,461)**	**1,055,962**
Profit/(loss) for the period pertaining to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**
Profit/(loss) for the period pertaining to shareholders of the Parent Company	**24,661**	**101,342**	**32,022**	**966,398**	**(68,461)**	**1,055,962**

A.2 DISTRIBUTION BY BUSINESS SEGMENT: BALANCE SHEET

	CORPORATE	INSTITUTIONAL	RETAIL	MUTUAL BANKS	INTER-SEGMENT TRANSACTIONS	TOTAL
Financial assets	364,222	15,343,962	55,497	51,032,364	(5,538,633)	61,257,412
Due from banks	72,264	22,735,672	2,327	9,338,258	(30,758,869)	1,389,652
Loans to customers	4,634,867	10,111,717	1,736,997	79,198,559	(2,676,255)	93,005,885
Funding from banks	4,264,168	27,521,769	1,724,524	19,515,067	(42,922,949)	10,102,578
Funding from customers	311,600	14,434,624	629	108,377,795	(133,390)	122,991,257
Securities and other financial liabilities	58,413	8,450,305	2,549	10,390,768	(4,104,711)	14,797,324

B. SECONDARY REPORTING BASIS

As regards the secondary reporting basis, please note that the Group operates almost exclusively in Italy.

PART M - LEASE DISCLOSURES

SECTION 1 – LESSEE

QUALITATIVE DISCLOSURES

At the reporting date, the Group had 3,156 lease/rental contracts falling within the scope of IFRS 16 as they refer to operating leases involving property, plant and equipment in the following classes of assets:

- capital equipment (printers and other office equipment, personal computers, servers, smartphones/tablets, cars and company vehicles, advanced ATMs, etc.);
- real estate, in particular the premises in which the branches operate and spaces for ATMs.

These assets are mainly intended for use in the normal operations of the company and for this reason they are mainly classified under assets held for use in operations. For more details on the recognition and measurement criteria involved, please see Part A “Accounting Policies” of these notes to the financial statements.

The rental contracts entered into by the Group normally provide for fixed payments for a specified period of time and, with the exception of property leases, do not envisage an extension option. Based on the foregoing, the effective term of the individual leases is taken into account for the purpose of accounting for the rights of use, while in cases in which an extension option is envisaged and its exercise is considered highly probable, the Group considers the contractual term inclusive of the extension period, unless factors or specific situations envisaged within the contract suggest a different assessment. This is because the properties in question are functional to the performance of the activities of the Group companies and non-exercise of the extension option is only considered in cases where impediments have arisen independently on the intentions of the companies themselves, i.e. the decision not to extend the lease was prompted by initially unforeseeable circumstances (e.g. changes of location, increase in lease payments, etc.).

If provided for by the lease agreement, the Group also does not consider early termination options unless factors or specific circumstances make it highly probable that the option will be exercised before the expiry of the lease (such as, for example, the impediments or the specific needs mentioned above).

QUANTITATIVE DISCLOSURES

For further quantitative information concerning the assets acquired by the Group through leases, please see the disclosures provided in the tables in the sections of the notes to the financial statements indicated below:

- part B, assets, section 9, as regards rights of use in respect of leased assets held at the reporting date;
- part B, liabilities, section 1, as regards lease liabilities outstanding at the reporting date;
- part C, section 1, as regards interest expense on leasing liabilities accrued during the year;
- part C, section 14, as regards depreciation of rights of use recognized during the year.

Note that in determining the depreciation rates to be applied to the rights of use in respect of assets acquired under leases, reference has been made to the contractual term of the underlying leases, also taking account any extension/termination options where the probability that they will be exercised is considered high, depending on the nature of the transaction (finance/operating lease) and the type of asset.

SECTION 2 – LESSOR

QUALITATIVE DISCLOSURES

Lease transactions undertaken by Group mutual banks as a lessor are negligible.

The contracts mainly regard concern the lease of commercial and residential properties.

The Group mainly enters into finance leases with customers and is active in the real estate, residential, equipment, vehicle and marine lease sectors.

Lease payments for the period are recognized in profit or loss under operating income.

For more details on the recognition and measurement criteria involved, please see Part A "Accounting Policies" of these notes to the financial statements.

QUANTITATIVE DISCLOSURES

1. INFORMATION IN THE BALANCE SHEET AND INCOME STATEMENT

For additional quantitative information on lease transactions carried out by the Group, please see the tables in the following sections:

- part B, Assets, section 4, as regards lease financing granted by the Group in relation to finance leases;
- part C, section 1, as regards interest income on the above lease financing accrued during the period;
- part C, section 16, as regards other income connected with the lease operations undertaken the Group as a lessor.

2. FINANCE LEASES

2.1 CLASSIFICATION BY MATURITY OF PAYMENTS TO BE RECEIVED AND RECONCILIATION WITH LEASE FINANCING RECOGNIZED UNDER ASSETS

	Total 30/06/2024	Total 31/12/2023
	Payments to be received for leases	Payments to be received for leases
Up to 1 year	844,604	842,579
From more than 1 year up to 2 years	701,532	697,525
From more than 2 years up to 3 years	559,562	569,169
From more than 3 years up to 4 years	434,787	432,035
From more than 4 years up to 5 years	279,846	305,565
From more than 5 years	760,757	836,776
Total payments to be received for leases	**3,581,088**	**3,683,648**
Reconciliation with financing	**1,066,222**	**1,017,078**
Financial income not accrued (-)	499,960	435,441
Unguaranteed residual value (-)	566,262	581,637
Lease financing	**2,514,866**	**2,666,570**

The balance of lease financing does not include past due principal and interest, exposures to terminated leases or writedowns on outstanding financing at the reporting date.

2.2 OTHER INFORMATION

No other information to report.

3. OPERATING LEASES

3.1 CLASSIFICATION BY MATURITY OF PAYMENTS TO BE RECEIVED

	Total 30/06/2024	Total 31/12/2023
	Payments to be received for leases	Payments to be received for leases
Up to 1 year	2,416	3,723
From more than 1 year up to 2 years	2,081	2,872
From more than 2 years up to 3 years	1,687	2,478
From more than 3 years up to 4 years	1,276	1,915
From more than 4 years up to 5 years	749	1,098
From more than 5 years	719	1,476
Total	**8,928**	**13,562**

3.2 OTHER INFORMATION

No other information to report.

CERTIFICATION OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (ART. 154 BIS, PARAGRAPH 5, LEGISLATIVE DECREE 58/1998)

GRUPPO BCC
ICCREA

Certification of the condensed half-year consolidated financial statements at 30 June 2024 pursuant to art. 81-ter of Consob Regulation no. 11971 and subsequent additions and amendments

1) The undersigned Giuseppe Maino, as Chairman of the Board of Directors, and Marianna Di Prinzio, as Manager responsible for preparing the Company's financial reports of Iccrea Banca S.p.A., having considered the requirements of Article 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 dated 24 february 1998, confirm:
    - the adequacy, in relation to the characteristics of the Bank, and
    - the proper application of the administrative and accounting procedures adopted for the preparation of the condensed half-year consolidated financial statement in the first half of 2024.

2) This assessment of the adequacy of the administrative and accounting procedures adopted for the preparation of the condensed half-year consolidated financial statements at 30 June 2024 is based on a model developed by Iccrea Banca S.p.A., consistent with the Internal Control - Integrated Framework ("CoSO[1]"). This framework represents reference standards for systems of internal control that are generally accepted at an international level.

3) The undersigned also certify that:

- the Condensed half-year Consolidated Financial Statements at 30 June 2024:
    a) have been prepared in compliance with applicable International Accounting Standards as endorsed by the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 and the enabling regulations for art. 9 of this Decree;
    b) agree with the underlying accounting records and entries;
    c) present a true and fair view of the assets, liabilities, profit or loss and financial position of the issuer and the group of companies included within the scope of consolidation.
- The interim report on operations includes a reliable analysis of the key events that took place during the first half of 2024 and of their impact on the condensed half-year financial statements, together with a description of the principal risks and uncertainties affecting the second half of the year. The report on operations also includes a reliable analysis of significant transactions with related parties.

Rome, 27 September 2024

Signed by
Giuseppe Maino
Chairman of the Board of Directors

Signed by
Marianna di Prinzio
Manager responsible for preparing the Company's financial reports

[1] The CoSO Framework was developed by the Committee of Sponsoring Organizations of the Treadway Commission, a U.S. organization aimed at improving the quality of corporate reporting by establishing ethical standards and an effective corporate governance and organizational system.

REPORT OF THE AUDIT FIRM

Iccrea Banca S.p.A.

Auditor's review report on interim consolidated financial statements

(Translation of the original report issued in Italian)

Interim consolidated financial statements as at 30 June 2024

ORMB/VRCN/vbrb – R2024/01172

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Review report on the interim consolidated financial statements

(Translation of the original report issued in Italian)

To the shareholders of Iccrea Banca S.p.A.

Introduction

We have reviewed the attached interim consolidated financial statements, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholder's equity, the statement of cash flows, and the related explanatory notes of Iccrea Cooperative Banking Group as at June 30, 2024. The directors are responsible for the preparation of the interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the attached interim consolidated financial statements of Iccrea Cooperative Banking Group, as at June 30, 2024, have not been prepared, in all significant aspects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Rome, September 27, 2024

Forvis Mazars S.p.A.

Signed on the original

Olivier Rombaut
Partner - Registered auditor

(*) This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.